



California State Teachers'  
Retirement System  
Executive Office  
PO Box 15275  
Sacramento, CA 95851-0275  
CalSTRS.com

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TO: All County Superintendents of Schools  
District Superintendents of Schools  
Community College Districts  
County Offices of Education and  
Charter School Administrators

FROM: Cassandra Lichnock  
Chief Executive Officer

SUBJECT: Employer Directive 2024-03  
***Supersedes Employer Directive 2023-02***  
Fiscal Year 2024–25 Creditable Compensation Limit for CalSTRS 2% at 62  
Defined Benefit Program Members and Cash Balance Benefit Program  
Participants Subject to PEPRA, and Reporting Requirement for Creditable  
Compensation that Exceeds the Annual Creditable Compensation Cap

**PURPOSE:**

The purpose of this employer directive is to inform employers of the 2024–25 fiscal year limit on creditable compensation for CalSTRS 2% at 62 Defined Benefit Program members and Cash Balance Benefit Program participants subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA), and reporting requirements when reporting creditable compensation that is above the annual creditable compensation cap.

**SCOPE:**

This directive contains information for county superintendent of schools, school districts, community college districts, charter schools, and any agency that employs any CalSTRS 2% at 62 Defined Benefit Program members or Cash Balance Benefit Program participants subject to PEPRA.

**DISCUSSION:**

PEPRA limits creditable compensation that may be counted toward CalSTRS retirement benefits for CalSTRS 2% at 62 Defined Benefit Program members and Cash Balance Benefit Program participants subject to PEPRA. Education Code sections 22119.3 and 26139.5 specify the compensation limit shall not exceed 120% 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. The compensation limit is adjusted annually based on changes to the Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average for the month of February, rounded to the nearest thousandth, with the adjustments becoming effective annually on July 1.

**The compensation limit for CalSTRS 2% at 62 Defined Benefit Program members and Cash Balance Benefit Program participants subject to PEPRA effective July 1, 2024, through June 30, 2025, is \$182,266.**

A list of past PEPRA creditable compensation limits can be found in the attached appendix.

**REPORTING REQUIREMENTS:**

To comply with the cap on creditable compensation requirements of PEPRA, compensation reporting requirements and four business edits (MO-B116, MO-B117, MO-B118 and MO-B119) are in place to facilitate and ensure proper reporting of compensation over the annual compensation cap, and the associated contributions.

CalSTRS 2% at 62 Defined Benefit Program members:

When a CalSTRS 2% at 62 Defined Benefit Program member's compensation is below or at the annual creditable compensation cap, report the member's full annualized pay rate, actual creditable compensation earned, and member and employer contributions due based on the actual creditable compensation earned as usual.

When a CalSTRS 2% at 62 Defined Benefit Program member's compensation exceeds the annual creditable compensation cap, the member's full annualized pay rate and actual compensation earned are required to be reported to the Defined Benefit Program for service credit to be accurately calculated. However, neither the member nor employer contributions should be remitted to CalSTRS for creditable compensation that exceeds the annual creditable compensation cap.

Example:

For the 2022–23 fiscal year, the annual creditable compensation cap was \$166,617. A CalSTRS 2% at 62 Defined Benefit Program member had an annualized pay rate of \$216,000, which was paid \$18,000 per month for 12 months with no additional assignments or creditable compensation paid. To ensure the member is credited with the appropriate amount of service credit, the employer must report the full annualized pay rate and the actual creditable compensation earned. However, reporting contributions is dependent on if the creditable compensation earned is below or exceeds the compensation cap.

A member being paid \$18,000 a month yielded a year-to-date total reported earnings of \$162,000 within nine months. Therefore, the member's monthly earnings of \$18,000, with 10.205% in member contributions and 19.100% in employer contributions, was reported as normal, with a creditable earnings indicator of '\*' to denote member creditable earnings, for each pay period from July 2022 to March 2023 as follows:

- Pay Rate: \$18,000
- Earnings: \$18,000
- Member Contributions: \$1,836.90 (10.205% of creditable earnings)
- Employer Contributions: \$3,438.00 (19.100% of creditable earnings)

- Creditable Earnings Indicator (position 89 of the raw data file): ‘\*’

The member’s annual creditable compensation exceeded the compensation cap in April 2023; therefore, the reporting of the April service must be split into two reporting lines as follows:

Line 1: Report the member’s full annualized pay rate, with earnings and member and employer contributions up to the creditable compensation cap, with a creditable earnings indicator of ‘\*’ to denote member creditable earnings:

- Pay Rate: \$18,000
- Earnings: \$4,617
- Member Contributions: \$471.16 (10.205% of creditable earnings)
- Employer Contributions: \$881.85 (19.100% of creditable earnings)
- Creditable Earnings Indicator (position 89 of the raw data file): ‘\*’

Line 2: Report the member’s full annualized pay rate, with earnings above the creditable compensation cap with no contributions, with a creditable earnings indicator of ‘C’ to denote member creditable earnings are over the compensation cap.

- Pay Rate: \$18,000
- Earnings: \$13,383
- Member Contributions: \$0.00
- Employer Contributions: \$0.00
- Creditable Earnings Indicator (position 89 of the raw data file): ‘C’

All of the member’s remaining creditable compensation for May 2023 and June 2023 exceeds the annual creditable compensation cap; therefore, all additional reporting should reflect the full annualized pay rate and the actual creditable compensation earned with no contributions associated, with a creditable earnings indicator of ‘C’ to denote member creditable earnings are over the compensation cap as follows:

- Pay Rate: \$18,000
- Earnings: \$18,000
- Member Contributions: \$0.00
- Employer Contributions: \$0.00
- Creditable Earnings Indicator (position 89 of the raw data file): ‘C’

If you submit contributions on creditable compensation above the cap, business edit MO-B116 will be triggered in the Secure Employer Website (SEW), informing you that \$0.00 contributions are due.

If a portion of a member's creditable compensation reaches the cap and the rest of the creditable compensation exceeds the cap, business edit MO-B117 provides a resolution on how to properly report the data.

A creditable compensation indicator of 'C' is required in the Creditable Earnings Indicator field (position 89 of the raw data file) when no contributions are due because the creditable compensation is above the compensation cap. This allows reporting of compensation above the cap with \$0.00 contributions. Business edit MO-B118 will be triggered if the creditable earnings indicator is not 'C' and all the creditable compensation is above the cap. Additionally, business edit MO-B119 will be triggered if the creditable earnings indicator is 'C' and the creditable compensation is at or below the cap for a CalSTRS 2% at 62 Defined Benefit Program member or if it is placed on a contribution line for a CalSTRS 2% at 60 Defined Benefit Program member.

Please refer to the *SEW F496 File Specification* document available in the *Reference Items* section of SEW for further information about these and other edits.

Cash Balance Benefit Program Participants Subject to PEPR:

If you have a Cash Balance Benefit Program participant who is subject to PEPR and is about to reach the annual creditable compensation cap, please contact CalSTRS Employer Help for further instruction.

If you have any questions regarding the information in this Employer Directive, please contact CalSTRS Employer Help by emailing [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com).

Appendix

**PEPRA Creditable Compensation Limit by Fiscal Year**

<b>Fiscal Year</b>	<b>Effective Dates</b>	<b>Creditable Compensation Limit</b>
2024–25	July 1, 2024–June 30, 2025	\$182,266
2023–24	July 1, 2023–June 30, 2024	\$176,614
2022–23	July 1, 2022–June 30, 2023	\$166,617
2021–22	July 1, 2021–June 30, 2022	\$154,418
2020–21	July 1, 2020–June 30, 2021	\$151,837
2019–20	July 1, 2019–June 30, 2020	\$148,423
2018–19	July 1, 2018–June 30, 2019	\$146,230
2017–18	July 1, 2017–June 30, 2018	\$143,082
2016–17	July 1, 2016–June 30, 2017	\$139,320
2015–16	July 1, 2015–June 30, 2016	\$137,941
2014–15	July 1, 2014–June 30, 2015	\$137,941
2013–14	July 1, 2013–June 30, 2014	\$136,440