Sonoma County Office of Education  
Business Services  

EXTERNAL FISCAL SERVICES UPDATES  
DEBUG MEETING: APRIL 26, 2018  

UPDATES:  

CalSTRS Creditable Compensation:  
Per Ed Code 22119.3(a) and (b)(3) in order to be "Creditable compensation" for 2% @ 62 members, compensation must be paid each pay period in which creditable service is performed for that position. It must be paid in cash to all persons in the same class of employees in accordance with a publicly available written contractual agreement, including, but not limited to, a salary schedule or employment agreement. Creditable compensation does not mean and shall not include, compensation that is not paid each pay period in which creditable service is performed for that position.  

As such, creditable service that spans over multiple pay periods must be paid in each pay period in which creditable service is performed for that position in order for the compensation to be creditable for CalSTRS 2% @ 62 members. An example would be an outgrowth stipend. The mou/contract should indicate how the stipend is to be paid. Paying in a lump sum and pointing the service dates back to the prior months does not constitute payment made in each pay period in which creditable service is performed for that position, and therefore, would not be creditable compensation for 2% @ 62 members. This is not the case for 2% @ 60 members.  

REMINDEERS:  

Hiring CalSTRS Retirees:  
See attached Employer Directive 2018-01 dated March 12, 2018. Should a CalSTRS retiree earn compensation for performing retired member activities during the 180-calendar day separation-from-service period or in excess of the annual postretirement earnings limit, Ed Code Sections 24214(g) and 24214.5(h) requires STRS to reduce the member’s retirement benefit dollar for dollar, up to a maximum of the member’s retirement benefit, until the member has repaid the amount of compensation that was earned during the separation-from-service period or in excess of the earnings limit.  

The earnings limit includes earnings paid to the retiree as an independent contractor. We recommend at the time contracts for professional services are submitted to the LEA, HR/Payroll look-up the retirees membership status in REAP. When membership status is "SR" for STRS Retired, complete SCOE’s CalSTRS Retiree Earnings Paid Through Accounts Payable form and send it, along with a copy of the invoice(s), to SCOE’s retirement desk (Carol Mahan). The invoice amount(s) will be included on the next CalSTRS retirement report. CalSTRS Form ES-732 Employer Certification of Independent Contractor Status should also be completed and retained in the retiree’s file. *These forms can be found in Escape under SCOE Resources/Forms*  

Erin Graves, External Fiscal Services Manager
Members who retired with CalSTRS retirement incentive under Education Code Section 22714 (better known as Golden Handshake) will lose the increased service credit attributable to the retirement incentive if they return to employment in any job, including substitute teaching, within five years of receiving the incentive with the LEA that granted the retirement incentive. These retirees are also prohibited to reinstate CalSTRS membership and cannot have received unemployment within one year of the effective date of their retirement.

**CalSTRS Excess Sick Leave Days:**
Ed Code 22170.5 provides that “basic sick leave day” means the equivalent of one day’s paid leave of absence per pay period (of at least four weeks). It further provides that “excess sick leave days” means the day or total number of days granted by an employer for paid leave of absence in excess of basic sick leave. CalSTRS Employer Information Circular Volume 31, Issue 3 dated July 22, 2015 provides guidance on how to determine accumulated unused sick leave days to which a member is entitled upon retirement (see attached). CalSTRS will bill the last employer for the present-value cost of the unused excess sick leave reported on the Express Benefit Report form SR 0554E.
§ 22119.2. “Creditable compensation” (2% at 60)
(a) “Creditable compensation” means remuneration that is paid in cash by an employer to all persons in the same class of employees for performing creditable service in that position. Creditable compensation shall include:
(1) Salary or wages paid in accordance with a publicly available written contractual agreement, including, but not limited to, a salary schedule or employment agreement.
(2) Remuneration that is paid in addition to salary or wages, provided it is paid to all persons who are in the same class of employees in the same dollar amount, the same percentage of salary or wages, or the same percentage of the amount being distributed.
(3) Remuneration that is paid for the use of sick leave, vacation leave, or an employer-approved compensated leave of absence, except as provided in paragraph (4) of subdivision (c).
(4) Member contributions that are picked up by an employer pursuant to Section 22903 or 22904.
(5) Amounts that are deducted from a member’s remuneration, including, but not limited to, deductions for participation in a deferred compensation plan; deductions to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and 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.
(6) Any other payments the board determines to be “creditable compensation.”
(b) Any creditable compensation determined by the system to have been paid to enhance a member’s benefits shall not be credited under the Defined Benefit Program. Contributions on that compensation shall be credited to the Defined Benefit Supplement Program. A presumption by the system that creditable compensation was paid to enhance a member’s benefits may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, a presumption by the system that creditable compensation was paid to enhance the member’s benefits may be reversed.
(c) “Creditable compensation” does not mean and shall not include:
(1) Remuneration that is not paid in cash or is not paid to all persons who are in the same class of employees.
(2) Remuneration that is paid for service that is not creditable service pursuant to Section 22119.5 or 22119.6.
(3) Remuneration that is paid in addition to salary or wages if it is not paid to all persons in the same class of employees in the same dollar amount, the same percentage of salary or wages, or the same percentage of the amount being distributed pursuant to paragraph (2) of subdivision (a).
(4) Remuneration that is paid in exchange for the relinquishment of unused accumulated leave.
(5) Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and 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 and is not deducted from the member’s salary.
(6) Fringe benefits provided by an employer.
(7) Expenses paid or reimbursed by an employer.
(8) Severance pay, including lump-sum and installment payments, or money paid in excess of salary or wages to a member as compensatory damages or as a compromise settlement.
(9) Any other payments the board determines not to be “creditable compensation.”
(d) An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (c) may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

(e) For purposes of this section, remuneration shall be considered paid if distributed to any person in the same class of employees who meets the qualifications or requirements specified in a publicly available written contractual agreement, including, but not limited to, a collective bargaining agreement or an employment agreement, as a condition of receiving the remuneration.

(f) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for the position, preventing adverse selection, and excluding from compensation earnable remuneration that is paid to enhance a member’s benefits. The system shall determine the appropriate crediting of contributions between the Defined Benefit Pro-gram and the Defined Benefit Supplement Program according to these principles, to the extent not otherwise specified pursuant to this part.

(g) The section shall become operative on July 1, 2002.

(h) This section shall not apply to a member subject to the California Public Employees’ Pension Reform Act of 2013.
§ 22119.3. “Creditable compensation” (2% at 62)

(a) “Creditable compensation” for members who are subject to the California Public Employees’ Pension Reform Act of 2013 means remuneration that is paid each pay period in which creditable service is performed for that position. Creditable compensation shall be paid in cash by an employer to all persons in the same class of employees in accordance with a publicly available written contractual agreement, including, but not limited to, a salary schedule or employment agreement. Creditable compensation shall include:

(1) Remuneration that is paid for the use of sick leave, vacation leave, or an employer-approved compensated leave of absence, except as provided in paragraph (4) of subdivision (b).

(2) Member contributions that are picked up by an employer pursuant to Section 22903 or 22904.

(3) Amounts that are deducted from a member’s remuneration, including, but not limited to, deductions for participation in a deferred compensation plan; deductions to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and 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.

(4) Notwithstanding paragraphs (6) and (8) of subdivision (c) of Section 7522.34 of the Government Code, remuneration that is paid for creditable service that exceeds one year in a school year.

(b) “Creditable compensation” does not mean and shall not include:

(1) Remuneration that is not paid in cash or is not paid to all persons who are in the same class of employees.

(2) Remuneration that is paid for service that is not creditable service pursuant to Section 22119.5 or 22119.6.

(3) Remuneration that is not paid each pay period in which creditable service is performed for that position.

(4) Remuneration that is paid in exchange for the relinquishment of unused accumulated leave.

(5) Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and 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.

(6) Fringe benefits provided by an employer.

(7) Expenses paid or reimbursed by an employer.

(8) Severance pay, including lump sum and installment payments, or money paid in excess of salary or wages to a member as compensatory damages or as a compromise settlement.

(9) Creditable compensation determined by the system to have been paid to enhance a member’s benefit.

(10) Compensation paid to the member in lieu of benefits provided to the member by the employer or paid directly by the employer to a third party other than the system for the benefit of the member.

(11) Any one-time or ad hoc payments made to a member.

(12) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniform.
Any bonus paid in addition to compensation described in subdivision (a).

Any other payments the board determines not to be “creditable compensation.”

(c) (1) Except for purposes of calculating credited service in the Defined Benefit Program and for reporting compensation earnable on or after January 1, 2013, creditable compensation in any fiscal year shall not exceed:

(A) One hundred twenty percent of the “contribution and benefit base,” as determined under Section 430(b) of the Social Security Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose service is not included in the federal system.

(B) One hundred percent of the “contribution and benefit base,” as determined under Section 430(b) of the Social Security Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose service is included in the federal system pursuant to any changes in state or federal law enacted on or after January 1, 2013.

(2) The system shall adjust the limit based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average, calculated by dividing the Consumer Price Index for All Urban Consumers: U.S. City Average for the month of February in the fiscal year preceding the adjustment by the Consumer Price Index for All Urban Consumers: U.S. City Average for the month of February of the previous year rounded to the nearest thousandth. Notwithstanding paragraph (1) of subdivision (d) of Section 7522.10 of the Government Code, the adjustment shall be effective annually on July 1, beginning July 1, 2014.

(3) The Legislature reserves the right to modify the requirements of this subdivision with regard to all members subject to this subdivision, except that the Legislature may not modify these provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.

(4) This subdivision shall apply to compensation paid during the 2013–14 fiscal year and each fiscal year thereafter.

(d) An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (b) may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

(e) For purposes of this section, remuneration shall be considered paid if distributed to any person in the same class of employees who meets the qualifications or requirements specified in a publicly available written contractual agreement, including, but not limited to, a collective bargaining agreement or an employment agreement, as a condition of receiving the remuneration.

(f) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for the position, preventing adverse selection, and excluding from creditable compensation remuneration that is paid to enhance a member’s benefits. The system shall determine the appropriate crediting of contributions according to these principles, to the extent not otherwise specified pursuant to this part. A presumption by the system that creditable compensation was paid to enhance the member’s benefits may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, a presumption by the system that creditable compensation was paid to enhance the member’s benefits may be reversed.
March 12, 2018

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2018–01
*Supersedes Employer Directive 2017–03*
Postretirement Earnings Limit for the 2017–18 Fiscal Year, 2018–19 Fiscal Year and
2018 Calendar Year

**PURPOSE**

This employer directive is intended to inform and remind employers of:
- The application of the earnings limit for retired CalSTRS members.
- The annual postretirement earnings limit for the 2017–18 fiscal year for retired CalSTRS members.
- The annual postretirement earnings limit for the 2018–19 fiscal year for retired CalSTRS members.
- The postretirement separation-from-service requirement for retired CalSTRS members during the first 180-calendar days from their retirement date with CalSTRS.
- Requirements for requesting an exemption from the separation-from-service requirement.
- Restrictions on hiring retired CalSTRS members in classified positions.
- Retirement incentive restrictions.
- Requirements for employer communication regarding the earnings limits and, if applicable, the retirement incentive restrictions when hiring retired CalSTRS members. Also, the employer requirements regarding maintaining accurate records and reporting postretirement earnings to CalSTRS.
- The CalSTRS postretirement excess earnings notification process.
- The postretirement separation-from-service requirement for retired CalSTRS participants during the first 180-calendar days from their retirement date and restrictions on hiring retired CalSTRS participants in classified positions.
- The disability retirement earnings limit for the 2018 calendar year.
- The disability allowance earnings limit for the 2017–18 and 2018–19 fiscal years.
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 CalSTRS members”) or retired participants of the Cash Balance (CB) Benefit Program (referred to in this directive as “retired CalSTRS participants”) to perform creditable service or that employs CalSTRS members receiving either a Disability Allowance or Disability Retirement benefit in any capacity.

DISCUSSION

Application of Annual Postretirement Earnings Limit for Defined Benefit Program

Section 24214 of the Education Code imposes an annual postretirement earnings limit on retired CalSTRS members who return to work and perform retired member activities. Section 22164.5 defines “retired member activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Section 22119.5 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor within the California public school system.

The salary being paid for retired member activities may not be less than the minimum, nor can it exceed the maximum, paid by the employer to other employees performing comparable duties.

If a retired CalSTRS 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, up to a maximum of the member’s retirement benefit minus any reductions due to the separation-from-service requirement, until the member has repaid the amount of compensation that was earned in excess of the earnings limit.

Annual Postretirement Earnings Limits for Defined Benefit Program

The postretirement earnings limit for retired CalSTRS members for the 2017–18 fiscal year is $43,755.

The postretirement earnings limit for retired CalSTRS members for the 2018–19 fiscal year is $45,022.

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.

Separation-From-Service Requirement for Defined Benefit Program

Pursuant to Education Code section 24214.5, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS members, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars ($0).
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If a retired CalSTRS member earns compensation for performing retired member activities during this period, Education Code section 24214.5(h) requires CalSTRS to reduce the member’s retirement benefit dollar-for-dollar, up to a maximum of the member’s retirement benefit payable during that period, until the member has repaid the amount of compensation that was earned during the separation-from-service period. This restriction is in addition to the annual postretirement earnings limit. Any amount the retired CalSTRS member receives during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.

Application of Postretirement Requirements for Cash Balance Benefit Program
Section 26812 of the Education Code imposes limitations on retired CalSTRS participants who return to work and perform retired participant activities. Section 26135.7 defines “retired participant activities” as one or more of the activities identified in subdivision (b), (c) or (d) of 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 within the California public school system.

The salary being paid for 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.

There is no annual earnings limit for retired CalSTRS participants other than the separation-from-service limit.

Separation-From-Service Requirement for Cash Balance Benefit Program
Pursuant to Education Code section 26812, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS participants receiving an annuity, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars ($0).

If a retired CalSTRS participant earns compensation for performing retired participant activities during this period, Education Code section 26812(d)(2) requires CalSTRS to reduce the participant’s retirement benefit dollar-for-dollar, up to a maximum of the participant’s retirement benefit during that period, until the participant has repaid the amount of compensation that was earned during the separation-from-service period.

If a retired CalSTRS participant is receiving a retirement benefit as a lump-sum payment, the benefit will not be payable until 180 calendar days after the date employment was terminated. If the retired CalSTRS participant performs retired participant activities during this waiting period, the retirement will be cancelled, and the benefit payment will not be received.

Exclusion When Working for a Third Party
Retired CalSTRS members employed by a third party are excluded from the postretirement earnings limit and related provisions provided they meet all of the following criteria:
- The retired CalSTRS member is employed by a third party that does not participate in a California public pension system.
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- The activities performed by the retired CalSTRS member are not normally performed by the employees of an employer.
- The activities are performed by the retired CalSTRS member for a limited term of 24 months or less.

Employer reporting of retired CalSTRS members 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.

The information above regarding the exclusion when working for a third party also applies to retired CalSTRS participants.

Exemption to the Separation-From-Service Requirement
There is a narrow exemption from the 180-calendar day separation-from-service requirement for a retired CalSTRS member or retired CalSTRS participant under certain circumstances. To qualify for this exemption, the retired CalSTRS member or retired CalSTRS participant must be at or above normal retirement age at the time the compensation is earned, and the CalSTRS-covered employer must appoint the retired CalSTRS member or retired CalSTRS 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 regarding the appointment must be adopted before the retired CalSTRS member or retired CalSTRS participant begins performing retired member or retired participant activities under the exemption. The resolution approving the appointment may not be placed on a consent calendar.

The resolution must include the following specific information and findings:
- The intent to seek an exemption from the 180-calendar day separation-from-service requirement.
- 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, by retiring, the member or participant did not create the vacancy the member or participant is now filling.

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. CalSTRS must receive this form and the aforementioned resolution indicating the above information to substantiate the eligibility of the retired CalSTRS member or retired CalSTRS participant for the exemption before the member or participant begins performing service under the exemption. CalSTRS must notify the employer and the retired CalSTRS member or retired CalSTRS participant within 30 days of receiving the
resolution and all required documentation whether the service 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 CalSTRS member or retired CalSTRS participant 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 retired CalSTRS members.

Education Code sections 24214.5 and 26812 clarify what constitutes a “financial inducement to retire” that would prohibit a retired CalSTRS member or retired CalSTRS participant from being eligible for an exemption from the separation-from-service requirement.

Classified Position Restrictions
Education Code section 45134 precludes retired CalSTRS members and retired CalSTRS participants from employment in classified positions in the California public school system. However, this section is outside of the Teachers’ Retirement Law and therefore outside the purview of CalSTRS.

Retired CalPERS Postretirement Employment Restrictions
If the employee is a CalSTRS and CalPERS member, please ask the employee to contact CalPERS at 888-225-7377 to determine the impact that returning to work would have on his or her 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 in any job, including substitute teaching, within five years of receiving the incentive with the school district, community college district or county office of education that granted the retirement incentive. Education Code section 22461 requires the employer to notify retired members of the employment restrictions in Education Code section 22714 upon retaining their services.

Employer Requirements for Notification of Postretirement Earnings and Employment Restrictions, and Required Reporting of Postretirement Earnings
Upon retaining the services of a retired CalSTRS member, Education Code section 22461 requires employers to notify the retired CalSTRS member of earnings limitations and employment restrictions for those who receive retirement incentives, regardless of whether the retired CalSTRS member performs the services as an employee of the employer, an employee of a third party or an independent contractor. Employers must also report the retired member’s earnings to CalSTRS each month. 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 CalSTRS member when postretirement earnings are initially reported by the employer. The Initial Postretirement Earnings Letter informs the retired CalSTRS member of the current earnings limit and describes what occurs if the limit is exceeded. When the employer reports postretirement earnings equal to one-half of the
annual postretirement earnings limit, CalSTRS sends a second letter, the Postretirement Earnings Mid-Limit Letter, notifying the retired CalSTRS member that their gross earnings for CalSTRS-covered employment have reached one-half of the annual earnings limit for that fiscal year and reminding the retired CalSTRS member of the consequences of exceeding the earnings limit.

When a retired CalSTRS member or retired CalSTRS participant either violates the 180-calendar day separation-from-service requirement or when the retired CalSTRS member exceeds the annual postretirement earnings limit, CalSTRS sends the retired CalSTRS member or retired CalSTRS participant a letter notifying him or her of the excess earnings amount and when collections will be withheld from his or her monthly retirement benefit. CalSTRS gives at least a 60-day notice before commencing collection. If the earnings were reported to CalSTRS in error by the employer, the employer is responsible for correcting the previous reporting and notifying CalSTRS that corrected contribution lines were submitted.

Application and Amount of the 2018 Disability Retirement Earnings Limit
The disability retirement earnings limit for the 2018 calendar year is $30,300. 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 2017–18 and 2018–19 Disability Allowance Earnings Limit
The disability allowance earnings limit for the 2017–18 and 2018–19 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 CalSTRS member either as an employee of an employer, an employee of a third party or as an independent contractor within the California public school system, the employer is required to:

- Notify the retired member of all earnings limits and the retirement incentive employment restrictions, if applicable.
- Maintain accurate records of the retired member’s earnings.
- Report those earnings to the retired 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 limitations, please visit CalSTRS.com/general-information/working-after-retirement. If you have questions regarding the postretirement earnings limit, contact Postretirement by email at postretirement@calstrs.com or leave a voicemail at 916-414-5967.
# EMPLOYER CERTIFICATION OF INDEPENDENT CONTRACTOR STATUS

*Please Type or Print Legibly in Black Ink*

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<th>INDEPENDENT CONTRACTOR/THIRD PARTY EMPLOYEE</th>
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<td>Name: (Last) (First) (Initial) Federal Tax ID</td>
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<th>THIRD PARTY FIRM (if applicable)</th>
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<th>Brief Description of Services:</th>
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<th>EMPLOYER CERTIFICATION</th>
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<td>I declare under penalty of perjury of the laws of the State of California that I have reviewed the appropriate legal and procedural guidelines pertinent to the determination of Independent Contractor Status and, after analyzing the application of same to the position described above, conclude that the above identified individual qualifies for independent contractor status.</td>
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| I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in up to one year in jail and fine up to $5,000. Education Code §22010 |

| Official’s Title (Assistant Superintendent for Personnel or Legal Counsel): |

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<th>County</th>
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1 Also applies to an employee of a third party

ES-732 (Rev 8/09)
CALSTRS RETIREE EARNINGS PAID THROUGH ACCOUNTS PAYABLE

Date:_____________________

To: SCOE Retirement Desk / Carol Mahan / cmahan@coe.org

District: __________________________ Contact Person: __________________________

Phone Number: _______________ Email: __________________________

Address: _____________________________________________________________

CalSTRS Retiree Name: __________________________ Social Security #: _______________

STRS Retirement Date: _______________

Amount(s) Paid: __________________________ Period
Worked: __________________________

Type of Work
Performed: __________________________

Basis of Pay: Daily Monthly Annually (Circle One)

Please attach a copy of the paid invoice(s) to this document.

Please note:
CalSTRS retirees that perform creditable service and are paid through accounts payable must be reported to CalSTRS. If you have paid a CalSTRS retiree through accounts payable, please fill out this form immediately after processing the payment and send it to the Sonoma County Office of Education, STRS Retirement Desk.

Please make sure the CalSTRS retiree has been informed of the annual earnings limit and is aware that these earnings are being reported to CalSTRS for the time period they have been earned (not necessarily when paid) and will count against the annual earnings limit.

Steven D. Herrington, Ph.D. ■ Superintendent of Schools
Board of Education ■ Gina Cudie, Herman G. Hernandez, Peter Kostas, Andrew Leonard. Lisa Wittke Schaffner
Resources Available to You:

✓ Relevant Education Code sections: 22115(a), 22119.2, 22138.5(a), and 22703(b).

✓ Relevant California Code of Regulations sections: 27200, et seq. Also known as the Creditable Compensation Regulations, which became effective January 1, 2015.

✓ Contact your Member Account Services representative to verify if extra duty earnings are considered part of the full-time equivalent workload or separately reportable extra duty earnings.

Unused Sick Leave Data Incorrectly Reported on the Express Benefit Report

Discussion:

The CalSTRS Express Benefit Report (SR 0554E) form is the form you must submit to CalSTRS at the time of a member’s retirement that provides employment information, such as accumulated unused sick leave days, that is needed to calculate a member’s retirement benefit. Common audit findings for sick leave data incorrectly reported include:

1) Number of accumulated unused sick leave days is incorrect.

When unused sick leave days are overstated; the member will receive additional service credit and their retirement benefit will be inflated and overpaid. The member will then be required to repay the retirement benefit overpayments back to CalSTRS. When unused sick leave days are understated; the member will not receive the full retirement benefit for which they were entitled until the understatement is corrected. The member may be entitled to an underpayment.

2) Number of contract base days is incorrect.

When the contract base days are understated the conversion of the unused sick leave to service credit will create an inflated member retirement benefit and be overpaid. The member will then be required to repay the retirement benefit overpayments back to CalSTRS. When the contract base days are overstated, the conversion of the unused sick leave to service credit will create an insufficient retirement benefit until the employer corrects the data. The member may be entitled to an underpayment.

3) Unused excess sick leave combined with unused basic sick leave.

When unused excess sick leave is reported as unused basic sick leave, the member’s retirement benefit is not affected. However, the employer is not reimbursing CalSTRS for the actuarially determined present value cost of the excess sick leave. This results in CalSTRS providing a portion of a benefit that has not been funded. CalSTRS will bill the district for the present value of the impact of unused excess sick days on the member’s benefit.
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Guidance:
Education Code section 22170.5 provides that “basic sick leave day” means the equivalent of one day’s paid leave of absence per pay period due to illness or injury. It further provides that “excess sick leave days” means the day or total number of days granted by an employer for paid leave of absence due to illness or injury in excess of basic sick leave.

The accumulated unused sick leave that the member was entitled to on the final day of employment must be reported in days, not hours.

To determine the number of excess sick leave days to which a member is entitled when he or she retires, the employer shall deduct the days of sick leave used by the member from the member’s accumulated and unused sick leave balance according to the following method:

1) Sick leave usage shall first be deducted from the accumulated and unused sick leave balance existing on July 1, 1986.

2) Sick leave usage shall next be deducted from basic sick leave days granted to the member by an employer after June 30, 1986.

3) Sick leave usage shall then be deducted from any excess sick leave days granted to the member by an employer after June 30, 1986.

The Express Benefit Report (SR0554E) form is due to CalSTRS within 30 days of the retirement date or the date CalSTRS receives the member’s retirement application, whichever is later. To correct any data previously reported on the Express Benefit Report (SR0554E), use the Employment Termination or Sick Leave Data Correction (SR0559) form. Both the Express Benefit Report (SR0554E) and the Employment Termination or Sick Leave Data Correction (SR0559) forms are available under Reference Items on the Secure Employer Website (SEW).

Resources Available to You:

✓ Relevant Education Code sections: 22170.5, 22717, 22718, and 22724.

✓ Refer to Employer Information Circular EIC03-6 Volume 19, Issue 6, dated May 22, 2003, for further clarification. Contact CalSTRS Service Retirement at ExpressBenReport@CalSTRS.com for assistance.

Postretirement Earnings Incorrectly Reported for CalSTRS Retired Members

Discussion:
Upon retaining the services of a CalSTRS retired member, whether as an employee of the district, as an independent contractor to the district, or as an employee of a third party, the employer must notify the retired member of all earnings limits and also the retirement incentive employment restrictions, if applicable, maintain accurate records of the retired member’s earnings, and report those earnings monthly to CalSTRS. If the member’s earnings exceed the postretirement