

Working after Retirement

This document provides information related to retired CalSTRS members who return to work in the California public school system and perform retired member activities pursuant to Education Code section 22164.5 or retired participant activities pursuant to Education Code section 26135.7. References to other Education Code (EDC) sections are provided where applicable.

Questions? Contact EmployerHelp@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review. For questions specific to exemptions from requirements, contact PostRetirement@CalSTRS.com.

Revised: [05/18/2021]

What are retired member and retired participant activities?

Retired member activities and retired participant activities are creditable service activities described in EDC 22119.5 and 26133 performed by a retired member under the Defined Benefit Program or a retired participant under the Cash Balance Benefit Program in the California public school system as:

- An employee of a CalSTRS employer; or
- An employee of a third party (unless excluded); or
- An independent contractor.

Whether activities are retired member or retired participant activities depends on what CalSTRS program the employee retired under, not what program the employer offers. Activities included in retired member activities and retired participant activities differ from activities that are considered creditable service for active employees because the activities include those performed for a third-party and as an independent contractor and the activities do not need to meet the minimum requirements described in EDC 22119.5(a).

Outgrowth Activities

Similar to creditable service for active employees, California public school activities related to, and an outgrowth of, the instructional and guidance program of the California public school are considered retired member or retired participant activities when performed for the same employer for which the member is performing another activity described in EDC 22119.5.

Classified Positions

EDC 45134 and EDC 88033 restrict the employment of CalSTRS retirees in classified positions. These statutes are outside of Teachers' Retirement Law so we're unable to provide guidance. Contacted the California Department of Education for support.

Third-Party Employment Exclusion

An employee of a third-party may be eligible for an exclusion from reporting and limitations if:

- The employee performs an assignment of 24 months or less; and
- The third-party employer does not participate in a California public pension system; and
- The activities performed by the individual are not normally performed by employees of a CalSTRS employer

We have not identified examples of service that would meet this exclusion. If you have a position you think may qualify contact Postretirement@CalSTRS.com.

Volunteering

Since Education Code section 24214 and 26812 state that retired members and retired participants cannot earn less than an active member or participant in a comparable position, a CalSTRS retiree may not return and perform retired member or retired participant activities as a volunteer in a position that would otherwise be reportable to CalSTRS.

What happens to the CalSTRS retirement incentive? (EDC 22714)

Members who retire under the CalSTRS Retirement Incentive Program will lose the ongoing increase in their benefit if they do any of the following:

- Take any job, including substitute teaching, an employee of third-party administrator, or as an independent contractor, within five years of retirement with the employer that offered the incentive.
- Receive unemployment benefits within one year of their retirement date.
- Reinstate to active membership.

What is the separation-from-service requirement?

Retired Members

Employees cannot earn compensation for retired member activities during the first 180 calendar days after their most recent retirement date without affecting their benefit. There is a dollar for dollar reduction for any earnings in the first 180 calendar days, up to the benefit payable (excluding benefits from the Defined Benefit Supplement Program) for the 180-calendar day period per Education Code section 24214.5. This reduction applies to all retired members under the Defined Benefit Program unless exempt.

Retired Participants

Employees cannot earn compensation for retired participant activities during the first 180 calendar days after their most recent retirement date without affecting their benefit. There is a dollar for dollar reduction for any earnings in the first 180 calendar days, up to the benefit

payable for the 180-calendar day period pursuant to Education Code section 26812. This reduction only applies to retired participants who elect to receive their retirement benefit under the Cash Balance Benefit Program in the form of an annuity.

Lump-sum retirement benefits under the Cash Balance Benefit Program are not payable until 180 calendar days after termination of employment and will be cancelled if the employee earns compensation for retired participant activities during that period.

Exemption from Separation-from-Service Requirement

You can hire a retired member or retired participant during the first 180 calendar days of their retirement and request an exemption from the separation-from-service requirement if you have a critically needed position that necessitates hiring them. You must have a board resolution from your governing board justifying the need. For additional information and a sample resolution, see [Employer Information Circular Volume 32; Issue 3](#) available at CalSTRS.com.

You can submit an exemption request by submitting an Employee Change Request and the board resolution. For more information, see the [Employee Change Requests – SR Earnings Limit Exemption](#) job aid available on employersupport.calstrs.com.

What is the annual postretirement earnings limit?

Retired Members

After the 180-calendar day separation-from-service requirement, retired members can earn up to the fiscal year postretirement earnings limit without impact to their benefit. If retired members exceed the annual earnings limit, CalSTRS will withhold any excess earnings up to the benefit payable from the members' retirement checks. The earnings limit for the 2020-21 fiscal year is \$47,713. The earnings limit for the 2021-22 fiscal year is \$48,428.

Retired Participants

There is no annual earnings limit for retired participants.

Exemptions from the Annual Postretirement Earnings Limit

There are no exemptions from the limit.

What are my responsibilities as an employer?

Notification of Impact to Benefits

You must notify CalSTRS retirees hired to perform retired member activities or retired participant activities of the applicable separation-from-service requirement and annual earnings limitation, and, if applicable, the revocation of the increase associated with the CalSTRS Retirement Incentive Program.

Enrollment

Contribution File format users must submit a new enrollment using the Employment File or the Employment Maintenance screen before they can report compensation associated with working after retirement. Enroll the employee using **Transaction Sub-Type Working after Retirement (WART)** and **Benefit Program Defined Benefit (DB)**.

F496 File format users do not need to submit an enrollment before submitting compensation associated with working after retirement.

Earnings Reporting

Earnings you report for retired members and retired participants differ from the creditable compensation you report for active employees. You must report payments made for the performance of retired member activities and retired participant activities, including payments:

- Paid in cash, excluding reimbursements paid by an employer for expenses incurred by the member in which payment of the expenses is substantiated.
- To participate in a deferred compensation plan.
- To purchase an annuity contract, tax-deferred retirement plan, or insurance program.
- For contributions to a plan that meets the requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States Code when the cost is covered by an employer.

Unlike compensation paid to active employees, compensation paid for the performance of retired member activities or retired participant activities should be reported for a DB 2% at 62 or CB PEPRA member even if the compensation is not paid every pay period in which the service is performed.

Contribution File format users report compensation associated with working after retirement using **Benefit Program Member Code Nonmember (DB2)**, **Assignment Code Working after Retirement (61)**, and **Service Type Retired Activities (RETA)**. Compensation is reported to the Defined Benefit Program regardless of whether the employee is performing retired member or retired participant activities. If you need to report a retroactive pay rate increase for a retiree working after retirement, report the compensation with **Transaction Type Adjustment** rather than **Transaction Type Retroactive Pay Rate**.

F496 File format users report compensation associated with working after retirement using **Member Code Nonmember (2)** and **Assignment Code Retiree (61)**. Compensation is reported using the F496 File even if the employee is performing retired participant activities.