

PAYROLL USERS GROUP

Wednesday, February 22, 2023

9:00 AM

City Centre – Conference Room 1A

AGENDA

- 1. CalSTRS Updates**
 - a. Handouts**
 - b. Audit Findings**
- 2. CalPERS Updates**
- 3. Accumulators**
- 4. W4 Reminder**
- 5. Retirement System Elections - CalPERS**
- 6. Special Comp for PERS – Use Dropdown Menu**
- 7. TSA Limits for 2023 - \$22,500**
- 8. CalPERS Retirees**

Next PUG Meeting: May 25, 2023

June 15, 2022

TO: All County Superintendents of Schools
District Superintendents of Schools
Community College Districts and
Other Employing Agencies

FROM: Cassandra Lichnock
EXECUTIVE OFFICE

SUBJECT: Employer Directive 2022-06
Supersedes Employer Directive 2021-05
Contribution and Interest Rates and Present Value Factor for Fiscal Year 2022–23

PURPOSE:

This directive communicates the following rates and present value factors for the Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance (CB) Benefit programs, as set forth in statute and as adopted by the Teachers' Retirement Board (board):

- Member and Employer Contribution Rates – DB, DBS and CB Benefit programs
- Regular and Credited Interest Rates – DB Program
- Minimum Interest Rate – CB Benefit Program and DBS Program
- Penalties and Interest Rate – DB Program and CB Benefit Program
- Permissive Service Credit Contribution Rate – DB Program
- Employer Contribution Rates for Elected Officials of Employee Organizations and Reduced Workload Program
- Present Value Factor for Unused Excess Sick Leave Service Credit

Please note the factors used to calculate the cost of CalSTRS Two-Year Retirement Incentives are included in a separate directive.

SCOPE:

This directive applies to all county superintendents of schools, school districts, community college districts and other employing agencies that employ persons to perform creditable service under the CalSTRS DB, DBS and CB Benefit programs.

DISCUSSION:

Member and Employer Contribution Rates – DB Program:

Each employer must contribute to CalSTRS a specified percentage of the total creditable compensation earned by the employees who are members of the DB Program or participants of the CB Benefit Program.

Member and employer contribution rates are set in Education Code sections 22901, 22950 and 22951 for the DB Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469–Bonta), added Sections 22901.7 and 22950.5 to the Education Code, which mandate additional member and employer contributions for creditable compensation for service performed on or after July 1, 2014.

Pursuant to Chapter 47, Statutes of 2014, CalSTRS 2% at 60 member contributions will no longer increase after July 1, 2016. CalSTRS 2% at 62 members are required to pay one half of the normal cost of their benefits as a result of the Public Employees' Pension Reform Act of 2013 (PEPRA), and CalSTRS is required to adjust the contribution rate accordingly.

Pursuant to Chapter 47, Statutes of 2014, the employer contribution rate increased by a statutorily defined amount annually through 2020–21. Starting with fiscal year 2021–22, the board may make additional annual adjustments not to exceed a maximum amount of 20.25%.

The DB Program member and employer contribution rates are as follows:

Fiscal Year Creditable Service Performed In	DB Member Contribution Rate CalSTRS 2% at 60	DB Member Contribution Rate CalSTRS 2% at 62	DB Employer Contribution Rate
Prior to 7/1/2014	8.00%	8.00%	8.25%
2014–15	8.15%	8.15%	8.88%
2015–16	9.20%	8.56%	10.73%
2016–17	10.25%	9.205%	12.58%
2017–18	10.25%	9.205%	14.43%
2018–19	10.25%	10.205%	16.28%
2019–20	10.25%	10.205%	17.10% ¹
2020–21	10.25%	10.205%	16.15% ¹
2021–22	10.25%	10.205%	16.92% ¹
2022–23	10.25%	10.205%	19.10%

¹ The 2020–21 state budget re-directed the supplemental payment paid by the state on behalf of employers as part of the 2019–20 state budget. The supplemental payment was used to reduce the contribution rate for employers by 1.03% of payroll in 2019–20, 2.95% of payroll in 2020–21 and 2.18% of payroll in 2021–22.

Member and Employer Contribution Rates – DBS Program:

Employer and member contribution rates are set in statute for the DBS Program. Effective July 1, 2014, Chapter 47, Statutes of 2014, specifies that the amount of required member contributions creditable to the DBS Program remains 8.00% for CalSTRS 2% at 60 members and remains half of the normal cost rate, as adopted by the board, for CalSTRS 2% at 62 members pursuant to Education Code section 22901.

The employer contribution rate for compensation that is creditable to the DBS Program for all CalSTRS members remains 8.25% pursuant to Education Code sections 22950 and 22951. Of this amount, 8.00% is credited to the member's DBS account, and 0.25% is credited to the DB Program to pay for the cost of service credit for unused sick leave.

If CalSTRS collects contributions in excess of the rates established in Education Code sections 22901, 22950 and 22951 on compensation creditable to the member's DBS account, CalSTRS is required to return the excess member and employer contribution amounts to the employer, and the employer is required to return the excess member contributions to the employee.

The DBS Program member and employer contribution rates are as follows:

	Contribution Rates for 2% at 60	Contribution Rates for 2% at 62	Education Code Section
DBS Employer Contribution Rate:	8.25%	8.25%	22905, 22950, 22951
DBS Member Contribution Rate:	8.00%	9.00%	22901, 22905

Member and Employer Contribution Rates – CB Benefit Program:

Pursuant to Education Code section 26504, the member and employer contribution rates for the CB Benefit Program may be negotiated through the collective bargaining process and may vary by employer, provided all the statutory minimum contribution rates for the CB Benefit Program are met.

Chapter 559, Statutes of 2013 (AB 1381–PER&SS), amended Education Code section 26504 to allow CB contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for CB participants whose bargaining agreements were still in effect as of January 1, 2014. However, employers cannot negotiate new collective bargaining agreements or extend, renew or amend current bargaining agreements in which the employee contribution rate is less than the employer contribution rate.

Interest Rates:

Regular Interest Rate means an interest rate that is equal to the actuarially assumed rate of return on investments on assets of the DB Program and is adopted annually by the board as a plan amendment with respect to the DB Program. The Regular Interest Rate is used by the DB Program to charge interest on (1) previously refunded retirement contributions when a member elects to redeposit those contributions, and (2) installment payments for the (a) redeposit of contributions or (b) purchase of additional service credit. This rate is also used to charge employers interest on delinquent contributions and for reporting penalties. Finally, if there is a delay in the initial allowance payment, CalSTRS pays the benefit recipient interest on the allowance payment at the Regular Interest Rate.

The *Credited Interest Rate* is the interest that is credited to members' DB accumulated retirement contributions for service performed after June 30, 1935, excluding all accumulated contributions while being paid an allowance. The Credited Interest Rate is adopted annually by the board as a plan amendment with respect to the DB Program.

The *Minimum Interest Rate* is the rate used to credit interest to participant and member account balances with respect to the CB Benefit and DBS programs, respectively. The Minimum Interest Rate for both the CB Benefit and DBS programs is adopted annually by the board as a plan amendment.

CalSTRS shall assess penalties and interest on employers for late reports and late or insufficient contributions to the DB, DBS and CB Benefit programs. The interest is assessed at the Regular Interest Rate.

The rates for fiscal year 2022–23 are as follows:

	Rate for FY 2022–23	Rate for FY 2021–22	Education Code Section
Regular Interest Rate	7.00%	7.00%	22162
Credited Interest Rate: Defined Benefit Program	0.43%	0.19%	22216
Minimum Interest Rate: Cash Balance Benefit Program	2.09%	1.53%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	2.09%	1.53%	25005
Interest Rate for Late Remittance Contributions	7.00%	7.00%	23003, 26303
Penalty Rate for Late or Unacceptable Monthly Reports	7.00%	7.00%	23006, 23008, 26301, 26302

Permissive Service Credit Contribution Rate – DB Program:

Members may purchase permissive service credit, which is service credit related to activities that were previously undertaken by the member. Examples of permissive service credit include, but are not limited to, teaching at a state college or university in California, employment in a public school in another state, maternity or paternity leave, and military leave.

For fiscal year 2022-23, the board elected to maintain the permissive service credit rates that were in effect for fiscal year 2021-22. The permissive service credit contribution rates for fiscal year 2022–23 are as follows.

Age	CalSTRS 2% at 60 Rates for FY 2022–23	CalSTRS 2% at 62 Rates for FY 2022–23
Below 28	21.5%	18.8%
28	21.5%	18.8%
29	21.5%	18.8%
30	21.5%	18.8%
31	21.5%	18.8%
32	21.5%	18.8%
33	21.5%	18.8%
34	21.5%	18.8%
35	21.5%	18.8%
36	21.5%	18.9%
37	21.6%	18.9%
38	21.8%	19.0%
39	21.9%	19.2%
40	22.1%	19.3%
41	22.3%	19.5%
42	22.6%	19.8%
43	22.8%	20.0%
44	23.1%	20.3%
45	23.5%	20.6%
46	23.8%	20.9%
47	24.2%	21.3%
48	24.7%	21.7%
49	25.1%	22.1%
50	25.6%	22.5%
51	26.1%	23.0%
52	26.7%	23.5%
53	27.2%	24.0%
54	27.8%	24.5%
55	28.5%	25.1%
56	29.1%	25.7%

Age	CalSTRS 2% at 60 Rates for FY 2022–23	CalSTRS 2% at 62 Rates for FY 2022–23
57	29.8%	26.3%
58	30.6%	27.0%
59	31.3%	27.7%
60	32.1%	28.4%
61	32.9%	29.1%
62	33.8%	29.9%
63	34.7%	30.7%
64	34.3%	31.5%
65	33.6%	32.4%
66	32.9%	32.3%
67	32.2%	31.6%
68	31.5%	30.9%
69	30.8%	30.2%
70	30.0%	29.5%
71	29.2%	28.7%
72	28.4%	28.0%
73 and above	27.6%	27.2%

Employer Contribution Rates for Elected Officials and Reduced Workload Program:

Each year, the board adopts employer contribution rates for members who are on a compensated leave of absence to serve as an elected official of an employee organization and for members who participate in the Reduced Workload Program (RWP) during the new fiscal year.

The employer contribution rates for CalSTRS 2% at 60 and CalSTRS 2% at 62 Elected Officials and RWP participants are as follows:

	Employer Rate for FY 2022–23	Employer Rate for FY 2021–22	Education Code Section
Elected Officials of Employee Organization	19.10%	16.92%	22711
Reduced Workload Program	19.10%	16.92%	22713

Unused Excess Sick Leave Service Credit:

The present value factor used to calculate the cost of a member's allowance attributable to unused excess sick leave days for July 1, 2022, through June 30, 2023, remains the same as the previous fiscal year. The cost of unused excess sick leave service credit must be paid to CalSTRS by the employer before the member can receive the benefit.

The present value factor for unused excess sick leave service credit is as follows:

	Rate for FY 2022–23	Rate for FY 2021–22	Education Code Section
Present Value Factor for Unused Excess Sick Leave Service Credit	0.335	0.335	22311.7, 22718

ACTION:

When reporting the member contribution rates for creditable compensation reported to the DB Program for creditable service performed on or after July 1, 2022, report the rates as follows on the F496:

- Retirement formula 2% at 60 rate of 10.25%: Report as 1025, blank or zeros
- Retirement formula 2% at 62 rate of 10.205%: Report as blank or zeros

This employer directive does not take precedence over the law. A copy of the current Teachers' Retirement Law is available on SEW under reference items or online at calstrs.com/information-about-calstrs.

If you have any questions regarding this employer directive, please contact EmployerHelp@CalSTRS.com.



California State Teachers' Retirement System
Executive Office
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CalSTRS.com

February 21, 2023

TO: All County Superintendents of Schools
District Superintendents of Schools
Charter School Administrators
Community College Districts
Other Employing Agencies

FROM: Cassandra Lichnock
Chief Executive Officer

SUBJECT: Employer Directive 2023-01
Supersedes Employer Directive 2022-03
Postretirement Earnings Limit and Disability Allowance Earnings Limit for the
2022–23 and 2023–24 Fiscal Years, and Disability Retirement Earnings Limit for
the 2023 Calendar Year

PURPOSE

This employer directive is intended to inform and remind employers of:

- The application of the earnings limit for retired DB members.
- The annual postretirement earnings limit for the 2022–23 fiscal year.
- The annual postretirement earnings limit for the 2023–24 fiscal year.
- The postretirement separation-from-service requirement for retired DB members and retired CB participants during the first 180 calendar days from their retirement date with CalSTRS.
- Requirements for requesting an exemption from the separation-from-service requirement.
- Restriction on hiring retired DB members and retired CB participants in classified positions.
- Retirement incentive restrictions.
- Requirements for employer communication regarding the earnings limits and, if applicable, the retirement incentive restrictions when hiring retired DB members. Also, the employer requirements regarding maintaining accurate records and reporting postretirement earnings to CalSTRS.
- The CalSTRS postretirement excess earnings notification process.
- The disability retirement earnings limit for the 2023 calendar year.
- The disability allowance earnings limit for the 2022–23 and 2023–24 fiscal years.
- Sample board resolution

SCOPE

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs retired members of the

Defined Benefit (DB) Program (referred to in this directive as “retired DB members”) or retired participants of the Cash Balance (CB) Benefit Program (referred to in this directive as “retired CB participants”) to perform retired member or participant activities or that employs CalSTRS members receiving either a Disability Allowance or a Disability Retirement benefit in any capacity.

DISCUSSION

Application of Postretirement Earnings Limits

Sections 24214 and 24214.5 of the Education Code impose limitations on retired DB members who return to work and perform retired member activities. Section 22164.5 of the Education Code defines “retired member activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor, including as a consultant, within the California public school system.

Section 26812 of the Education Code imposes limitations on retired CB participants who return to work and perform retired participant activities. Section 26135.7 of the Education Code defines “retired participant activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor, including as a consultant, within the California public school system.

The annualized rate of pay for retired member activities or retired participant activities may not be less than the minimum, nor can it exceed the maximum, paid by the employer to other employees performing comparable duties.

Notable differences between reportable compensation in active membership and postretirement employment include:

- Education Code section 22164.5, subdivisions (a)(2) and (3).
- Education Code section 24214, subdivision (f)(2).
- Education Code section 24214.5, subdivision (a)(2).
- Education Code section 26135.7, subdivisions (a)(2) and (3).
- Education Code section 26812, subdivision (d)(2).

Retired DB members and retired CB participants employed by a third party are excluded from the postretirement earnings limits and related provisions provided they meet *all* of the following criteria:

- The retired DB member or retired CB participant is employed by a third-party employer that does not participate in a California public pension system.

- The activities performed by the retired DB member or retired CB participant are not normally performed by employees of an employer.
- The retired DB member or retired CB participant performs an assignment of 24 months or less.

Employer reporting of retired DB members and retired CB participants who are employed by a third party under the narrow conditions above is not required. CalSTRS has not identified any example of service that would meet these criteria.

Annual Postretirement Earnings Limit for the 2022–23 and 2023–24 Fiscal Years

The postretirement earnings limit for retired DB members for the 2022–23 fiscal year is \$49,746.

The postretirement earnings limit for retired DB members for the 2023–24 fiscal year is \$50,655.

Pursuant to Education Code section 24214, the limit is adjusted annually by CalSTRS and is equal to one-half of the median final compensation amount for all members who retired for service during the fiscal year ending in the previous calendar year.

If a retired DB member earns compensation for performing retired member activities in excess of the annual postretirement earnings limit, Education Code section 24214(g) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member has repaid the amount of compensation that was earned in excess of the annual earnings limit. The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the annual allowance payable under this part for the fiscal year in which the excess compensation was earned after any reductions due to the separation-from-service requirement.

There is no annual earnings limit for retired CB participants.

Separation-From-Service Requirement

Pursuant to Education Code section 24214.5, there is a 180-calendar day separation-from-service requirement for all retired DB members, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars (\$0).

If a retired DB member earns compensation for performing retired member activities during the 180-calendar day separation-from-service period, Education Code section 24214.5(h) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member has repaid the amount of compensation that was earned during the separation-from-service period. The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the allowance payable during the first 180 calendar days after the most recent retirement date.

This restriction is in addition to the annual postretirement earnings limit. Any amount the retired DB member receives during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.

Pursuant to Education Code section 26812, the 180-calendar day separation-from-service requirement applies to Cash Balance Benefit Program annuitants, regardless of age.

Pursuant to Education Code section 26806, if a retired CB participant receives a lump-sum retirement benefit, the benefit is not payable until 180 calendar days after the date employment was terminated. If a participant electing a lump-sum benefit performs creditable service during the 180-calendar day separation-from-service period, the retirement application will be automatically canceled.

Exemption to the Separation-From-Service Requirement

There is a narrow exemption from the 180-calendar day separation-from-service requirement for a retired DB member or retired CB participant under certain circumstances. To qualify for this exemption, the retired DB member or retired CB participant must be at or above normal retirement age at the time the compensation is earned, and the employer must appoint the retired DB member or retired CB participant to a critically needed position that has been approved by the governing body of the employer in a public meeting as reflected in a resolution. The resolution for the appointment must be adopted before the retired DB member or retired CB participant begins performing retired member or participant activities under the exemption. The resolution approving the appointment may not be placed on a consent calendar.

The resolution must express the intent to seek an exemption from the 180-calendar day separation-from-service requirement and include the following specific information and findings:

- The nature of the employment.
- A finding that the appointment is needed to fill a critically needed position before the 180-calendar day separation-from-service requirement is fulfilled.
- A finding that the member or participant did not receive a retirement incentive or any financial inducement to retire from any public employer.
- A finding that the termination of employment of the retired DB member or retired CB participant with the employer is not the basis for the need to acquire the services of the member or participant.

Please see the end of this document for a sample resolution.

To qualify for this exemption:

- The retired DB member or retired CB participant must not begin performing retired member or participant activities until CalSTRS receives all required documentation.
- The retired DB member or retired CB participant must be at or above normal retirement age at the time the compensation is earned (age 60 for a CalSTRS 2% at 60 member and participant not subject to the California Public Employees' Pension Reform Act of 2013 [PEPRA], and age 62 for CalSTRS 2% at 62 members and participants subject to PEPRA).

- The appointment is necessary to fill a critically needed position and must be filled before the retired DB member's or retired CB participant's 180-calendar day separation-from-service period has passed since the member's or participant's most recent retirement date.
- The termination of employment of the retired DB member or retired CB participant with the employer must not be the basis for the need to acquire the services of the member or participant.

The retired DB member or retired CB participant must not have received a retirement incentive or any financial inducement to retire from any public employer. Education Code sections 24214.5 and 26812 clarify what constitutes a "financial inducement to retire" that would prohibit a retired DB member or retired CB participant from being eligible for an exemption from the separation-from-service requirement. "Financial inducement to retire" includes, but is not limited to, any form of compensation or other payment that is paid directly or indirectly by a public employer to the member, even if not in cash, either before or after retirement, if the participant retires for service on or before a specific date or specific range of dates established by a public employer on or before the date the inducement is offered.

When applying for the separation-from-service requirement exemption, the superintendent, the county superintendent of schools or the chief executive officer of a community college must complete the *Request for Separation-From-Service Requirement Exemption* (SR-1897) form, which is available in "Reference Items" on the Secure Employer Website. The annualized rate of pay must be provided on the form to ensure compliance with Education Code section 24214(b). CalSTRS must receive this form and the aforementioned resolution indicating the above information to substantiate the eligibility of the retired DB member or retired CB participant for the exemption before the member or participant begins performing service under the exemption.

CalSTRS must notify the employer and the retired DB member or retired CB participant within 30 days of receiving the required documentation whether the activities performed will be subject to or exempt from the 180-calendar day separation-from-service requirement.

If the separation-from-service requirement exemption is approved, the retired DB member will only be exempt from the separation-from-service requirement. Any earnings during the 180-calendar day period will still be subject to the annual postretirement earnings limit for a retired DB member. For the retired CB participant, whose separation-from-service exemption is approved, the exemption is applicable to the separation-from-service requirement only since there is no annual earnings limit for retired CB participants.

Classified Position Restrictions

Education Code section 45134 precludes retired DB members and retired CB participants from employment in classified positions in the California public school system except for as an aide in certain circumstances.

Retired CalPERS Postretirement Employment Restrictions

If the employee is a CalSTRS and CalPERS member, ask the employee to contact CalPERS at 888-225-7377 to determine the impact returning to work would have on the CalPERS benefit.

Retirement Incentive Restrictions

Members who retired with a CalSTRS retirement incentive under Education Code section 22714 will lose the increased service credit attributable to the retirement incentive if they return to employment within five years of receiving the incentive in any job, including substitute teaching or consulting, as an employee, independent contractor or employee of a third party with the school district, community college district or county office of education that granted the retirement incentive.

Employer Requirements for Notification of Postretirement Earnings Limits and Employment Restrictions, and Required Reporting of Postretirement Earnings

Upon retaining the services of a retired DB member, Education Code section 22461 requires employers to notify the member of the earnings limitations and the employment restrictions for those who receive retirement incentives, regardless of whether the retired DB member performs the services as an employee of the employer, an employee of a third party or an independent contractor, including as a consultant. Employers must also report the retired member's earnings to CalSTRS each month.

When contracting with a third party, it is suggested the employer require the breakdown of earnings for each retired DB member to meet this obligation to report all earnings for the performance of retired member activities.

All postretirement earnings must be reported with Member Code 2 and Assignment Code 61.

CalSTRS Postretirement Excess Earnings Notification Process

CalSTRS sends an *Initial Postretirement Earnings Letter* to the retired DB member when postretirement earnings for the current fiscal year are initially reported by the employer. The *Initial Postretirement Earnings Letter* informs the member of the current earnings limit and describes what occurs if the limit is exceeded. When the employer reports postretirement earnings for the current fiscal year equal to one-half of the annual postretirement earnings limit, CalSTRS sends a second letter, the *Postretirement Earnings Mid-Limit Letter*, notifying the member that their reported earnings have reached one-half of the earnings limit and reminding the member of the consequences of exceeding the earnings limit.

When a retired DB member or retired CB participant violates the 180-calendar day separation-from-service requirement or a retired DB member exceeds the annual postretirement earnings limit, CalSTRS sends a letter notifying the member or participant that the excess earnings will be withheld from the applicable monthly retirement benefit. CalSTRS gives at least a 30-day notice before commencing collection. If the earnings were reported to CalSTRS in error, the employer is responsible for correcting the previous reporting and notifying CalSTRS that corrected contribution lines were submitted.

Application and Amount of the 2023 Disability Retirement Earnings Limit

The disability retirement earnings limit for the 2023 *calendar* year is \$37,200. The limit applies to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector. The limit is adjusted annually by the Teachers' Retirement Board, if necessary, by the amount of change in the California Consumer Price Index.

Application and Amount of the 2022–23 and 2023–24 Disability Allowance Earnings Limit

The disability allowance earnings limit for the 2022–23 and 2023–24 *fiscal* years is calculated individually for each member based on the member's indexed final compensation amount. Members receiving a disability allowance benefit are also subject to individual monthly and continuous six-month earnings limits based on the member's indexed final compensation. The various limits apply to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector.

SUMMARY OF REQUIRED ACTIONS

In accordance with Education Code section 22461, upon retaining the services of a retired DB member either as an employee of an employer, an employee of a third party or an independent contractor, including as a consultant, within the California public school system, the employer is required to:

- Notify the retired DB member of all earnings limits and the retirement incentive employment restrictions, if applicable.
- Maintain accurate records of the retired DB member's earnings.
- Report those earnings to the retired DB member and to CalSTRS monthly, using Member Code 2 and Assignment Code 61, regardless of the method of payment or the fund from which the payments were made.

To learn more about postretirement earnings limitations, visit [CalSTRS.com/general-information/working-after-retirement](https://www.calstrs.com/general-information/working-after-retirement).

If you have questions regarding the service retirement postretirement earnings limits, contact us by email at postretirement@calstrs.com or leave a voicemail at 916-414-5967.

For questions regarding the disability allowance or disability retirement earnings limits, email DaSBDisabilitySvcslmbx@CalSTRS.com or leave a voicemail at 916-414-5785.

SAMPLE BOARD RESOLUTION

[NAME OF EMPLOYER]

RESOLUTION FOR EXEMPTION TO THE SEPARATION-FROM-SERVICE

REQUIREMENT PURSUANT TO SECTION 24214.5 OR 26812 OF

THE EDUCATION CODE

[Resolution Number]

WHEREAS, pursuant to Education Code sections 24214.5 and 26812, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS members and participants; and,

WHEREAS, all retired CalSTRS members and participants are subject to a restriction if they perform retired member activities as defined by section 22164.5 of the Education Code or retired participant activities as defined by section 26135.7 of the Education Code, during the first 180 calendar days after their most recent retirement; and,

WHEREAS, if the retired CalSTRS member or participant performed retired member or participant activities during this period, CalSTRS will reduce their retirement benefit or annuity one dollar for each dollar earned for performing retired member or participant activities during the 180-day period; and,

WHEREAS, there is an exemption from the 180-calendar day separation-from-service requirement for a member or participant who retires for service and is at or above normal retirement age; and,

WHEREAS, to qualify for this narrow exemption, the employer must appoint the retired member or participant to a critically needed position that has been approved by the governing body of the employer in a public meeting as reflected in a resolution; and,

WHEREAS, this approval by the governing body of the employer in a public meeting as reflected in a resolution must be finalized and communicated to CalSTRS before the member or participant commences to perform retired member or participant activities; and,

WHEREAS, the [TITLE OF CHIEF EXECUTIVE OFFICER OF EMPLOYER] must complete the *Request for Separation-from-Service Requirement Exemption* form, which must be submitted to CalSTRS and received by CalSTRS before the member or participant commences to perform retired member or participant activities,

NOW, THEREFORE, BE IT RESOLVED that this Board does provide public notice that the district is in critical need of a [POSITION] to [NATURE OF THE POSITION] because [DESCRIBE CRITICAL NEED];

AND BE IT FURTHER RESOLVED that the Board wishes to meet this critical need by hiring [NAME OF MEMBER], a member or participant who retired for service less than 180 days ago or who will retire;

AND BE IT FURTHER RESOLVED that this appointment is needed to fill this critical need before the 180-calendar day separation-from-service requirement is fulfilled;

AND BE IT FURTHER RESOLVED that this member or participant did not receive a retirement incentive or any financial inducement to retire from any public employer;

AND BE IT FURTHER RESOLVED that the retired member's or participant's termination of employment is not the basis for the need to acquire their services;

AND BE IT FURTHER RESOLVED that the earnings for retired member activities during the 180 calendar days will still be subject to the annual postretirement earnings limit for the Defined Benefit Program;

AND BE IT FURTHER RESOLVED that this member or participant will not commence to perform retired member or participant activities before this approval is authorized by the governing body of the employer in a public meeting as reflected in a resolution and received by CalSTRS;

AND BE IT FURTHER RESOLVED that this member or participant will not commence to perform retired member or participant activities before the [TITLE OF CHIEF EXECUTIVE OFFICER OF EMPLOYER] completes the *Request for Separation-from Service Requirement Exemption* form and this is transmitted to and received by CalSTRS.

PASSED AND ADOPTED by the Governing Board of the [NAME OF EMPLOYER], on this [DAY] OF [MONTH] IN THE YEAR [YEAR].

AYES: NOES: ABSENT:

I, [NAME] , Secretary of the Governing Board, [NAME OF EMPLOYER], County of [NAME OF COUNTY], do hereby certify the foregoing to be a full, true and correct copy of a resolution adopted by the said Board at a regular meeting hereof held at its regular meeting place on [DATE] , which action is contained in the minutes of the meeting of said Board.

[NAME OF BOARD SECRETARY]
Secretary of the Governing Board
[NAME OF EMPLOYER]

[DATE]



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Retirement Benefits

Circular Letter

June 1, 2022

Circular Letter: 200-033-22

Distribution: VI, XII, XVI

To: All CalPERS Public Agency and School Employers
Subject: Common Issues Reporting Unused Sick Leave Days at Separation

Purpose

The purpose of this Circular Letter is to provide information and increase awareness of the proper way to report unused sick leave when members separate employment. This information is to ensure stakeholder understanding of relevant government codes pursuant to the California Public Employees' Retirement Law (PERL), reporting is in accordance with a Memorandum of Understanding (MOU) and/or Labor Agreement, and the timely and accurate payment of retirement benefits.

Defining Unused Sick Leave

Unused Sick Leave – School Member, School Safety Member, or Local Member
(As Specified)

Pursuant to Government (Gov.) Code section 20963.5, on or after January 1, 2020, a school member, a school safety member, or a local member employed by a contracting agency that is a school district, county office of education, or community college district, whose effective date of retirement is within four months of separation from employment with the employer subject to this section that granted the sick leave credit, shall be credited at the member's retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by the employer.

Gov. Code section 20963.5 further specifies that only those days of unused sick leave that were accrued by the member during the normal course of the member's employment should be reported to the board and shall not include any additional days of sick leave for the purpose of increasing the member's retirement benefit. For purposes of this subdivision, sick leave shall include sick leave granted by the employer subject to this section and any sick leave transferred to that employer pursuant to section 44979, 45202, 88783, or 88202 of the Education Code.

Unused Sick Leave – Local Members

Pursuant to Gov. Code section 20965, a local miscellaneous and a local safety member whose effective date of retirement is within four months of separation from employment with the employer that granted the sick leave credit shall be credited at the member's retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by the employer.

Gov. Code section 20965 further specifies that the certification shall report only those days of unused sick leave that were accrued by the member during the normal course of the member's employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit.

Gov. Code section 20965 further clarifies that this section shall not apply to any contracting agency nor to the employees of a contracting agency until the agency elects to be subject to this section by contract or by amendment to its contract made in the manner prescribed for approval of contracts, except that an election amount the employees is not required, or, in the case of contracts made after September 26, 1974, by express provisions in the contract making the contracting agency subject to this section. This section applies only to members who retire after the effective date of the contract amendments.

Additional Information

Conversion of Sick Leave Credits

Pursuant to Gov. Code section 20962, employees earn one year of service credit:

- Daily employee = 215 days to earn one year of service credit
- Hourly employee = 1,720 hours to earn one year of service credit
- Monthly employee = 10.000 months to earn one year of service credit

All employees, regardless of their work schedule (6.6 hours, 10/4/40, 9/8/80, 56 hours, etc.), shall have the reported hours of unused sick leave, for the purpose of converting to service credit, divided by **eight** to determine the number of days reported to CalPERS.

The divisor of an eight-hour day is derived by Gov. Code section 20962 where the number of full-time hours divided by full time days for service credit is equal to eight hours ($1,720 \div 215 = 8$).

The accrual of sick leave credits must be consistent for members of the same group or class who work like or similar hours pursuant to Gov. Code section 20630. Service credit which was not earned through the accrual of a sick leave policy may not be credited on an individual basis for the purpose of enhancing the retirement benefit. Unused sick leave for which a member receives compensation (cash out or transfer to health saving plan) should not be reported to CalPERS. Unused sick leave days remaining after a cash out can still be reported to CalPERS pursuant to an employer's MOU or Labor Agreement.

Common Reporting Errors

- When reporting unused sick leave to CalPERS for the purpose of converting unused sick leave days to service credit, you must divide the total reportable hours by eight and report total number of days to CalPERS.

For example, a member has 480 hours of accrued unused sick leave at time of separation. The employer must report a value of 60 days when separating the member's appointment ($480 \div 8 = 60$). Reporting a value of 480 will place the employer out of compliance when audited and the retirement benefits may be adjusted where improper reporting is found.

- You must certify to CalPERS and report only those days of unused sick leave that were accrued by the member during the normal course of employment. Additional hours of unused sick leave granted by a member's employer for the purpose of increasing a retirement benefit is prohibited. Additional hours that are not reportable include, but are not limited to, bonus hours granted at time of hire, incentive sick leave hours beyond the normal accrued amount, other leave balance types (vacation, annual leave, etc.), or COVID-19¹ supplemental sick leave hours.

For example, at time of retirement, a member had 320 hours of accrued unused sick leave. In addition, they received an additional 12 hours of sick leave credit for not calling in sick during a fiscal year, 250 hours of accrued vacation leave, and 80 hours of unused COVID-19 supplemental sick leave. At time of separation, the employer may only report 40 days ($320 \div 8 = 40$) of unused sick leave to CalPERS.

- Individuals who elect to be compensated for unused sick leave may not have those same hours reported to CalPERS for the purpose of increasing their retirement benefit. Only hours that are not cashed out and meet the criteria of Gov. Code section 20963.5 or 20965 may be reported to CalPERS.

For example, a member has 1,800 hours of accrued unused sick leave at time of retirement. They elect to cash out 1,000 hours. Pursuant to a contracting agency's MOU, up to 100 days of unused sick leave (800 hours) may be reported to CalPERS.

¹ Circular Letter 200-023-21 provides information regarding COVID-19 supplemental paid sick leave under the existing Healthy Workplaces, Healthy Families Act of 2014 and Senate Bill 95 chaptered March 19, 2021.

- Pursuant to Education (Ed.) Code section 44979, 45202, 87783, or 88202, any certificated or classified employee of a school district, county superintendent of schools, or community college district may transfer their unused sick leave from one school district, county superintendent of schools, or community college district to another. Unused sick leave may not be transferred between a school district, county superintendent of schools, or community college district and a separate joint powers authority (JPA) as defined by Education Code section 41980. In addition, unused sick leave credits may not be transferred to another state (i.e., CSU) or contracting public agency.

For example, a member was first hired by a JPA affiliated with a school district in Northern California and accrued 120 hours of sick leave. They later transferred to a school district in Southern California. At time of separation, the member accumulated 480 hours of sick leave with the Southern California district. When submitting the separation, the school district may report 60 days of unused sick leave (480 hours) not the 120 hours from the school district in Northern California.

Impacts for Employers & Members

Unused sick leave is one of the factors that may be used to calculate a member's retirement benefit. Therefore, misreported unused sick leave may result in overpaid retirement benefits to the member. This overpayment must be paid by the member and/or the respective employer to accurately account for funding contributions and benefits, ensure compliance with the law, and reduce risk to the pension fund.

Questions

It is your responsibility to comply with all terms and conditions set forth in your contract with CalPERS and to ensure all reportable information is compliant with the PERL.

For questions or concerns, contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Kimberlee Pulido, Chief
Retirement Benefit Services Division



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Membership

Circular Letter

June 10, 2022

Circular Letter: 200-035-22

Distribution: XII, XVI

To: All CalPERS Contracted School Employers
Subject: Retirement System Election (ES 372) myCalPERS Enhancement

Purpose

The purpose of this Circular Letter is to provide information regarding improved functionality in myCalPERS when processing the California Public Employees' Retirement System (CalPERS)/California State Teachers' Retirement System (CalSTRS) Retirement System Election (ES 372) that will be available on June 20, 2022.

Enhanced Features

Based on your feedback, we made improvements to the myCalPERS functionality related to the Retirement System Election process. These enhancements will improve efficiency, increase data integrity, and allow you to report Retirement System Elections more effectively to CalPERS.

Updated Employer Certification Functionality

- The Retirement System Election questions on the Appointment Details page (UID 339) in the Membership Information panel and Appointment Change have been condensed to one question, rather than two. The question will ask, "Is a Retirement System Election (ES 372) needed for this enrollment to elect CalPERS or CalSTRS?"
- The employer certification requirement for the Retirement System Election will populate questions based upon the details provided and improve auto-determination accuracy.

Resolved Contributory Indicator Concerns

Historically, when a Retirement System Election is entered into myCalPERS, the appointment would reflect non-contributory while it is pending and would restrict you from reporting payroll and contributions. We updated the functionality to allow appointments to remain contributory, while the determination is pending. The appointment will only change to non-contributory if the election is denied due to the position being ineligible to be reported to CalPERS.

Ability to View Determination Details

You can view the status of the election in myCalPERS to determine if it is completed or pending. You will also be able to view the determination once completed, including the reason for denial, if applicable.

To view the Retirement System Election details:

- Open the member's appointment with the Retirement System Election.
- Select the **View Election Information** link under Membership Information.

The determination will display in the Select Action panel. If no determination is available, the determination is still under review.

We updated determination letters sent to you and the member to provide clarity regarding the determination reason and the next steps required, if applicable. The letters to your agency are addressed to the attention of the human resources department. The County Office of Education and the district, if applicable, will receive the letters when they are generated.

Questions

If you have questions visit the [CalPERS website](#) or contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief
Employer Account Management Division



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Payroll

Circular Letter

January 3, 2023

Circular Letter: 200-001-23

Distribution: IV, V, VI, X, XII, XVI

To: All CalPERS Employers

Subject: 2023 Compensation Limits for Classic and PEPRA Members

Purpose

The purpose of this Circular Letter is to inform you of the 2023 compensation limits for classic and Public Employees' Pension Reform Act (PEPRA) members and provide guidelines for how to report payroll when Internal Revenue Code (IRC) or PEPRA limits have been reached in a calendar year. IRC section 401(a)(17) provides an annual compensation limit considered under a qualified retirement plan for some classic members. Government (Gov.) Code section 7522.10 of the PEPRA law provides the authority for the earnings limit for all PEPRA members.

You should notify all classic or PEPRA members who are subject to the compensation limit requirements.

Compensation Limits

Classic Members

The compensation limit for classic members for the **2023 calendar year is \$330,000**. Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

The compensation limits for classic members during calendar years 2019 through 2022 are:

2022	2021	2020	2019
\$305,000	\$290,000	\$285,000	\$280,000

PEPRA Members

The compensation limit for PEPRA members for the 2023 calendar year is:

Year	Social Security Participants	Non-Social Security Participants
2023	\$146,042	\$175,250

The compensation limits for PEPRA members during calendar years 2019 through 2022 are:

Year	Social Security Participants	Non-Social Security Participants
2022	\$134,974	\$161,969
2021	\$128,059	\$153,671
2020	\$126,291	\$151,549
2019	\$124,180	\$149,016

Reporting Guidelines

Compensation limits for both classic and PEPRA members do not limit the salary an employer can pay; they limit the amount of compensation that can be considered under the defined benefit plan.

For classic members, report compensation earnable to the California Public Employees' Retirement System (CalPERS); for PEPRA members, report pensionable compensation to CalPERS. For classic and PEPRA members, contributions should not be made on compensation that exceeds the limit for each calendar year. All contributions should be reported as earned and **not** when paid¹. In addition, exclude items such as overtime, automobile allowances, and lump-sum payouts for all compensation reported.

You are responsible for monitoring when an employee meets or exceeds the limit. Once an employee reaches the compensation limit, you must continue reporting compensation as earned; however, employer and employee contributions should not be reported for the remaining calendar year. myCalPERS will track classic and PEPRA member earnings over multiple CalPERS contracting agencies. Therefore, if a member is hired in the middle of the year from another CalPERS agency, myCalPERS will notify the current employer when the member reaches or exceeds the compensation limit. Monitoring and contribution reporting begin on January 1 of the calendar year. The end date of the payroll earned period determines which calendar year the period falls.

¹ Pursuant to Gov. Code section 20630, when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

Federal law does not permit CalPERS to refund over-reported contributions to an active CalPERS member. You must report these adjustments and refund the money to the employee once the adjustments have posted.

Impact on Final Compensation

For classic members, final compensation is the highest average annual compensation earnable for a 12- or 36-consecutive month employment period, depending on your contract.

Classic members' retirement allowances are subject to final compensation limits under IRC section 401(a)(17). The calculation of each 12-month period will be subject to the annual compensation limit in effect for the calendar year in which the 12-month period begins. If final compensation exceeds 12 months, each 12-month period is calculated based on the applicable annual compensation limit for that 12-month period.

For PEPRA members, final compensation is the average annual pensionable compensation for a 36-consecutive month employment period.

PEPRA members' retirement allowances are subject to pensionable compensation limits under Gov. Code section 7522.10. The pensionable compensation limit — used to calculate final compensation — is calculated based on the limit in effect for each calendar year and the number of days per year included in the final compensation period.

Online Training & Resources

The myCalPERS Payroll: Reporting Earnings Over the Compensation Limit online class is available for employers. This class provides instruction on how to report payroll information when the compensation limit has been reached. To enroll in the class, log in to your [myCalPERS](#) account and select the **Education** tab.

The Reported Compensation by Calendar Year Cognos reports can be used to identify and track employees nearing the compensation limits.

Questions

If you have any questions, call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief
Employer Account Management Division

Office of MARY C. BARLOW
Kern County Superintendent of Schools
Advocates for Children

Direct Deposit Delete/Reversal/LOI (letter of indemnity) Request

District () _____

Pay Day _____

Net Amount \$ _____

Employee Name _____

Routing Number _____

Account Number _____

Checking ☐

Savings ☐

Make Check Payable:

☐ Employee

☐ District

Send warrant: Courier ☐

Pick up: district ☐ employee ☐

US Mail: district ☐ employee ☐

Employee External ID _____

Final EE payout and/or terminating, please contact us for Summer Pay

Requested by: _____

Phone Number: _____

Email your requests: directdepositdeletes@kern.org

A Delete is possible 2 days before payday by noon, Reversal is after that deadline, LOI is 7 business days after pay. If, there is a holiday and/or our office is closed near these deadlines, please contact us for the adjusted deadline dates. Prenotes are processed on the 2nd and last Fridays of the month. Also, a prenote will post if staff have a DD change during their payroll run. Thank you, Elena Perez, 661.636.4662