

§ 22112.5. “Class of employees”

(a) “Class of employees” means a number of employees considered as a group because they are employed to perform similar duties, are employed in the same type of program, or share other similarities related to the nature of the work being performed.

(b) A class of employees may be comprised of one person if no other person employed by the employer performs similar duties, is employed in the same type of program, or shares other similarities related to the nature of the work being performed and that same class is in common use among other employers.

(c) The board shall have the right to override the determination by an employer as to whether or not a group or an individual constitutes a “class of employees” within the meaning of this section.

(d) The amendments to this section during the 1995–96 Regular Session of the Legislature shall be deemed to have become operative on July 1, 1996.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

§ 22119.5. “Creditable service”

(a) “Creditable service” means any of the activities described in subdivision (b) performed for any of the following employers:

(1) A prekindergarten through grade 12 employer, including the state, in a position requiring certification qualifications as designated in regulations adopted by the Commission on Teacher Credentialing pursuant to Section 44001.

(2) A community college employer by a faculty member, as defined in Section 87003, in an academic position, as defined in subdivision (b) of Section 87001, or by an educational administrator, as defined in subdivision (b) of Section 87002, subject to the appropriate minimum standards adopted by the Board of Governors of the California Community Colleges pursuant to Section 87356, or pursuant to a contract between a community college district and the United States Department of Defense to provide vocational training.

(3) A charter school employer under the provisions of an approved charter for the operation of a charter school for which the charter school is eligible to receive state apportionment.

(b) The types of activities are any of the following:

(1) The work of teachers, instructors, district interns, and academic employees employed in the instructional program for pupils, including special programs such as adult education, regional occupation programs, child care centers, and prekindergarten programs pursuant to Section 22161.

(2) Education or vocational counseling, guidance, and placement services.

(3) The work of employees who plan courses of study to be used in California public schools, or research connected with the evaluation or efficiency of the instructional program.

(4) The selection, collection, preparation, classification, demonstration, or evaluation of instructional materials of any course of study for use in the development of the instructional program in California public schools, or other services related to California public school curriculum.

(5) The examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program.

(6) The work of nurses, physicians, speech therapists, psychologists, audiometrists, audiologists, and other California public school health professionals.

(7) Services as a California public school librarian.

(8) Activities connected with the enforcement of the laws relating to compulsory education, coordination of child welfare activities involving the school and the home, and the school adjustment of pupils.

(9) The work of employees who are responsible for the supervision of persons or administration of the duties described in this subdivision.

(c) “Creditable service” also means any of the activities described in subdivision (b) when they are performed for an employer by:

(1) Superintendents of California public schools, and presidents and chancellors of community college employers.

(2) Consulting teachers employed by an employer to participate in the California Peer Assistance and Review Program for Teachers pursuant to Article 4.5 (commencing with Section 44500) of Chapter 3 of Part 25 of Division 3 of Title 2.

(d) “Creditable service” also means the performance of California public school activities related to, and an outgrowth of, the instructional and guidance program of the California public school when performed for the same employer for which the member is performing any of the activities described in subdivision (b) or (c).

(e) The board shall have final authority for determining creditable service to cover any activities not already specified.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

§ 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.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

(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 Program 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.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

§ 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.

(13) Any bonus paid in addition to compensation described in subdivision (a).

(14) 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.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

(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.

Source: Teacher’s Retirement Law Vol. 1 January 1, 2018

Pensionable Compensation 2% at 62 – Government Code 7522.34

(a) “Pensionable compensation” of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules, subject to the limitations of subdivision (c).

(b) Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid.

(c) Notwithstanding any other law, “pensionable compensation” of a new member does not include the following:

(1) Any compensation determined by the board to have been paid to increase a member’s retirement benefit under that system.

(2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.

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

(4) Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

(5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.

(6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

(7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.

(8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.

(9) Employer contributions to deferred compensation or defined contribution plans.

(10) Any bonus paid in addition to the compensation described in subdivision (a).

(11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a).

(12) Any other form of compensation a public retirement board determines should not be pensionable compensation.

(13) (A) Any form of compensation identified that has been agreed to be non-pensionable pursuant to a memorandum of understanding for state employees bound by the memorandum of understanding. The state employer subject to the memorandum of understanding shall inform the retirement system of the excluded compensation and provide a copy of the memorandum of understanding.

(B) The state employer may determine if excluded compensation identified in subparagraph (A) shall apply to non-represented state employees who are aligned with state employees subject to the memorandum of understanding described in subparagraph (A). The state employer shall inform the retirement system of the exclusion of this compensation and provide a copy of the public pay schedule detailing the exclusion.

§ 22115. “Compensation earnable”

(a) “Compensation earnable” means the creditable compensation a person could earn in a school year for creditable service performed on a full-time basis, excluding service for which contributions are credited by the system to the Defined Benefit Supplement Program.

(b) The board may determine compensation earnable for persons employed on a part-time basis.

(c) If service credit for a school year is less than 1.000, compensation earnable shall be the quotient obtained when creditable compensation paid in that year is divided by the service credit for that year, except as provided in subdivision (d).

(d) If a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is at least 0.900 of a year, compensation earnable shall be determined as if all service credit for that year had been earned at the highest pay rate. This subdivision shall be applicable only for purposes of determining final compensation. If a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is less than 0.900 of a year, compensation earnable shall be determined pursuant to subdivision (c).

(e) If creditable service is not performed on a full-time basis because a member is performing those activities pursuant to subdivision (d) of Section 22119.5, compensation earnable for those activities shall be determined as if the creditable compensation had been earned at the lowest pay rate for other creditable service activities performed by the member for the same employer during the same school year.

(f) (1) Except as provided in subdivision (g), for purposes of determining compensation earnable for a member employed by a community college prior to July 1, 1996, full time shall be defined pursuant to Section 22138.5 and pursuant to Section 20521 of Title 5 of the California Code of Regulations, as those provisions read on June 30, 1996, if application of that definition will increase the compensation earnable or otherwise enhance the benefits of the member.

(2) For purposes of administering this subdivision, the board shall have the authority to do both of the following:

(A) Establish and implement factors and assumptions necessary to calculate and compare the benefits payable under the definition of compensation earnable described in this subdivision. Those factors and assumptions may be based on information reported by the employer, including, but not limited to, all of the following:

(i) Base hours.

(ii) Actual earnings.

(iii) Compensation earnable.

(B) Review member benefit calculations that were performed using the factors and assumptions described in subparagraph (A). If the board determines that an employer failed to identify part-time service performed, the board shall consider that part-time service to be performed in a part-time lecture assignment as defined by the employer. If the board determines by the review of the member benefit calculations that the required information reported by the employer is inaccurate, incomplete, or the factors and assumptions were applied incorrectly, the board may recalculate member benefits using additional factors and assumptions that may include, but are not limited to, all of the following:

(i) Base hours.

(ii) Actual earnings.

(iii) Compensation earnable.

(3) This subdivision shall apply to a member employed by a community college prior to July 1, 1996, if the community college subsequently acts to reduce the minimum standard for full time as described in subdivision (c) of Section 22138.5 for the class of employees, and that community college provides written notice to the system of the act of the community college to reduce that minimum standard.

(4) This subdivision shall not apply to a member employed by a community college that has not reduced the minimum standard as described in subdivision (c) of Section 22138.5.

(g) Subdivision (f) shall not apply to a member subject to the California Public Employees' Pension Reform Act of 2013.

§ 22106.2. “Base days”

“Base days” means the number of days of creditable service required to earn one year of service credit.

§ 22106.3. “Base hours”

“Base hours” means the number of hours of creditable service required to earn one year of service credit.

§ 22138.6. “Full-time equivalent”

“Full-time equivalent” means the days or hours of creditable service that a person who is employed on a part-time basis would be required to perform in a school year if he or she were employed full time in that part-time position.

Source: Teacher's Retirement Law Vol. 1 January 1, 2018

California Public Employee's Pension Reform Act Summary

- Also known as AB340 and PEPRA.
- Created a different retirement formula for employees who are first hired to perform creditable service on or after January 1, 2013. These employees are referred to as 2% at 62 members.
 - Employees who were first hired to perform creditable service before January 1, 2013, are referred to as 2% at 60 members.
- Caps creditable compensation for 2% at 62 members at 120% of social security wages.
 - Employee and employer contributions stop in the fiscal year once the limit has been met.
- Limits the type of compensation that is creditable for 2% at 62 members.
 - Excludes most special compensation from creditable earnings.
 - Allowances.
 - Bonuses.
 - Cash-in-lieu of receiving a benefit.
 - Compensation paid for a specified number of times.
 - Compensation paid for the purpose of enhancing a benefit.
- Allows CalSTRS to establish a different contribution rate for 2% at 62 members.
 - May stay the same or may change annually.
- Prohibits employer paid contributions.
- Limits a district's ability to offer a one-year final compensation to teachers.
 - Final compensation may only be averaged over at least three schools years for 2% at 62 teachers.
 - One-year final compensation may be provided for 2% at 60 members who are classroom teachers (limitations apply).
- Forfeits benefits for all members (2% at 60 and 2% at 62) who are convicted of a felony.
 - Any benefits that a member accrued after committing the felony will be forfeited and contributions will be returned without interest.
 - Any benefits accrued prior to committing the felony remain intact.
- All members who retire on or after January 1, 2013, must wait 180 days before they can return to school employment as retirees.
 - Exemptions exist to bring a STRS retiree back to perform creditable service within the 180 days from retirement.
 - If no exemptions are requested, CalSTRS will reduce the retiree's benefit dollar per dollar.

AB 1381 Pension Reform Act Cleanup Bill

- Extends the definition of a 2% at 60 member to include any person who was a member of a concurrent retirement system on or before December 31, 2012, ***and*** performed services in that system within six months of becoming a CalSTRS member.
- For 2% at 60 members: Compensation determined to have been paid to enhance a member's benefits is only creditable to the DBS account.
 - Not creditable for 2% at 62 members.
- For 2% at 62 members: Creditable compensation must be paid each pay period in which service is performed for that position.
- Requires post-retirement earnings to be reported using an annualized full-time compensation earnable.
- Excludes 2% at 62 members from being eligible to retire at age 50 with 30 years of service credit.

The AB340 New Member box will determine what contribution rate will be used when calculating the employee contribution rate. For programing reasons the boxes have a specific default. **It is the district's responsibility to check the appropriate boxes that apply to each new hire and/or new position assignment when the employee is initially set up in Galaxy or assigned to a new position.**

The screenshot shows the 'Add / Modify Employee Information' form. The 'Retirement' section is expanded, showing the 'AB340' dropdown menu. The 'New Member' option is selected, while 'Cost Sharing' and 'Employer Paid' are unselected. A red box highlights the 'AB340' options, and a black arrow points to the 'New Member' option.

Example 1

When an employee is set up in Galaxy with the AB340 box unchecked as shown below:

The close-up shows the 'AB340' dropdown menu with the 'AB340 New Member' option selected, but the checkbox is unchecked.

1. The employee's contributions will be taken at 10.25% for fiscal year 2018-19.
2. The contributions will be employer pickup (employee pays contributions).

Example 2

When an employee is set up in Galaxy with the AB340 New Member box checked as shown below:

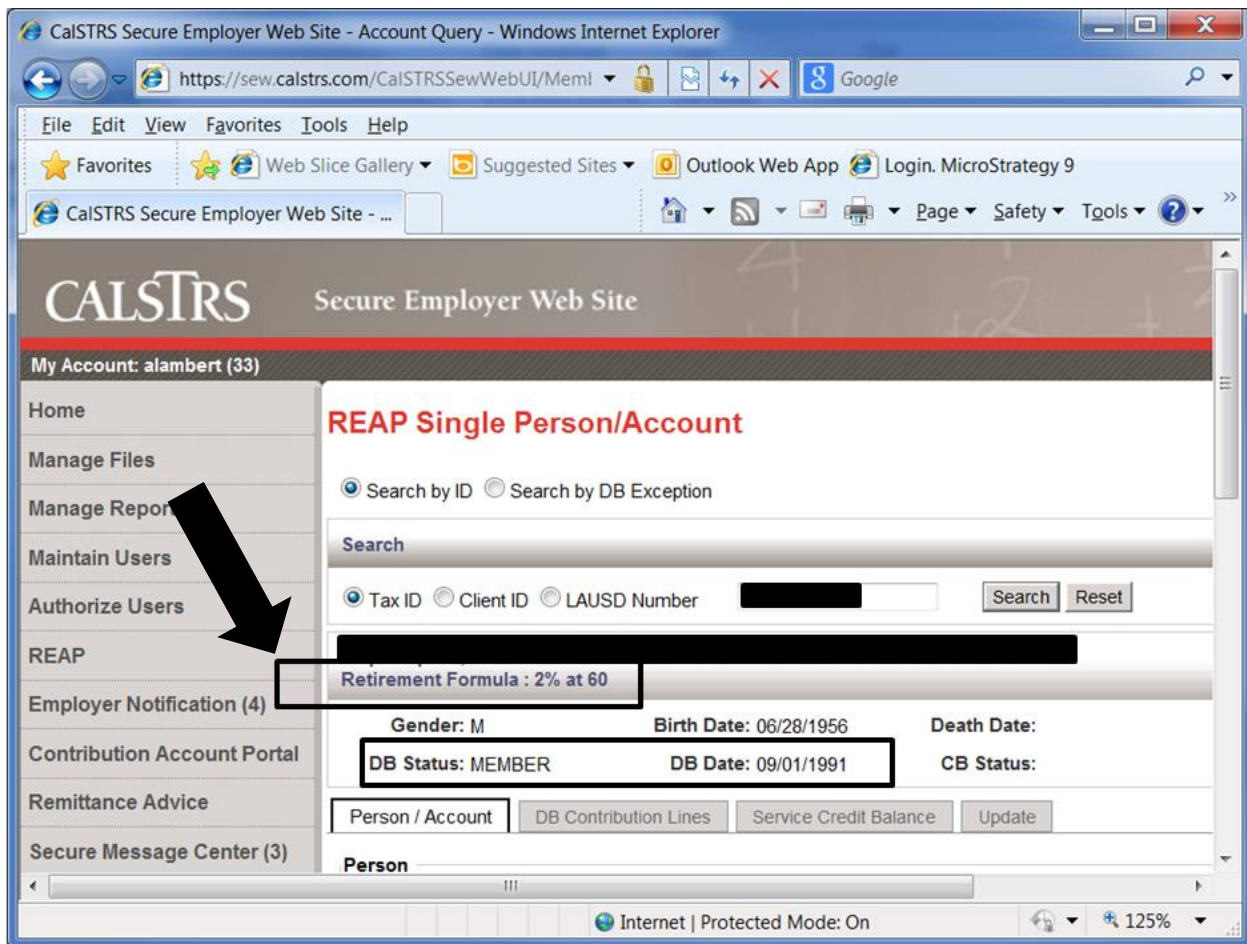


1. The employee's contributions will be taken at 10.205% for fiscal year 2018-19.
2. The contributions will be paid by the employee (employer pickup).

Note:

1. The AB340 New Member box controls which retirement plans are available in the "Retirement Plan" drop down list.
2. The rules for changes made to the AB340 New Member box on the Add/Modify Employee Information screen:
 - a. When a position is saved, the retirement system for the position (PERS, STRS, Alt-FICA, or None) is determined from the retirement code used for the position. Any other position(s) with the same retirement system, held by the employee, will have the AB340 New Member box selection updated automatically by Galaxy to match the position that was saved.

Check the Secured Employer Website (SEW) to determine the employee’s retirement formula, 2% at 60 or 2% at 62.



1. The County Office will continue setting up enrollments.
2. All new enrollments set up as of 01/01/2013, will default to the new member formula (2% at 62).
3. If the employee should be considered a “classic” member (2% at 60), the County Office may be able to work with our CalSTRS representative to have the membership date back-dated and the retirement formula changed.
 - a. This will require district documentation to substantiate the hire date.
4. If the request to back-date the employee’s membership effective date is denied, the employee will have to go through the dispute process and work directly with CalSTRS.



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

December 27, 2012

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2012-07
California Public Employees' Pension Reform Act of 2013

PURPOSE

This directive notifies employers of changes to Education Code and Government Code sections contained in Chapter 296, Statutes of 2012 (AB 340—Furutani), known as the California Public Employees' Pension Reform Act of 2013, that becomes effective January 1, 2013.

SCOPE

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts, and any agency that employs persons to perform creditable service under the CalSTRS Defined Benefit (DB) and Defined Benefit Supplement (DBS) programs.

DISCUSSION

Chapter 296 applies differently to employees depending on when they first became employed to perform activities creditable to CalSTRS.

CalSTRS 2% at 60: First *hired* to a position to perform activities subject to coverage by the DB Program on or before December 31, 2012. An existing member is also someone who may have refunded, reinstated, retired, started as a nonmember or elected to have their creditable service covered by another retirement plan, including Social Security.

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CalSTRS 2% at 62: First *hired* to a position to perform activities subject to coverage by the DB Program on or after January 1, 2013.

ACTION

If you hire a person to perform service that is creditable to the DB Program before January 1, 2013, establish his or her account in the Secure Employer Web site before December 31, 2012. All members with accounts established prior to January 1, 2013 will be under CalSTRS 2% at 60.

Employers will be prohibited from backdating a status date for any CalSTRS 2% at 62 accounts established on or after January 1, 2013.

If a member is defaulted into CalSTRS 2% at 62 in error, please contact your CalSTRS Member Account Services Representative for further instruction.

Compensation Cap

Chapter 296 added section 7522.10 to the Government Code, which establishes a limit on compensation used to calculate benefits for CalSTRS 2% at 62, including compensation credited to the DBS Program. For CalSTRS 2% at 62, the cap on compensation is equal to 120 percent of the 2013 Social Security wage base and will be adjusted annually based on changes to the Consumer Price Index for All Urban Consumers.

Beginning January 1, 2013, the compensation cap for CalSTRS 2% at 62 is \$136,440.

ACTION

CalSTRS 2% at 62:

- Report the full compensation earnable and actual compensation earned.
- Do not submit contributions on compensation over the compensation cap.

Edits implemented in the Secure Employer Web site will prevent employers from submitting contributions to the DB Program for CalSTRS 2% at 62 members whose earnings exceed the cap.

Employers may elect to offer a defined contribution plan for the contributions on salary above the cap to CalSTRS 2% at 62 members. However, the employer contribution rate cannot be greater than the 8.25 percent employer contribution rate for the DB Program.

For members under CalSTRS 2% at 62 who earn more than one year of service credit in a school year, contributions for that compensation will continue to be credited to the DBS Program provided that the compensation does not exceed the compensation cap.

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Creditable Compensation

Chapter 296 added section 22119.3 to the Education Code and added section 7522.34 to the Government Code. These sections define and limit the types of compensation creditable to the DB and DBS programs for CalSTRS 2% at 62 as follows:

1) Creditable compensation is:

- A. The normal monthly rate of pay or base pay of the member;
- B. Paid pursuant to a publicly available pay schedule;
- C. Paid in cash to all persons in the same class of employees on a full-time basis.

For compensation to be creditable, it must be included in the full-time equivalent or specifically identified on a salary schedule or other publically available document.

2) Creditable compensation paid to CalSTRS 2% at 62 members excludes:

- A. An allowance;
- B. A bonus;
- C. Cash in-lieu of receiving a benefit;
- D. Compensation that is payable for a specified number of times;
- E. Compensation paid for the purposes of enhancing a benefit.

ACTION

For members under CalSTRS 2% at 62, employers cannot report special compensation creditable to the DBS Program only (account code 71) to CalSTRS. Edits implemented in the Secure Employer Web site will prevent employers from submitting special compensation to the DBS Program only for CalSTRS 2% at 62.

Employers may only report compensation paid to CalSTRS 2% at 62 members that meets the definition of creditable compensation under Education Code section 22119.3 and Government Code section 7522.34. Pay schedules may include individual employment contracts or agreements, traditional step and column salary schedules, or other publicly available documentation that delineates pay for a class of employees. Pay schedules must be publicly available, and employers must provide CalSTRS with copies upon request.

Certain payments, such as master's stipends, are considered creditable compensation as long as they are included in the full-time equivalent or specifically identified on a salary schedule or other publically available document. To report these types of compensation, use the existing contribution code 6 and a new assignment code 72.

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Contribution Rates

Section 7522.30 was added to the Government Code by Chapter 296. This section establishes the contribution rate paid by members under CalSTRS 2% at 62 based on the normal cost of pension benefits. At its November meeting, the Teachers' Retirement Board adopted a normal cost of 15.9 percent for pension benefits under CalSTRS 2% at 62, based on analysis by the system's actuary. Based on this action, the contribution rate paid by a CalSTRS 2% at 62 members will be the same 8 percent rate currently set in statute for CalSTRS 2% at 60 members. There also is no change to the 8.25 percent employer contribution rate for compensation paid for any DB Program member.

Education Code section 22909 allows employers to pay all or a portion of the employee contributions, if that payment is made on behalf of all members in the same class of employees.

However, Chapter 296 prohibits employers from paying employee contributions for CalSTRS 2% at 62 members, unless the prohibition would impair the obligations of an existing contract.

Consequently, if such a contract currently exists, an employer may continue to pay all or a portion of employee contributions until the expiration of that contract, and upon expiration of that contract, may do so only if all members in the class of employees are CalSTRS 2% at 60 members. Employers may, however, continue to "pick-up" their employee's contributions, pursuant to Education Code section 22903, for the purposes of deferring income taxes, as authorized by Internal Revenue Code Section 414(h)(2) and Revenue and Taxation Code Section 17501.

ACTION

Contribution rates for all members, regardless of the benefit structure, and employers remain the same as set forth in Education Code sections 22901, 22950 and 22951. However, member contribution rates for CalSTRS 2% at 62 may change in the future.

Do not pay any portion of the employee contributions for CalSTRS 2% at 62 members unless an existing contract provides for such payment. Continue to pay all or a portion of the employee contributions for CalSTRS 2% at 60 members upon the expiration of that contract or a future contract only if all members in the same class of employees are CalSTRS 2% at 60 members.

Employer Election to Offer One-Year Final Compensation

Currently, Education Code section 22135 gives districts the ability to negotiate with employee organizations to provide one-year final compensation for all classroom teachers, as defined, who meet criteria specified in that section. Under Chapter 296 pursuant to added Government Code

section 7522.32, CalSTRS 2% at 62 members' final compensation may only be averaged over at least three school years. Consequently, districts may still negotiate with employee organizations to provide one-year final compensation for CalSTRS 2% at 60 members who are classroom teachers only if all of their classroom teachers in the DB Program who meet the criteria specified in section 22135 are CalSTRS 2% at 60 members.

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December 27, 2012

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ACTION

Employers can continue to negotiate with employee organizations to provide one-year final compensation only if all of their classroom teachers in the DB Program who meet the criteria specified in section 22135 are CalSTRS 2% at 60 members.

Members Convicted of a Felony

Chapter 296 adds Government Code sections 7522.72 and 7522.74, which state if any member, regardless of their benefit structure, is convicted of committing a felony in the course of his or her official duties, any benefits that member accrued after committing the felony will be forfeited. Any benefits the member accrued prior to committing the felony will remain intact. Any contributions made by the member to CalSTRS after the date the felony was committed will be returned, without interest.

ACTION

A member convicted of a felony in the course of his or her official duties and the prosecuting agency are required to notify that member's employer within 60 days of the conviction.

The member and the employer are then required to notify CalSTRS within 90 days of the conviction. At a later date, we will provide more information regarding the process to notify CalSTRS of such felony convictions. In the meantime, if you become aware of such a conviction, please contact CalSTRS Legal Office by email at LegalServices@CalSTRS.com or by mail at the following address:

CalSTRS-Legal Services
PO Box 15275, MS #3
Sacramento, CA 95851

Postretirement Employment

Chapter 296 amends Education Code sections 24214 and 24214.5, which affect employers' ability to hire retired teachers and administrators to fill vacancies, depending on when a member retired.

Existing restrictions apply to retirees and members who retire on or before December 31, 2012. New restrictions apply to members who retire on or after January 1, 2013.

CalSTRS will publish a separate employer directive regarding postretirement work, exemptions and earnings limits.

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Other Provisions Affecting Members**Nonqualified Service Credit**

Chapter 296 adds Government Code section 7522.46, which prohibits any member from purchasing nonqualified service credit, also known as airtime, after December 31, 2012. In order for a member to purchase nonqualified service credit, he or she must be vested, and CalSTRS must receive the appropriate CalSTRS form by 5:00 p.m. on December 31, 2012.

Retirement Age and Career Factor

Chapter 296 adds Education Code sections 24202.6, 24202.7 and 24202.8, which make changes to the retirement age for CalSTRS 2% at 62. The normal retirement age for these members is 62 with a 2 percent age factor. The maximum age factor is 2.4 percent at 65 and the minimum age a CalSTRS 2% at 62 member can retire is age 55 with 5 years of service. Additionally, the career factor is eliminated for these members.

Replacement Benefits Program

Chapter 296 adds Government Code section 7522.43, which prohibits CalSTRS 2% at 62 members from receiving any benefits above the federal limit, known as the Replacement Benefits Program.

Retroactive Benefit Increases

Government Code section 7522.44 was added by Chapter 296, which stipulates future benefit enhancements for all members will only apply to service performed on or after the operative date of the improvement.

No employer action is needed for these other provisions affecting members.

If you have any questions, please contact your CalSTRS Member Account Services Representative.



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

March 14, 2014

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2014-01
Changes to the Teachers' Retirement Law made by Chapter 559, Statutes of 2013,
(Assembly Bill 1381), the Public Employees' Pension Reform Act Conforming
Bill.

PURPOSE

This directive notifies employers of changes to Education Code sections contained in Chapter 559, Statutes of 2013 (AB 1381), that become effective January 1, 2013, or January 1, 2014, as specified.

SCOPE

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs persons to perform creditable service under the CalSTRS Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance (CB) Benefit programs.

DISCUSSION & ACTION

AB 1381 makes various technical and substantive changes to the Teachers' Retirement Law to conform with the provisions of Chapter 296, Statutes of 2012 (AB 340), known as the Public Employees' Pension Reform Act of 2013 (PEPRA).

This employer directive does not take precedence over the law. To view AB 1381 in its entirety, please go to <http://leginfo.legislature.ca.gov>.

If you have any questions regarding this employer directive, please contact your CalSTRS Member Account Services Representative.

Our Mission: Securing the Financial Future and Sustaining the Trust of California's Educators

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PROVISIONS AFFECTING DB AND DBS PROGRAMS

Defined Benefit (DB) Membership

Chapter 296, Statutes of 2012 (AB 340), or PEPRA, added Government Code section 7522.02 to distinguish who is considered an existing member subject to the retirement plan that was available on or before December 31, 2012, from a new member who is subject to the provisions set forth in PEPRA.

AB 1381 adds Education Code section 22146.2, operative January 1, 2013, to define a member subject to PEPRA, otherwise known as a CalSTRS 2% at 62 member, as anyone first hired to a position to perform activities subject to coverage by the DB Program on or after January 1, 2013.

Someone *first hired* to perform creditable service prior to 2013 is not subject to PEPRA and is known as a CalSTRS 2% at 60 member.

The new section 22146.2 also defines a DB member not subject to PEPRA as any person who was a member of a concurrent retirement system, pursuant to Education Code section 22115.2, on or before December 31, 2012, and performed service in that system within six months of becoming a CalSTRS member.

A CalSTRS 2% at 60 member also includes someone hired to perform creditable service on or after January 1, 2013, who was *first hired* to perform creditable service prior to 2013 but who refunded, reinstated, retired, started as a nonmember or elected to have their creditable service covered by another retirement plan, including Social Security.

Action:

Employees *first hired* to perform service that is creditable to the DB Program on or after January 1, 2013, who were members of a concurrent retirement system, pursuant to Education Code section 22115.2, on or before December 31, 2012, and who performed service in that system within six months of becoming a CalSTRS member, should be established as CalSTRS 2% at 60 members via the Secure Employer Website (SEW). These members, however, will be defaulted into CalSTRS 2% at 62 unless action is taken.

In order have any membership changed from CalSTRS 2% at 62 to CalSTRS 2% at 60, submit documentation to your CalSTRS Member Account Services Representative to substantiate the employee was hired to perform creditable service prior to January 1, 2013, or that the employee was a member of a concurrent retirement system on or before December 31, 2012, and performed service in that system within six months of becoming a CalSTRS member.

Creditable Compensation for CalSTRS 2% at 60 Members

AB 1381 amends Education Code section 22119.2 to further clarify the definition of creditable compensation for CalSTRS 2% at 60 members, effective January 1, 2014. (Changes are in *italics* below.)

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For CalSTRS 2% at 60 members “Creditable compensation” means remuneration *paid in cash* by an employer to all persons in the same class of employees for performing creditable service *in that position*; and includes:

- 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 paid in addition to salary or wages, provided it is *paid* to all persons in the same class of employees in the same dollar amount or same percentage;
- 3) (No change) Remuneration paid for employer-approved leave;
- 4) (No change) Member contributions picked up by an employer, pursuant to Education Code section 22903 or 22904;
- 5) Amounts deducted from the member’s *remuneration*, including, but not limited to, for participation in a deferred compensation plan; 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; and
- 6) (No change) Any other payments determined to be “creditable compensation.”

“Creditable compensation” for CalSTRS 2% at 60 members does not include:

- 1) Remuneration not *paid* in cash to all persons in the same class;
- 2) (No change) Remuneration paid for service that is not creditable;
- 3) Remuneration that is paid in addition to salary or wages if it is not *paid* to all persons in the same class in the same dollar amount or same percentage;
- 4) Remuneration paid *in exchange for the relinquishment of* unused accumulated leave;
- 5) *Payments* made by an employer, including, but not limited to, for participation in a deferred compensation plan; 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) (No change) Fringe benefits;
- 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.

Example: A teacher was wrongfully terminated and, during the process of litigation, was awarded compensatory damages in the form of back wages in the exact amount the teacher would have been paid had he or she never been terminated, plus additional compensation for attorney’s fees. In this case, only the back wages in the exact amount the teacher would have been paid had he or she never been terminated are considered creditable to CalSTRS. The additional compensation awarded for attorney’s fees is not creditable compensation.

- 9) (No change) Any other payments determined to not be “creditable compensation.”

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Additionally, section 22119.2 is amended to state that remuneration shall be considered *paid if distributed* to any person *in the same class of employees* who meets the qualifications for receiving the remuneration as specified in a *publicly available written contractual agreement*.

Example: Compensation for obtaining a master's degree is considered paid if distributed to any person in the same class of employees who meets the qualifications. Pursuant to a publicly available written contractual agreement, all full-time teachers are eligible to receive a stipend for having a master's degree; however, only those teachers who meet the qualifications of actually having a master's degree will be paid the stipend. This compensation is creditable even though not all teachers in the same class are paid the stipend.

Section 22119.2 is also amended to include the *consistent treatment of compensation for the position* as one of the sound principles supporting the integrity of the retirement fund. Previously, compensation was excluded from compensation earnable if it was "paid for the principal purpose of enhancing a member's benefits under the plan"; the amended language requires only that the compensation be paid to enhance a member's benefits. Therefore, compensation determined to have been paid to enhance a member's benefits is not creditable to the member's DB account, but it is creditable to the member's DBS account.

Action:

For CalSTRS 2% at 60 members, employers must only report compensation that meets the definition of creditable compensation under Education Code section 22119.2. Written contractual agreements may include individual employment contracts or agreements, traditional step and column salary or pay schedules, or other publicly available documentation that delineates pay for a class of employees. These items must be publicly available, and employers must provide CalSTRS with copies upon request.

Creditable Compensation for CalSTRS 2% at 62 Members

PEPRA added section 22119.3 to the Education Code and section 7522.34 to the Government Code, which defined and limited the types of compensation creditable to the DB and DBS programs for CalSTRS 2% at 62 members.

Effective January 1, 2013, AB 1381 amends Education Code section 22119.3 to reflect the definition of "pensionable compensation" set forth in PEPRA.

For CalSTRS 2% at 62 members, "creditable compensation" means remuneration paid in cash by an employer to all persons in the same class of employees each pay period in which service is performed for that position in accordance with a publicly available written contractual agreement; and includes:

- 1) Remuneration paid for employer-approved leave;
- 2) Member contributions picked up by an employer, pursuant to Education Code section 22903 or 22904;

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- 3) Amounts deducted from the member's remuneration, including, but not limited to, for participation in a deferred compensation plan; 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; and
- 4) Remuneration paid for creditable service in excess of one year in a school year.

"Creditable compensation" for CalSTRS 2% at 62 members does not include:

- 1) Remuneration not paid in cash to all persons in the same class;
- 2) Remuneration paid for service that is not creditable;
- 3) Remuneration not paid each pay period in which creditable service is performed for that position (this is different for CalSTRS 2% at 60 members);
- 4) Remuneration paid in exchange for the relinquishment of unused accumulated leave;
- 5) Payments made by an employer, including, but not limited to, for participation in a deferred compensation plan; 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) Fringe benefits;
- 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) Payments determined to have been made to enhance a member's benefit (this is different for CalSTRS 2% at 60 members);
- 10) Cash in-lieu of receiving a benefit;
- 11) One-time or ad hoc payments (this is different for CalSTRS 2% at 60 members);
- 12) An employer-provided allowance, reimbursement or payment, including, but not limited to, one made for housing, vehicle or uniform;
- 13) A bonus (this is different for CalSTRS 2% at 60 members); and
- 14) Any other payments determined to not be "creditable compensation."

Additionally, remuneration shall be considered paid if distributed to any person in the same class of employees who meets the qualifications for receiving the remuneration as specified in a publicly available written contractual agreement.

Also, the sound principles supporting the integrity of the retirement fund for CalSTRS 2% at 60 members are applicable to CalSTRS 2% at 62 members. However, compensation that is paid to enhance a member's benefits is not creditable to either the DB or the DBS program for CalSTRS 2% at 62 members. This presumption may be rebutted by the member or the employer and may be reversed if sufficient evidence to the contrary is received by CalSTRS.

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Action:

Employers must only report compensation paid to CalSTRS 2% at 62 members that meets the definition of creditable compensation under Education Code section 22119.3. Written contractual agreements may include individual employment contracts or agreements, traditional step and column salary or pay schedules, or other publicly available documentation that delineates pay for a class of employees. These items must be publicly available, and employers must provide CalSTRS with copies upon request.

For members under CalSTRS 2% at 62, employers cannot report special compensation creditable to the DBS Program only (account code 71) to CalSTRS. Edits have been implemented in SEW to prevent employers from submitting special compensation to the DBS Program only for CalSTRS 2% at 62.

Certain payments, such as master's stipends, are considered creditable compensation as long as they are included in the full-time equivalent or specifically identified on a salary schedule or other publically available document. To report these types of compensation, use the existing contribution code 6 and assignment code 72. The special compensation must be paid each pay period in which service was performed.

Cap on Creditable Compensation for CalSTRS 2% at 62 Members

PEPRA added section 7522.10 to the Government Code, which established a limit on compensation used to calculate benefits for CalSTRS 2% at 62 members, including compensation credited to the DBS Program. It also established that for CalSTRS 2% at 62 members, the cap on compensation is equal to 120 percent of the 2013 Social Security wage base and will be adjusted annually based on changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.

AB 1381 amends Education Code section 22119.3 to clarify how the compensation cap for CalSTRS 2% at 62 members shall be adjusted annually and that it is effective on a fiscal year basis.

The compensation cap for CalSTRS 2% at 62 members for July 1, 2013, to June 30, 2014, is \$136,440. The compensation creditable to DB, DBS and CB are combined and subject to a single cap.

CalSTRS will publish a separate employer information circular regarding the compensation cap that will be in effect on July 1, 2014, for CalSTRS 2% at 62 members.

Action:

For CalSTRS 2% at 62 members who meet the compensation cap:

- Continue to report the full compensation earnable and actual compensation earned;
- Do not submit contributions on compensation over the compensation cap.

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Edits will be implemented in SEW to prevent employers from submitting contributions to the DB Program for CalSTRS 2% at 62 members whose earnings exceed the cap. CalSTRS will further discuss the new SEW edits and other compensation cap information in an upcoming employer information circular.

For members under CalSTRS 2% at 62 who earn more than one year of service credit in a school year, contributions for that compensation will continue to be credited to the DBS Program provided that the compensation does not exceed the compensation cap.

Bargained Employer-Paid Member Contributions

AB 1381 amends Education Code section 22909 to prohibit employer-paid member contributions for CalSTRS 2% at 60 members in collective bargaining agreements that are entered into or changed on or after January 1, 2014.

Consistent with PEPRA, groups or classes that contain CalSTRS 2% at 62 members are prohibited from such agreements entered into or changed on or after January 1, 2013, because CalSTRS 2% at 62 members are required to contribute at least 50 percent of the normal cost, pursuant to subdivision (b) of Education Code section 22901.

Employers may continue to “pick-up” their employees’ contributions, pursuant to Education Code section 22903 or 22904, for the purposes of deferring income taxes, as authorized by Internal Revenue Code section 414(h)(2) and Revenue and Taxation Code section 17501.

Action:

Employers can continue to pay all or a portion of employee contributions, as outlined in the collective bargaining agreement, for CalSTRS 2% at 60 members whose bargaining agreements are still in effect as of January 1, 2014. However, employers cannot negotiate new bargaining agreements, or extend, renew or amend current bargaining agreements, to provide employer-paid member contributions for CalSTRS 2% at 60 members.

Bargained One-Year Final Compensation

AB 1381 amends Education Code section 22135 to prohibit one-year final compensation for CalSTRS 2% at 60 members in collective bargaining agreements that are entered into or changed on or after January 1, 2014.

Consistent with PEPRA, CalSTRS 2% at 62 members are not eligible for one-year final compensation pursuant to Government Code section 7522.32.

Action:

Employers can continue to provide one-year final compensation for CalSTRS 2% at 60 members whose collective bargaining agreements are still in effect as of January 1, 2014. However, beginning January 1, 2014, employers cannot enter into new bargaining agreements, or extend, renew or amend current bargaining agreements, to provide one-year final compensation for CalSTRS 2% at 60 members.

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Postretirement Employment Rate of Pay

AB 1381 amends Education Code section 24214 to clarify that the rate of pay for compensation for retired member activities must be annualized to ensure that it is equivalent to the annualized rate of pay of active employees performing comparable duties, effective January 1, 2014.

Action:

Report postretirement earnings using the annualized full-time compensation earnable for employees performing duties comparable to the retired member activities.

Postretirement Employment Earnings Limit

AB 1381 also amends Education Code sections 24214 and 24214.5 to require that the postretirement compensation limits apply to employer contributions to tax-sheltered annuities, tax-deferred retirement plans, insurance programs and other tax-favored products for written agreements entered into, extended, renewed or amended on or after January 1, 2014.

CalSTRS will publish a separate employer directive regarding postretirement work, exemptions and earnings limits.

Other Provisions Affecting DB Members effective January 1, 2013:**Early Retirement ("30 and out")**

AB 1381 amends Education Code section 24203 to exclude CalSTRS 2% at 62 members from being eligible to retire at age 50 with 30 years of service credit.

Reduced Benefit Election (formerly the Limited-Term Reduction Program)

AB 1381 amends Education Code section 24205 to exclude CalSTRS 2% at 62 members from being eligible to elect to retire between the ages of 55 and 60, and receive a reduced benefit for a limited time.

Replacement Benefits Program

AB 1381 adds Education Code section 24252, which prohibits CalSTRS 2% at 62 members from receiving any benefits above the federal limits established each year by Internal Revenue Code Section 415, known as the Replacement Benefits Program.

Action:

No employer action is needed for these provisions.



Public Employees' Pension Reform Act of 2013

Frequently Asked Questions

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Public Employees' Pension Reform Act of 2013
Frequently Asked Questions

Retirement Formula Designation

Q1 How do employers know which retirement formula applies to a member?

A1 An indicator is located in REAP that displays retirement formula information per member. In addition, a field on the Match File response file displays the retirement formula information per member.

Q2 If a non-member account was established prior to January 1, 2013 but the employee did not work prior to January 1, 2013, what is his or her retirement formula?

A2 Their retirement formula would be 2% at 60. Any individual with an account prior to January 1, 2013, regardless of membership status or service performed, will have the 2% at 60 retirement formula. Per AB 340, only employees hired to perform creditable service prior to January 1, 2013 are entitled to the 2% at 60 retirement formula.

Q3 If an account was established prior to January 1, 2013 but an employer did not report contribution lines until after January 1, 2013, what formula will the member default into?

A3 This account defaults into the 2% at 60 formula, as long as the transaction was performed prior to January 1, 2013. The retirement formula is set based on the transaction date (the date you perform the REAP or MR87 transaction) not the effective date you set for the account. Reporting contribution lines does not set or change the retirement formula.

Q4 Did employers need to submit reporting lines prior to January 1, 2013 to establish a member with a 2% at 60 retirement formula?

A4 No, if you established an account (member or nonmember) using REAP or the MR87 process prior to January 1, 2013, the account defaulted into the 2% at 60 formula. The retirement formula is set based on the transaction date (the date you perform the REAP or MR87 transaction) not the effective date you set for the account. This is because any employee first hired to perform creditable service on or after January 1, 2013 is subject to the 2% at 62 formula.

Q5 If an account was established on or after January 1, 2013 but the member worked prior to January 1, 2013, can the effective date on the account be backdated prior to January 1, 2013?

A5 Yes, but the effective date cannot be backdated prior to January 1, 2013 through REAP or the MR87 process. If an account is established on or after January 1, 2013 but the member worked prior to January 1, 2013 and this is preventing the employer from submitting their F496 report, the employer must contact their employer services representative to correct the retirement formula and change the effective date on the account.



Public Employees' Pension Reform Act of 2013
Frequently Asked Questions

Q6 If someone was offered employment in December 2012 but did not work until January 2013 which retirement formula will they default into?

A6 If they were first hired to perform creditable service prior to January 1, 2013 they are entitled to the 2% at 60 retirement formula per the Public Employees' Pension Reform Act of 2013.

Q7 If a person is a CalSTRS member prior to January 1, 2013, refunds and then takes a position on or after January 1, 2013, which retirement formula would apply?

A7 The 2% at 60 retirement formula applies in this case. Anyone hired to perform creditable service prior to January 1, 2013 is a CalSTRS 2% at 60 member, regardless of prior refunds.

Q8 If a person is hired to perform creditable service prior to January 1, 2013, elects CalPERS, terminates the position and is later hired to perform creditable service on or after January 1, 2013 and elects CalSTRS, which retirement formula would apply?

A8 They are entitled to the 2% at 60 retirement formula. Anyone hired to perform creditable service prior to January 1, 2013 is a CalSTRS 2% at 60 member, even if they chose to take that creditable service to CalPERS.

Q9 What documentation does a member need to provide to appeal their retirement formula designation?

A9 CalSTRS requires documentation that substantiates the hire date to perform creditable service in order to change the retirement formula.

Q10 How long does it take to resolve an appeal of a member's retirement formula?

A10 The retirement formula appeal process will quickly and efficiently resolve retirement formula discrepancies. For more information about the member's right to appeal, please refer to the CalSTRS Member Handbook.

Q11 Whose responsibility is it to prove the hire date if a member's retirement formula is incorrect?



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

All The member is ultimately responsible for providing verification of their hire date. Members can contact CalSTRS at 1-800-228-5453 to initiate an appeal of their retirement formula. In addition, during the first few months following January 1, 2013, CalSTRS anticipates that some members may have been established in error. In these cases, the employer can contact their employer services representative to correct the retirement formula and change the effective date on the account.

Equal Sharing of Pension Costs

Q1 Will changes to contribution rates affect all members (CalSTRS 2% at 60 and CalSTRS 2% at 62)?

A1 No, if contribution rates change under the Public Employees' Pension Reform Act of 2013, it will not affect all members; it will only affect CalSTRS 2% at 62 members. Under the Public Employees' Pension Reform Act of 2013, employees hired to perform creditable service on or after January 1, 2013 (CalSTRS 2% at 62 members) are required to pay 50% of the normal cost of pension benefits.

The member contribution rate remains 8 percent for the 2012-13 Fiscal Year for both CalSTRS 2% at 60 and CalSTRS 2% at 62 members. However, the member contribution rate for CalSTRS 2% at 62 members may change in the future if the normal cost of pension benefits increases or decreases by more than one percent. For CalSTRS 2% at 60 members, the contribution rate is set in statute and can only change by legislative action.

Creditable Compensation, Bonuses and Stipends

Q1 Can a separate pay schedule be created for CalSTRS 2% at 60 members and CalSTRS 2% at 62 members?

A1 No, the retirement formula change does not create a separate class of employees. The same salary schedule must apply to the entire class regardless of retirement formula used.

Q2 Are step increases considered normal monthly pay or base pay?

A2 Yes, step increases are considered normal monthly pay or base pay.



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

Q3 As of January 1, 2013, is all special compensation non-creditable for CalSTRS 2% at 62 members?

A3 No, not all special compensation is non-creditable for CalSTRS 2% at 62 members. Certain special compensation is still creditable for CalSTRS 2% at 62 members. In February 2013, CalSTRS will implement assignment code 72 to identify additional compensation for CalSTRS 2% at 62 members. If the compensation is not part of the base pay, this compensation must be reported using a contribution code 6 and assignment code 72. Refer to [Employer Directive 2012-07](#) for more information regarding special compensation for CalSTRS 2% at 62 members.

Q4 If a stipend or other bonus is listed on the salary schedule is this reportable to CalSTRS?

A4 It depends. Compensation that is listed on a publicly available salary schedule that meets the definition of creditable can be reported to CalSTRS. Under the Public Employees' Pension Reform Act of 2013, however, bonuses are specifically not creditable. In February 2013, CalSTRS will implement assignment code 72 to identify additional compensation for CalSTRS 2% at 62 members. If the compensation is not part of the base pay, this compensation must be reported using a contribution code 6 and assignment code 72. Refer to [Employer Directive 2012-07](#) for more information regarding special compensation for 2% at 62 members.

Q5 What special compensation can be reported with assignment code 72?

A5 Certain payments, such as master's stipends, are considered creditable compensation as long as they are included in the full-time equivalent or specifically identified on a salary schedule or other publically available document. Refer to [Employer Directive 2012-07](#) for more information regarding special compensation for CalSTRS 2% at 62 members.

Q6 Are master's degree stipends reported using contribution code 6 for CalSTRS 2% at 62 members?

A6 Yes, as long as the contribution code 6 line is reported with assignment code 72. In February 2013, CalSTRS will implement assignment code 72 to identify additional compensation for CalSTRS 2% at 62 members. If the compensation is not part of the base pay, this compensation must be reported using a contribution code 6 and assignment code 72. Refer to [Employer Directive 2012-07](#) for more information regarding special compensation for 2% at 62 members.

Q7 Is assignment code 72 valid for both Cash Balance and Defined Benefit?

A7 Yes, special compensation that can be reported for CalSTRS 2% at 62 members applies to both Cash Balance and Defined Benefit.



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

Q8 Are there edits in the Secure Employer Website that ensure correct assignment codes are used for CalSTRS 2% at 62 members?

A8 Yes, business rule B114 and B115 ensure assignment code 72 is reported for CalSTRS 2% at 62 members only.

Q9 When reporting special compensation for 2% at 62 members will there be an edit in the Secure Employer Website that monitors the total amount of compensation reported?

A9 Yes, an edit will be implemented that monitors the total amount of special compensation reported for CalSTRS 2% at 62 members. Since special compensation is limited for CalSTRS 2% at 62 members, the threshold will be set much lower than the current \$15,000 limit set for CalSTRS 2% at 60 members.

Q10 Can employers add a bonus or stipend, that currently is not creditable to CalSTRS for the CalSTRS 2% at 62 members, to the salary schedule and make it part of the base pay?

A10 Yes, you can add a stipend or a bonus to a salary schedule to make it part of the base pay. The Public Employees' Pension Reform Act of 2013 states that the normal monthly pay or base pay is considered creditable to CalSTRS. If a bonus or stipend is added to the base pay it would be reportable to CalSTRS. However, a salary schedule change of this nature must apply to the entire class of employees. You cannot create a separate salary schedule for CalSTRS 2% at 62 members.

Cap on Compensation

Q1 If a member reaches the cap, is the employer required to pay contributions over the cap to Social Security and/or establish a separate Defined Benefit (DB) plan?

A1 No, CalSTRS members do not pay into Social Security, therefore, employers are not required to pay contributions over the cap to Social Security. Nor can employers establish a separate DB plan. However, the Public Employees' Pension Reform Act of 2013 does allow, but does not require, employers to contribute to a defined contribution plan for compensation above the cap. Beginning January 1, 2013, the cap on compensation for CalSTRS 2% at 62 members is \$136,440.

If an agreement exists between an employer and its employees that a retirement supplement must be provided on compensation above a cap, CalSTRS is not aware of the details and cannot comment on how it should be implemented, except that per the Public Employees' Pension



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

Reform Act of 2013, any retirement supplement above the cap must be a defined contribution plan and the rate of employer contribution to such a plan cannot exceed 8.25 percent.

Q2 Is the cap on compensation based on a calendar year or fiscal year?

A2 Per the Public Employees' Pension Reform Act of 2013, the cap on compensation is based on a calendar year. However, CalSTRS is seeking legislative changes to base the cap on a fiscal year.

Q3 Does the compensation cap apply to Cash Balance participants?

A3 No, the Public Employees' Pension Reform Act of 2013 does not apply to Cash Balance. However, CalSTRS is pursuing legislation to apply the Public Employees' Pension Reform Act of 2013 requirements to the Cash Balance Benefit Program.

Q4 Does CalSTRS or the employer monitor the cap on compensation?

A4 Ideally, each employer should monitor the compensation reported to CalSTRS to prevent reporting problems. However, CalSTRS will be implementing a running balance, visible in REAP, of compensation reported to CalSTRS. This display can be used to monitor compensation reported to CalSTRS per member.

In addition, Defined Benefit business rules will evaluate the amount of contributions reported and prevent contributions from being submitted in excess of the compensation cap. The business rules allow for no contributions for members that meet the compensation cap.

Q5 If a member works for multiple districts and reaches the compensation cap, how will CalSTRS determine which district to accept contributions from?

A5 For members working in multiple districts, reporting will be accepted based on the transmittal date of the F496 report. Once CalSTRS accepts reporting from one district which causes the member to meet the compensation cap, contributions will not be accepted for any subsequent reporting regardless of district.

Q6 If an employee works for multiple districts in the same county and the compensation cap is met based on the cumulative total of two or more contribution lines on the same F496 file how will the system treat each individual line?

A6 CalSTRS is determining how the system will treat this scenario. This question will be updated when a solution is determined.



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

Q7 For subsequent year adjustment reporting for 2% at 62 members, will the compensation apply to the compensation cap for the fiscal year represented on the contribution lines or the fiscal year in which the contribution lines were received by CalSTRS?

A7 Compensation will apply to the fiscal year represented on the contribution lines. For example, if a contribution line is reported to CalSTRS in September 2014 (fiscal year 2014/2015) but the service period is for June 2014 (fiscal year 2013/2014), the compensation would apply to the cap for fiscal year 2013/2014.

Three-year Final Compensation

Q1 Does the three-year final compensation provision of the Public Employees' Pension Reform Act of 2013 affect CalSTRS 2% at 60 members?

A1 No, the three-year final compensation provision of the Public Employees' Pension Reform Act of 2013 does not affect CalSTRS 2% at 60 members. The three-year final compensation provisions only apply to members hired on or after January 1, 2013, CalSTRS 2% at 62 members. CalSTRS 2% at 60 members are still eligible for one-year and three-year final compensation.

Q2 Does the three-year final compensation provision affect CalSTRS 2% at 62 members that are entitled to employer paid one-year final comp per their employment agreement?

A2 Yes, the three-year final compensation provision supersedes any existing employment agreement. CalSTRS 2% at 62 members are subject to three-year final compensation regardless of their employment agreement.

Post Retirement Earnings Limitation

Q1 Does the 180-day post retirement earnings provision apply to members who retire before January 1, 2013?

A1 Yes, members who retire prior to January 1, 2013 are subject to the 180-day zero-dollar earnings limitation if they are under normal retirement age. Education Code section 24214.5 requires any retiree who retires prior to January 1, 2013, and who is under normal retirement age (age 60), to wait 180-days from the date of their retirement, or turn age 60, before returning to perform creditable service in order to avoid a reduction in his or her benefit. If a retiree who



Public Employees' Pension Reform Act of 2013 Frequently Asked Questions

retires prior to January 1, 2013 is at or above age 60, he or she is not subject to the 180-day break from service.

Q2 What exemptions to the 180-day zero dollar earnings limitation apply to 2% at 60 members versus 2% at 62 members?

A2 For all members who retire after January 1, 2013 and who are at or above normal retirement age (age 60 for CalSTRS 2% at 60 members, and age 62 for CalSTRS 2% at 62 members), an exemption can be requested if all of the following conditions are met:

- The appointment is necessary to fill a critically needed position
- The governing body of the employer approves the appointment through a resolution adopted at a public meeting.
- The retired member did not receive any financial inducement to retire.
- The retired member's termination of service was not the cause of the need to acquire the services of the member.
- The exemption request and documentation required are received by CalSTRS prior to any service being performed.

If approved, this exemption only applies to the zero-dollar earnings limit.

Q3 What exemptions to the annual postretirement earnings limitation apply to 2% at 60 members versus 2% at 62 members?

A3 For the 2012-13 and 2013-14 school years only, there is an exemption for all retired members who are at or above normal retirement age (age 60 for CalSTRS 2% at 60 members, and age 62 for CalSTRS 2% at 62 members) and who are appointed by a county superintendent of schools, the California Community Colleges Board of Governors, the State Board of Education or the State Superintendent of Public Instruction to specified positions to assist schools that are experiencing specific academic or fiscal distress. CalSTRS must receive the exemption request and required documentation substantiating a member's eligibility before the member begins working. The member is not eligible for this exemption if he or she has received a retirement incentive in the previous six months.

If approved, this exemption only applies to the annual postretirement earnings limit.



Public Employees' Pension Reform Act of 2013
Frequently Asked Questions

CalSTRS System Changes

Q1 When will CalSTRS implement the Match File changes (the indicator for CalSTRS 2% at 60 and CalSTRS 2% at 62)?

A1 The indicator on the Match file was added on January 1, 2013. The response field length still remains 30 characters long.

Q2 Can employers submit contribution lines with service periods prior to the effective date on a CalSTRS account?

A2 No, member contribution lines cannot precede the effective date on the CalSTRS account. These lines will receive a correction required error in SEW. Nonmember contribution lines also cannot precede the effective date on the CalSTRS account

Q3 What other items in the Public Employees' Pension Reform Act of 2013 is CalSTRS seeking clarification on?

A3 CalSTRS is pursuing numerous points of legislation to clarify and conform the Teachers' Retirement Law to Pension Reform. CalSTRS is pursuing legislation on:

- Allowing for CalSTRS members who were members of a concurrent retirement system prior to January 1, 2013, to be designated as CalSTRS 2% at 60 members if they performed service under that retirement system in the six months prior to performing CalSTRS creditable service;
- Changing the compensation cap to be based on a fiscal year instead of calendar year;
- Applying the Public Employees' Pension Reform Act of 2013 requirements to the Cash Balance Benefit Program;
- Allowing for bargained for employer-paid member contributions for 2% at 60 members;
- Allowing for bargained for one-year final compensation for 2% at 60 members;
- Clarifying the limits on types of creditable compensation.

CalSTRS will notify employers when updates occur that impact employer reporting. Regularly check the announcements on the SEW home page for updates.

Q4 Will there be a new assignment code to differentiate between 2% at 60 and 2% at 62 members?

A4 No, not at this time. CalSTRS is researching this requirement and may consider this for a future release. CalSTRS will update this FAQ question if this answer changes.

1/24/2013

CALSTRS August 2013

Frequently Asked Questions

Public Employees' Pension Reform Act of 2013

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August 2013

Frequently Asked Questions

Public Employee's Pension Reform Act of 2013

Retirement Formula Designation

Question	Answer
How do employers know which retirement formula applies to a member?	An indicator is located in REAP that displays retirement formula information per member. In addition, a field on the Match File response file displays the retirement formula information per member.
If a non-member account was established prior to January 1, 2013 but the employee did not work prior to January 1, 2013, what is his or her retirement formula?	Their retirement formula would be 2% at 60. Any individual with an account prior to January 1, 2013, regardless of membership status or service performed, will have the 2% at 60 retirement formula. Per AB 340, only employees hired to perform creditable service prior to January 1, 2013 are entitled to the 2% at 60 retirement formula.
If any account was established prior to January 1, 2013 but an employer did not report contribution line until after January 1, 2013, what formula will the member default into?	This account defaults into the 2% at 60 formula. The retirement formula is set based on the date the account was established (in this case, prior to January 1, 2013). Reporting contribution lines does not set or change the retirement formula.
Did employers need to submit reporting lines prior to January 1, 2013 to establish a member with a 2% at 60 retirement formula?	No, if you established an account (member or nonmember) using REAP or the MR87 process prior to January 1, 2013, the account defaulted into the 2% at 60 formula. The retirement formula is set based on the transaction date (the date you preform the REAP or MR87 transaction) not the effective date you set for the account. This is because any employee first hired to preform creditable service on or after January 1, 2013 is subject to the 2% at 62 formula.
If an account was established on or after January 1, 2013 but the member worked prior to January 1, 2013, can the effective date on the account be backdated prior to January 1, 2013?	Yes, but the effective date cannot be back dated prior to January 1, 2013 through REAP or MR87 process. If an account is established on or after January 1, 2013 but the member worked preventing the employer from submitting their F496 report, the employer must contact their employer services representative to correct the retirement formula and change the effective date on the account.
If someone was offered employment in December 2012 but did not work until January 2013 which retirement formula will they default into?	If they were first hired to preform creditable service prior to January 1, 2013 they are entitled to the 2% at 60 retirement formula per the Public Employee' Pension Reform Act of 2013.

Question	Answer
If a person is a CalSTRs member prior to January 1, 2013, refunds and then takes a position on or after January 1, 2013 which retirement formula would apply?	If they were first hired to perform creditable service prior to January 1, 2013 they are entitled to the 2% at 60 retirement formula per the public employees' pension reform act of 2013.
If a person is hired to perform creditable service prior to January 1, 2013, elects CalPERS, terminates the position and is later hired to perform creditable service on or after January 1, 2013 and elects CalSTRS, which retirement formula would apply?	The 2% at 60 retirement formula applies in this case. Anyone hired to perform creditable service prior to January 1, 2013 is CalSTRs 2% at 60, regardless of prior refunds
What documentation does a member need to provide to appeal their retirement formula designation?	They are entitled to the 2% at 60 retirement formula. Anyone hired to perform creditable service to January 1, 2013 is a CalSTRs 2% at 60, even if they chose to take that creditable service to CalPERS.
How long does it take to resolve an appeal of a member's retirement formula?	CalSTRS requires documentation that substantiates the hire date to perform creditable service in order to change the retirement formula.
Whose responsibility is it to prove the hire date if a member's retirement formula incorrect?	The retirement formula appeal process will quickly and efficiently resolve retirement formula discrepancies. For more information about the members' right to appeal, please refer to the CalSTRS Member handbook.

Equal Sharing of Pension Costs

Question	Answer
Will changes to contribution rates affect all members (CalSTRS 2% at 60 and CalSTRS 2% at 62)?	No, if contribution rates change under the Public Employees' Pension Reform Act of 2013, it will not affect all members; it will only affect CalSTRS 2% at 60. Under the Public Employees' Pension Reform Act of 2013, employees hired to perform creditable service on or after January 1, 2013 (CalSTRS 2% at 62) are required to pay at least 50% of the normal cost rate of the Defined Benefit plan. The member contribution rate remains 8 percent for the 2013-2014 Fiscal Year or both CalSTRS 2% at 60 and CalSTRS 2% at 62. However, the member contribution rate for CalSTRS 2% at 62 may change in the future if the normal cost of the plan increases or decreases by more than one percent. For CalSTRS 2% at 60, the contribution rate is set in statute and can only change by legislative action.

Creditable Compensation

Question	Answer
Can a separate pay schedule be created for CalSTRS 2% at 60 and CalSTRS 2% at 62?	No, the retirement formula does not create a separate class of employees. The same salary must apply to the entire class.
Are step increases considered normal monthly pay or base pay?	Yes, step increases are considered normal monthly pay or base pay.
As of January 1, 2013, is all special compensation non-creditable for CalSTRS 2% at 62?	No, not all special compensation is non-creditable for CalSTRS 2% at 62. Certain special compensation is still creditable for CalSTRS 2% at 60. Refer to Employer Directive 2012-07 for more information regarding special compensation for CalSTRS 2% at 62.
If a stipend or other bonus is listed on the salary schedule is this reportable to CalSTRS?	It depends. If the stipend or other bonus is a publicly available salary schedule and it meets the definition of creditable compensation it can be reported to CalSTRS. Under the Public Employees' Pension Reform Act of 2013, however, bonuses are specifically not creditable for 2% at 62. For 2% at 62, if the stipend is not part of the base pay, the stipend must be reported using a contribution code 6 and assignment code 72. Refer to Employer Directive 2012-07 for more information regarding special compensation for 2% at 62.
What special compensation can be reported with assignment code 72?	Certain payments, such as master's stipends, are considered creditable compensation as long as they are included in the base pay or specifically identified on a salary schedule or other publicly available document. Refer to Employer Directive 2012-07 for more information regarding special compensation for CalSTRS 2% at 62.
Are master degree stipends reported using contribution code 6 for CalSTRS 2% at 62?	Yes, as long as the contribution code 6 line is reported with assignment code 72. If the compensation is not part of the base pay, this compensation must be reported using a contribution code 6 and assignment code 72. Refer to Employer Directive 2012-07 for more information regarding special compensation for 2% at 62.
Is assignment code 72 valid for both Cash Balance and Defined Benefit?	Yes, special compensation that can be reported for CalSTRS 2% at 62 applies to both Cash Balance and Defined Benefit.

Question	Answer
Are there edits in the Secure Employer Website that ensure correct assignment codes are used for CalSTRS 2% at 62?	Yes, edit code MO-B114-CC6 reported member has a 2% at 62 and the assignment code is not 72, and edit MO-B115- contribution line is coded with assignment code 72 and the member has a 2% at 60 formula.
When reporting special compensation for 2% at 62, will there be an edit in the Secure Employer Website that monitors the total amount of compensation reported?	Yes, an edit will be implemented that monitors the total amount of special compensation reported for CalSTRS 2% at 62. Since special compensation is limited for CalSTRS 2% at 62, the threshold will be set much lower than the current \$15,000 limit set for CalSTRS 2% at 60.
Can employers add a bonus or stipend that currently is not creditable to CalSTRS for the CalSTRS 2% at 62, to the salary schedule and make it part of the base pay?	Yes, you can add a stipend or a bonus to a salary schedule to make it part of the base pay. The Public Employees' Pension Reform Act of 2013 states that the normal monthly pay or base pay it would be reportable to CalSTRS. However, a salary schedule change of this nature must apply to the entire class of employees. You cannot create a separate salary schedule for CalSTRS 2% at 62.

Creditable Compensation

Question	Answer
If a member reaches the cap, is the employer required to pay contributions over the cap to Social Security and/or establish a separate Defined Benefit (DB) Plan?	<p>No, CalSTRS members do not pay into Social Security, therefore, employers are not required to pay contributions over the cap to Social Security. Nor can employers establish a separate DB plan, However, the Public Employee's Pension Reform Act of 2013 does allow, but does not require, employers to contribute to a defined contribution plan for compensation above the cap. Beginning January 1, 2013, the cap on compensation for CalSTRS 2% at 62 is \$136,440.</p> <p>If an agreement exists between an employer and its employees that a retirement supplement must be provided on compensation above a cap, CalSTRS is not aware of the details and cannot comment on how it should be implemented, except that per the Public Employees' Pension Reform Act of 2013, any retirement supplement above the cap must be a defined contribution plan and rate of employer contribution to such a pan cannot exceed 8.25 %</p>
Is the cap on compensation based on a calendar year or fiscal year?	Per the Public Employees' Pension Reform Act of 2013, the cap on compensation is based on a calendar year. However, CalSTRS is seeking legislative changes to base the cap on a fiscal year.

Question	Answer
Does the compensation cap apply to Cash Balance participants?	No, the Public Employees' Pension Reform Act of 2013, the cap on compensation is based on a calendar year. However, CalSTRS is pursuing legislation to apply the Public Employees' Pension Reform Act of 2013 requirements to the Cash Balance Benefit Program.
Does CalSTRS or the employer monitor the cap on compensation?	Ideally each employer should monitor the compensation reported to CalSTRS. However, CalSTRS will be implementing a running balance, visible REAP, of compensation reported to CalSTRS. This display can be used to monitor compensation reported to CalSTRS per member. In addition, future Defined Benefit business rules may evaluate the amount of contributions reported and prevent contributions from being submitted in excess of the compensation cap.
If a member works for multiple districts and reaches the compensation cap, how will CalSTRS determine which district to accept contribution from?	We are in the process of developing the business requirements to implement this and will provide more information as we progress with the implementation.
If an employee works for multiple districts in the same county and the compensation cap is met based on the cumulative total of two or more contribution lines on the same F496 file how will the system treat each individual line?	CalSTRS is determining how the system will treat this scenario. This question will be updated when a solution is determined.
For subsequent year adjustment reporting for 2% at 62, will the compensation apply to the compensation cap for the fiscal year represented on the contribution line or the fiscal year in which the contribution lines were received by CalSTRS?	Compensation will apply to the fiscal year represented on the contribution line is reported to CalSTRS in September 2014 (fiscal year 2014/2015) but the service period is for June 2014 (fiscal year 2013/2014), the compensation would apply to the cap for fiscal year 2013/2014.

Three-year Final Compensation

Question	Answer
Does the three-year final compensation provision of the Public Employees' Pension Reform Act of 2013 affect CalSTRS 2% at 60?	No, the three-year final compensation provision of the Public Employees' Pension Reform Act of 2013 does not affect compensation provisions only apply to members hired on or after January 1, 2013, CalSTRS 2% at 62. CalSTRS 2% at 60 are still eligible for one-year and three-year final compensation.
Does the three-year final compensation provision affect CalSTRS 2% at 62 that are entitled to employer paid one-year final comp per their employment agreement?	Yes, the three-year final compensation provision supersedes any existing employment agreement. CalSTRS 2% at 62 are subject to three-year final compensation regardless of their employment agreement.

Post Retirement Earning Limitations

Question	Answer
Does the 180-day post retirement earnings provision apply to members who retire before January 1, 2013?	Yes, members who retire prior to January 1, 2013 are subject to the 180-day zero-dollar earnings limitation if they are under normal retirement age. Education Code section 24214.5 requires any retiree who retire prior to January 1, 2013, and who is under normal retirement age (age 60), to wait 180-days from the date of their retirement, or turn age 60, before returning to perform creditable service in order to avoid a reduction in his or her benefit. If a retiree who retires prior to January 1, 2013 is at or above age 60, he or she is not subject to the 180-day break service.
What exemptions to the annual postretirement earnings limitation apply to 2% at 60 members versus 2% at 62 members?	For the 2012-13 and 2013-14 school years only, there is exemption for all retired members who are at or above normal retirement age (age 60 for CalSTRS 2% at 60, and age 62 for CalSTRS 2% at 62) and who are appointed by a county superintendent of schools, the California Community Colleges Board of Governors, the State Board of Education or the State Superintendent of Public Instruction to specified positions to assist schools that are experiencing specific academic or fiscal distress. CalSTRS must receive the exemption request and required documentation substantiating a member's eligibility before the member begins working. The member is not eligible for this exemption if he or she has received a retirement incentive in the previous six months. If approved, this exemption on applies to the annual postretirement earnings limit.

CalSTRS System Changes

Question	Answer
When will CalSTRS implement the Match File changes (the indicator for CalSTRS 2% at 60 and CalSTRS 2% at 62)?	The indicator on the Match file was added on January 1, 2013. The respond field length still remains 30 characters long.
Can employers submit contribution lines with service periods prior to the effective date on a CalSTRS account?	No, member contribution lines cannot precede the effective date on the CalSTRS account. These lines will receive a correction required error in SEW. Nonmember contribution lines also cannot precede the effective date on the CalSTRS account.

Question	Answer
<p>What other items in the Public Employees' Pension Reform Act of 2013 is CalSTRS seeking clarification on?</p>	<p>CalSTRS is pursuing numerous points of legislation to clarify and conform the Teachers' Retirement Law to Pension Reform. CalSTRS is pursuing legislation on:</p> <ul style="list-style-type: none"> • Allowing for CalSTRS members who were members of concurrent retirement system prior to January 1, 2013, to be designated as CalSTRS 2% at 60 if they performed service under that retirement system in the six months prior to performing CalSTRS creditable service; • Changing the compensation cap to be based on a fiscal year instead of calendar year; • Applying the Public Employees' Pension Reform Act of 2013 requirements to the Cash Balance Benefit Program; • Allowing for bargained for employer-paid member contributions for 2% at 60; • Allowing for bargained for one-year final compensation for 2% at 60 members; • Clarifying the limits on types of creditable compensation.
<p>Will there be a new assignment code to differentiate between 2% at 60 and 2% at 62 members?</p>	<p>No.</p>

Creditable Compensation Regulations Summary

The Creditable Compensation Regulations cover members under the 2% at 60 retirement formula. The rules and regulations affecting 2% at 62 members are covered by the Pension Reform Act of 2013.

The Creditable Compensation Regulations became effective January 1, 2015, and cover:

- Class of employees.
- Creditable compensation.
- Remuneration in addition to salary.
- Consistent treatment of compensation.
- Appropriate crediting of contributions to the Defined Benefit and Defined Benefit Supplement Program.

Two main areas that affected districts were the reclassification of certain stipends and the disallowance of certain types of payments as creditable items.

Department chair and coaching stipends were previously considered special compensation (did not generate service credit). The Creditable Compensation Regulations now treat these payments and all outgrowth activities as salary on the basis that the employee is performing additional service in order to receive these wages (does generate service credit).

Special compensation, such as longevity and master stipends, that is received and is not tied to the performance of additional service is considered remuneration in addition to salary (assuming all requirements are met).

Automobile and housing allowances as well as cash in lieu of benefits are no longer creditable items, but can be restructured into an employee's contract and treated as consistent compensation if the contract is restructured before January 1, 2016.

District Fiscal Services made several changes in Galaxy to comply with the new regulations. Payroll adjustment codes were modified and districts informed of the changes.

Please refer to the final regulations for a complete description of all areas affected. The final regulation text can be found in the CalSTRS website: <http://www.calstrs.com>.



Employer Information Circular

Volume 30; Issue 5

December 10, 2014

Creditable Compensation Regulations Effective January 1, 2015

The purpose of this circular is to alert employers that on January 1, 2015, CalSTRS Creditable Compensation Regulations, Sections 27200 through 27602 of Chapter 2, Division 3, Title 5 of the California Code of Regulations become effective. The regulations clarify Education Code sections 22112.5, 22119.2 and 22905 and apply to CalSTRS 2% at 60 members.

Class of Employees

Education Code section 22112.5 defines class of employees. It states, in part, that a "class of employees" means a number of employees considered as a group because they are employed to perform similar duties, are employed in the same type of program, or share other similarities related to the nature of the work being performed.

Section 27300 of the regulations clarifies similar duties and type of program. Job duties grouped within each paragraph outlined in Education Code section 22119.5(a)(1)-(9) and (b) are similar. A program is any educational program established under state or federal law.

CalSTRS did not clarify other similarities related to the nature of the work in the regulations. The regulations do not affect CalSTRS' ability to override an employer's determination of a class of employees.

In addition, Education Code section 22112.5 states a class of employees may be comprised of one person if no other person employed by the employer performs similar duties, is employed in the same type of program, or shares other similarities related to the nature of the work being performed and that same class is in common use among other employers. Section 27300 of the regulations clarifies common use means the same class is in use by at least two other employers throughout the state.

Section 27301 of the regulations prohibits the establishment of a class of employees based on any of the following:

- Retirement benefit formula or retirement program;
- Minimum or maximum threshold for age or service credit;
- Characterization or structure of compensation;
- Option or requirement to work a longer or shorter day, or more or fewer days per year, performing similar job duties, except as provided in the Education Code section 22138.5 for community college instructors; or
- Performing only outgrowth activities.

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Creditable Compensation

Education Code section 22119.2 defines creditable compensation. The law states remuneration paid in cash by an employer to all persons in the same class of employees for performing creditable service in that position is creditable compensation. The law also states that both of the following are creditable:

- Salary paid in accordance with a publicly available written contractual agreement; and
- Remuneration paid in addition to salary provided that it is paid to everyone in the same class of employees and in the same amount or percentage.

Section 27400 of the regulations clarifies what compensation is considered salary. To be considered salary, the compensation must be all of the following:

- Paid in cash for the performance of creditable service;
- Explicitly characterized as salary on a contract, salary schedule or employment agreement;
- Used as the basis for future pay increases; and
- Paid without a requirement for proof of expenditure.

If compensation is paid for any outgrowth activities identified in Education Code section 22119.5(a)(6), it does not have to be the basis for future pay increases to still be considered salary.

Additionally, since salary is compensation for the performance of creditable service, the employer must establish a compensation earnable for all assignments for which an employee will earn salary.

If any compensation is restructured as salary, and it meets all four characteristics of salary outlined above, CalSTRS considers that compensation to be salary on the effective date of the restructure regardless of how the compensation was previously paid or characterized.

Section 27401 of the regulations clarifies compensation that is considered remuneration in addition to salary. The compensation must be paid in cash in accordance with a publicly available written contractual agreement, and the compensation is not associated with the performance of additional service. Remuneration in addition to salary is compensation that either meets a qualification or requirement on the list below *or* is paid contingent upon the availability of funds.

- Possession or an attainment of a certificate, license, special credential or advanced degree;
- Career or service longevity;
- Hiring, transfer or retirement;
- Employment in a position that is hazardous or difficult to staff;
- Employment in an assignment in which the number of students enrolled exceeds the contractual amount; or
- Achievement of a performance benchmark.

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Compensation that meets the definition of remuneration in addition to salary is creditable to CalSTRS and reportable as special compensation.

Compensation Paid a Limited Number of Times

Education Code section 22905 requires contributions on certain types of compensation be credited to the Defined Benefit Supplement Program. Section 27602 of the regulations clarifies contributions on compensation that is not ongoing and is contingent upon either the availability of funds or meeting specified qualifications or requirements are creditable to the Defined Benefit Supplement Program only.

Noncreditable Compensation

Education Code section 22119.2(c) defines compensation that is not creditable. Sections 27501 and 27502 of the regulations define fringe benefit and an expense paid or reimbursed by an employer. Below are types of compensation that are noncreditable compensation:

- Automobile allowances;
- Cash in lieu of benefits; and
- Housing allowances.

Additionally, Section 27500 of the regulations states that compensation that is contingent on the purchase of any items listed in Education Code section 22119.2(a)(5) is deemed to be covered by the employer, and therefore, it is noncreditable compensation. If an employer offers compensation for the purchase of a Tax Sheltered Annuity, it would be deemed covered by the employer and considered noncreditable compensation.

Appropriate Crediting of Contributions

Education Code section 22119.2(f) provides CalSTRS with the authority to determine whether compensation is consistent throughout a member's career, consistent amongst an entire class of employees or consistent for a position. If CalSTRS determines compensation is inconsistent, it will determine which portion of the compensation is creditable to the Defined Benefit Program and the Defined Benefit Supplement Program.

Section 27600 states that seven years, ending with the last day used to calculate final compensation, is generally the period of time that CalSTRS will review to determine if an increase in compensation is consistent. For a member with three-year consecutive or one-year final compensation, this means that CalSTRS will review his or her compensation for the year he or she retired and the immediately preceding six years.

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When CalSTRS determines an increase in compensation is inconsistent, the employer or member may rebut the determination by providing substantiating documentation that the increase was attributable to one or more of the specific circumstances listed in Section 27600 of the regulations:

- A restructure of compensation that is a permanent change.
- A salary deferral due to a reduction in school funds.
- A commensurate percentage increase in compensation earnable for the majority of members employed by the same employer.
- A change in duties required of the employee that is incorporated in the first contract for the immediate successor to the position.
- An increase in responsibility of the employee that is incorporated in the first contract for the immediate successor to the position.
- Attainment of an educational or performance benchmark.
- An increase that establishes pay parity.
- A commensurate compensation earnable for the immediate successor or predecessor.
- More education or experience than the immediate predecessor.
- An increase in compensation that is required to recruit for a position which is directly responding to a specific time-bound financial crisis, as defined in the regulations.

For example, if CalSTRS inquires about an unusual increase in pay prior to an individual's retirement and the employer can demonstrate that the job responsibilities for that position were expanded because of a permanent change in the employer's business practice that was continued for the next person to hold that position, that would be viewed by CalSTRS as a consistent pay increase.

In another example, if the employer provides documentation demonstrating that an individual was promoted to a new position and that the predecessor to that position earned a similar amount, that would generally be viewed as consistent, unless the employer shows a pattern of promoting individuals into this position just prior to retirement. If CalSTRS determines that there is a pattern of assignment of duties or responsibilities by an employer to employees during the final compensation period, the additional compensation for those duties is presumed to be inconsistent.

The contributions on compensation increases presumed to be inconsistent will be allocated to the Defined Benefit Supplement Program. Compensation that does not exceed 150 percent of the median increase in compensation earnable earned by a broader population, as defined in the regulations, will be creditable to the Defined Benefit Program. Any compensation in excess of that amount will be allocated to the Defined Benefit Supplement Program.

Additionally, a restructure of compensation that does not meet the criteria of being permanent is presumed to be inconsistent, and the contributions on the restructured compensation will be credited to the Defined Benefit Supplement Program, even if the increase in compensation is less than 150 percent of the median increase of the applicable population.

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CalSTRS will presume a restructure of compensation to be inconsistent if it is:

- Negotiated after January 1, 2016, and is outside of the employer's standard bargaining or employment contract timeframes; or
- Implemented for a class of one and is not negotiated in the first contract for the immediate successor in that position.

For complete information, please refer to the Creditable Compensation Regulations at calstrs.com/general-information/creditable-compensation.

Creditable Compensation Regulations Changes to Galaxy



DFS-NOTIFY

You forwarded this message on 1/12/2015 11:27 AM.
This message was sent with High importance.

Sent: Mon 1/12/2015 9:51 AM

To: jeff.hinshaw@alvord.k12.ca.us; cbagnara@banning.k12.ca.us; cmeza@beaumontusd.k12.ca.us; msalcedo@cvusd.us; antonio.raymo@cvusd.us; nguith@gmail.com; tammiedye@eaglemtnschool.com; karen.stone@desertsands.us; carol.cole@leusd.k12.ca.us; lynne.fargo@leusd.k12.ca.us; pbuckhou@hemetUSD.org; Afogerty@hemetUSD.org; krussell@jUSD.k12.ca.us; cgarcia@jUSD.k12.ca.us; ggebauer@menifeeUSD.org; pgillette@menifeeUSD.org; dcherry@murrieta.k12.ca.us; smatusek@murrieta.k12.ca.us; jcrabtree@nuview.k12.ca.us; ehernandez@psusd.us;

Cc: Ana Lambert; Ellen Yufa; Steve Leland; Celeste Baldonado; Frances Davenport; Debbie Van Holland; Shabana Berket; Lisa Hopkins; Nancy Sheets

Message  Creditable Compensation Regulations- Galaxy Modifications.pdf (621 KB)
 Galaxy Extra Pay and Payroll Adjustment Codes- January 2015.xlsx (45 KB)

Subject: Changes in CalSTRS effective January 1, 2015

PLEASE FORWARD THIS DFS-NOTIFY TO THE APPLICABLE STAFF. YOU ARE THE ONLY CONTACT AT YOUR DISTRICT RECEIVING THIS EMAIL.

Good Morning:

The attached document summarizes the changes that were made to the extra pay and payroll adjustment codes to meet the new requirements of the Creditable Compensation Regulations. This new coding structure will be effective with the 7A payroll and should be used for any payment of earnings to certificated staff paying into STRS for service performed on or after January 1, 2015.

This is essential information for your payroll and personnel departments--please share with your staff.

If you have any questions, please contact the STRS retirement unit in District Fiscal Services, Ellen Yufa or Ana M. Lambert at (951) 826- 6538.

Thank you,

Ana M. Lambert, Coordinator
District Fiscal Services/Payroll & Retirement
Division of Administration and Business Services
Riverside County Office of Education
(951) 826-6538
FAX: [951] 826-6961

Creditable Compensation Regulations

This summary is only intended to provide guidance on the changes that will be implemented in Galaxy to accommodate the new CalSTRS mandates related to creditable compensation.

The Creditable Compensation Regulations address additional items that are not discussed in this notification. The complete regulations have been discussed and presented in several forums to district payroll and personnel staff as well as district administrators.

The complete official regulations can be found at calstrs.com/general-information/creditable-compensation

The Employer Information Circular Volume 30; Issue 5 “Creditable Compensation Regulations Effective January 1, 2015” is also available for your reference.

As previously discussed, District Fiscal Services intends to streamline and organize in a more logical way the Payroll Adjustment and Extra Pay Codes that are available for district use. We intend to have this new structure ready for use with the 2015 – 16 fiscal year. DFS will work closely together with our districts during this process. We intend to have a committee to assist in this process.

In the meantime, our office attempted to make the least amount of changes possible to the current list of Payroll Adjustment and Extra Pay Codes. It was unavoidable that changes had to be made in order to meet the new requirements. Please remember that the creditable compensation regulations only apply to 2% at 60 members. Further adjustments may be needed for 2% at 62 members as compensation is reviewed in more detail.

All earnings reported to CalSTRS must meet the specific criteria defined by CalSTRS and the new regulations in order to be considered creditable compensation. Districts must assure this first validation is made before any of the Payroll Adjustment or Extra Pay Codes that are available in Galaxy are used.

The new coding structure should be used beginning with the 7A payroll. Please contact our office if you have any questions regarding these changes.

Ana M Lambert, Coordinator

District Fiscal Services

Riverside County Office of Education

Creditable Compensation Regulations

Most provisions of the Creditable Compensation Regulations are effective for service performed on or after January 1, 2015 and apply to CalSTRS 2% at 60 members. Amongst the items addressed are Salary, Remuneration in Addition to Salary and Non-Creditable Compensation.

Salary

For earnings to be considered salary that is creditable compensation to CalSTRS, they must meet all of the following four characteristics:

- Paid in cash for performance of creditable service
- Explicitly characterized as “salary” on contract, agreement or salary schedule
- Subject to pay increases
 - Exception-stipends for outgrowth activities
- Paid without requirement for proof of expenditure

Outgrowth Activities

If an employer provides additional compensation in exchange for performing activities described in paragraph (6) of subdivision (a) of Section 22119.5 of the Education Code, the additional compensation is for additional service and must be reported with a compensation earnable or restructured into salary. If restructured into salary, then the compensation must also be subject to pay increases. These activities are commonly known as “outgrowth activities” and include such things as:

- Department chair
- Mentor teacher
- Coaching

In the past, these activities may have been reported as stipends that did not earn additional service credit. Because employees are performing additional duties to earn these stipends, these activities will now earn additional service credit.

Walk-On coach activities have been allowed as reportable compensation to CalSTRS if the employee was an active STRS member. This is no longer the case. Outgrowth activities like coaching can only be reported for employees who also perform creditable service for the same employer.

Creditable Compensation Regulations

Galaxy Changes for Reporting Outgrowth Activities

The existing list of Extra Pay Codes was reviewed and the following items have been identified as fitting the description of an outgrowth activity and/or lump sum payment. Earnings paid with these extra pay codes will be reported to CalSTRS with the employee’s annual pay rate for his main contract assignment.

Outgrowth Activities and Lump Sum Payments (for the Performance of Additional Credit)								
Extra Pay Code	Extra Pay Code Description	Employee / Position	Affects Actual Pay Rate	Cash Option Flag	Uniform Allowance Flag	Old Adj. Code (STRS)	New STRS Adj. Code	Treat As:
4	SUPERVISORY	P	Y	N	N	620	320	FTE Annual Pay for the Position
6	SPE ED AIDE STIPEND	P	Y	N	N	620	320	FTE Annual Pay for the Position
8	ATHLETIC DIRECTOR	P	N	N	N	420	320	FTE Annual Pay for the Position
12	SHORTHAND	P	Y	N	N	620	320	FTE Annual Pay for the Position
16	BILINGUAL STIPEND	E	N	N	N	620	320	FTE Annual Pay for the Position
17	BILINGUAL/CROSS CULTURAL	P	Y	N	N	620	320	FTE Annual Pay for the Position
18	SUPERVISORY	E	N	N	N	620	320	FTE Annual Pay for the Position
19	HEAD COACH	P	N	N	N	420	320	FTE Annual Pay for the Position
20	ASST COACH	P	N	N	N	420	320	FTE Annual Pay for the Position
21	DEPT CHAIR	E	N	N	N	420	320	FTE Annual Pay for the Position
22	DEPT CHAIR	P	N	N	N	420	320	FTE Annual Pay for the Position
23	LEADHEAD TEACHER	P	Y	N	N	620	320	FTE Annual Pay for the Position
25	OTHER	E	N	N	N	520	320	FTE Annual Pay for the Position
26	DRAMA	P	N	N	N	420	320	FTE Annual Pay for the Position
27	BAND	P	N	N	N	420	320	FTE Annual Pay for the Position
28	CHORAL	P	N	N	N	420	320	FTE Annual Pay for the Position
29	SPECIAL ASSIGNMENT	P	N	N	N	620	320	FTE Annual Pay for the Position
33	READING LAB TEACHER	P	N	N	N	620	320	FTE Annual Pay for the Position
35	ADDITIONAL DUTIES	E	N	N	N	520	320	FTE Annual Pay for the Position
38	MENTOR TEACHER	P	N	N	N	620	320	FTE Annual Pay for the Position
39	PROGRAM SPECIALIST	P	N	N	N	620	320	FTE Annual Pay for the Position
44	ADVISOR - RELEASE TIME	E	N	N	N	420	320	FTE Annual Pay for the Position
65	CURRICULUM COACH	P	N	N	N	420	320	FTE Annual Pay for the Position
70	BILINGUAL STIPEND/MORAL	P	Y	N	N	620	320	FTE Annual Pay for the Position
71	BILINGUAL STIPEND/WITTEN	P	Y	N	N	620	320	FTE Annual Pay for the Position
72	BILINGUAL STIPEND/INTERMITTENT	P	Y	N	N	620	320	FTE Annual Pay for the Position
74	CONTACT TEACHER	P	N	N	N	520	320	FTE Annual Pay for the Position
78	HEALTH CLERK	P	Y	N	N	520	320	FTE Annual Pay for the Position
79	BILINGUAL STIPEND/MORAL	E	Y	N	N	620	320	FTE Annual Pay for the Position
99	OTHER	P	N	N	N	520	320	FTE Annual Pay for the Position

Creditable Compensation Regulations

If outgrowth activities and lump sum payments are paid with a payroll adjustment code instead of an extra pay code, the following range of payroll adjustment codes may be used. Each district has the ability to assign its own district specific code description. Earnings will be reported to CalSTRS with the employee's annual pay rate for his main contract assignment.

Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
320 - 369	Outgrowth Activities and Lump Sum Payments	Yes	FTE Annual Pay for the Position	+	Yes	+
370 - 379	Outgrowth Activities and Lump Sum Payments	Yes	FTE Annual Pay for the Position	+	Yes	+

Earnings for outgrowth activities for employees who do not perform creditable service for the district are not creditable to STRS and should be paid with a non-creditable payroll adjustment code. The following range of payroll adjustment codes may be used. Each district has the ability to assign its own district specific code description.

Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
960 - 969	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A
970	Non-Creditable Adjustment	Yes	Not reported: Non-creditable	-	No	N/A
971 - 979	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A

Outgrowth Activities for Substitute Employees: Official determination is still pending on this issue. As of now, for K-12 districts, once a substitute teacher is performing creditable service for the same employer, in that district and within the fiscal year, their coaching activities can be reported to CalSTRS whether they are currently substituting or not. However, they have to perform creditable service first before the outgrowth activities can be considered creditable. There is currently no guidance for community college reporting.

Creditable Compensation Regulations

Remuneration in Addition to Salary

Earnings not associated with the performance of additional service, is considered remuneration in addition to salary and is creditable if it is:

- Paid in cash in accordance with a publicly available written contractual agreement
- Paid to all persons who are in a class of employees, in the same dollar amount, same percentage of salary or same percentage of amount being distributed
- Paid for meeting a qualification or requirement or
- Paid contingent upon the availability of funds

Examples of remuneration in addition to salary:

- Possession/attainment of a certificate/license, advanced degree or special credential
- Career or service longevity
- Lottery pay
- Bonus paid upon hire or transfer
- Employment in an assignment in which the number of students enrolled exceeds the contractual amount

This compensation may be restructured into salary or it may still be reported separately as special compensation but does not accumulate additional service credit. Remuneration in addition to salary may be creditable to the Defined Benefit (DB) or the Defined Benefit Supplement (DBS) program depending upon whether or not the payment is ongoing. A payment is creditable to the DBS program if it is not ongoing because the number of times paid is specified in law or in a contract or the compensation is not scheduled to continue

Creditable Compensation Regulations

Galaxy Changes for Remuneration in Addition to Salary that is Ongoing

The existing list of Extra Pay Codes was reviewed and the following items have been identified as fitting the description of remuneration in addition to salary. Remuneration in addition to salary that is ongoing and meets the criteria listed above can be paid with these extra pay codes. These items will continue to be reported as special compensation and no additional service credit will be earned. For reporting purposes, these are contribution code 6 lines (CC6) and the pay rate equals the earnings amount.

Remuneration In Addition to Salary (Not Associated with the Performance of Additional Service Credit)								
Extra Pay Code	Extra Pay Code Description	Employee / Position	Affects Actual Pay Rate	Cash Option Flag	Uniform Allowance Flag	Old Adj. Code (STRS)	New STRS Adj. Code	Treat As:
14	MASTER'S DEGREE	E	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
30	LONGEVITY	E	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
31	LONGEVITY	E	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
32	LONGEVITY	P	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
37	DOCTORATE	E	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
41	LONGEVITY/YEAR EIGHT	E	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
42	LONGEVITY/YEAR TEN	E	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
43	LONGEVITY/YEAR FIFTEEN	E	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
60	CLEAR CREDENTIAL/SPECIAL EDUC	P	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
61	CREDENTIAL SPEECH THERAPIST	P	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
62	PERMIT TEACHER/SH CENTER	P	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
64	FULL CRED+BA-MINIMUM	P	N	N	N	620	Same	CC6- Pay Rate Equals Earnings
75	LEVEL I PARAPROFESSIONAL	P	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
76	LEVEL II PARAPROFESSIONAL	P	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
77	LEVEL III PARAPROFESSIONAL	P	Y	N	N	620	Same	CC6- Pay Rate Equals Earnings
82	BACHELOR'S DEGREE	P	N	N	N	620	Same	CC6- Pay Rate Equals Earnings

If a payroll adjustment code is used to pay the above items instead of the extra pay code, the existing range of payroll adjustment codes below may be used. Each district has the ability to assign its own district specific code description. Only earnings that fit the description of ongoing remuneration in addition to salary should be paid using this range of codes:

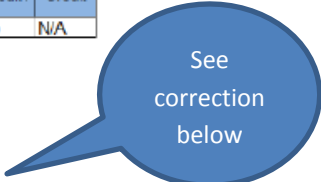
Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
620 - 669	Bonus / Special Compensation / Allowance	Yes	CC6-Pay Rate Equals Earnings	+	No	N/A

Creditable Compensation Regulations

Galaxy Changes for Remuneration In Addition to Salary that is not Ongoing

Remuneration in addition to salary that is not ongoing but still meets the definition of creditable earnings should be paid with a payroll adjustment codes since there are no existing extra pay codes associated with this type of payment. Each district has the ability to assign its own district specific code description:

Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
920 - 929	Special Compensation - DBS Only	Yes	CC6- Pay Rate Equals Earnings	+	No	N/A



Note: For 2% at 62 members, employers cannot report special compensation creditable to the DBS program only. These types of payments are not creditable to CalSTRS and should be paid with any of the following non-creditable adjustment code:

Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
960 - 969	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A
970	Non-Creditable Adjustment	Yes	Not reported: Non-creditable	-	No	N/A
971 - 979	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A

Correction: The 920 – 929 codes can be used to pay compensation that is paid to 2% at 62 members. The code has been programmed so contributions are not taken from earnings paid to employees with a 2% at 62 benefit formula

Creditable Compensation Regulations

Non-Creditable Compensation

The following items are no longer creditable for 2% at 60 members effective with service performed as of January 1, 2015. Districts may still pay this compensation to their employees but the earnings will no longer be reported to CalSTRS.

Compensation for these items can be restructured into salary and become creditable compensation. If compensation is restructured into salary, then the compensation is subject to pay increases. Non-creditable payments include:

- An allowance to purchase benefits
- Fringe benefits such as a housing allowance
- Expenses paid or reimbursed by an employer
- Business allowances
- Phone allowances
- Auto allowances
- Cash option

Galaxy Changes for Non-Creditable Compensation

The existing list of Extra Pay Codes was reviewed and the following items have been identified as fitting the description of non-creditable compensation. These extra pay codes will no longer be reported to CalSTRS:

Non-Creditable Compensation								
Extra Pay Code	Extra Pay Code Description	Employee / Position	Affects Actual Pay Rate	Cash Option Flag	Uniform Allowance Flag	Old Adj. Code (STRS)	New STRS Adj. Code	Treat As:
45	HOUSING ALLOWANCE	E	N	N	N	620	960	Non-Creditable Item
50	CASH OPTION	E	N	Y	N	620	960	Non-Creditable Item
51	CASH OPTION	P	N	Y	N	620	960	Non-Creditable Item
52	CASH OPTION	P	N	Y	N	620	960	Non-Creditable Item
63	BUSINESS ALLOWANCE NONACNTABLE	E	N	N	N	620	960	Non-Creditable Item
66	BUSINESS ALLOWANCE NONACNTABLE	P	N	N	N	620	960	Non-Creditable Item
67	CELL PHONE STIPEND NONACNTABLE	P	N	N	N	620	960	Non-Creditable Item
68	CELL PHONE STIPEND NONACNTABLE	E	N	N	N	620	960	Non-Creditable Item
69	AUTOMOBILE ALLOWANCE	P	N	N	N	620	960	Non-Creditable Item

Creditable Compensation Regulations

If these non-creditable earnings are paid with a payroll adjustment code instead of the extra pay code, the following range of payroll adjustment codes may be used. Each district has the ability to assign its own district specific code description. Earnings will not be reported to CalSTRS.

Adjustment Code	County Description	District Description Override?	Member Retirement Pay Rate Reported to STRS	Effect on Payroll	Affects Service Credit?	+ / - Service Credit
960 - 969	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A
970	Non-Creditable Adjustment	Yes	Not reported: Non-creditable	-	No	N/A
971 - 979	Non-Creditable Payments	Yes	Not reported: Non-creditable	+	No	N/A

Additional Galaxy Changes

Adjustment Code	Previous County Description	New County Description
220 - 269	Stipend Time Based Without Release Time	Time Based Additional Assignments

No change on the usage of the above codes; only the county description was changed but each district has the ability to assign its own district specific code description.

These codes should be used to pay additional duties that are based on a predetermined hourly or daily rate. Galaxy will use the hourly/daily rate to calculate the FTE equivalent.

For example, if the additional assignment is paid at a daily rate of \$210 and the salary schedule associated with the payment of this assignment lists 175 days for the fiscal year, then the FTE is calculated at \$36,750 (\$210 per day X 175 days)

Adjustment Code	Previous County Description	New County Description
380 - 389	Stipend Non-Time Based Without Release Time-No Other Employer	Do not Use

The above codes should no longer be used for reporting only coaching activities for employees who are STRS members employed at a different district. Outgrowth activities can only be reported for employees who are also performing creditable activities with the same employer.

Creditable Compensation Regulations

Adjustment Code	Previous County Description	New County Description
420 - 469	Stipend Non-Time Based With Release Time	Outgrowth Activities and Lump Sum Payments

The description of the codes will be changed and earnings paid with these codes will no longer be reported as special compensation where the pay rate equals the earnings. These codes will be redirected to behave like 320 – 379 codes since these are lump sum payments not associated with a time based rate (hourly/daily). If earnings are paid based on a predetermined hourly/daily rate, then these codes should not be used; a code in the 220 – 269 range should be used. The description of the code will also be changed.

Adjustment Code	Previous County Description	New County Description
520 - 569	Stipend Additional Duties	Time Based Additional Assignments

The description of the codes will be changed and earnings paid with these codes will no longer be reported as special compensation where the pay rate equals the earnings. These codes will be redirected to behave like 220 – 269 codes since these codes are associated with performance of additional duties and assume payment on a predetermined hourly/daily rate. An FTE equivalent will be required. If earnings are being paid as a lump sum amount and a predetermined hourly/daily rate is not applicable, then a code in the 320 – 379 or 420 - 469 range should be used.

Extra Pay Code	Extra Pay Code Description	Employee / Position	Affects Actual Pay Rate	Cash Option Flag	Uniform Allowance Flag	Adj. Code (STRS)	New STRS Adj. Code	Treat As:
2	CONFIDENTIAL	P	Y	N	N	620		Contact DFS-Case by case basis
5	ISOLATION PAY	P	Y	N	N	620		Contact DFS-Case by case basis
9	NON-TRADITIONAL WORKWEEK	P	N	N	N	620		Contact DFS-Case by case basis
10	CSEA PROFESSION GROWTH	E	N	N	N	620		Contact DFS-Case by case basis
11	PROFESSIONAL GROWTH	E	N	N	N	620		Contact DFS-Case by case basis
13	ISOLATION PAY	E	N	N	N	620		Contact DFS-Case by case basis
73	MULTI SITE	P	N	N	N	620		Contact DFS-Case by case basis

If you have employees who have been assigned any of the above extra pay codes, please contact our office. Determining if these payments are creditable will be based on a review of the employee’s contract or bargaining agreement.

Administrative Leave

CalSTRS would consider compensation paid while someone is on administrative leave as creditable service pursuant to Education Code 22119.2(a)(3):

“Remuneration that is paid for the use of sick leave, vacation, and other employer-approved leave, except as provided in paragraph (4) of subdivision (c).”

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

Retirement Incentives

Retirement incentives paid before employees separate from their employing districts are creditable.

Retirement incentives paid after employees separate from their employing districts are not creditable.

Settlement Payments

Settlement payments are usually not creditable since they are not issued for the performance of creditable service. The district may request a review of the settlement by CalSTRS by submitting the agreement to the STRS Unit in DFS. Note: settlements should be processed through payroll and are subject to all applicable taxes.