

## Pension Spiking Prevention

### Pension Facts

Of the more than 250,000 CalSTRS members receiving retirement benefits from their service, about 4 percent receive pensions exceeding \$100,000 annually. These earnings tend to reflect the salaries of administrators who often earn higher salaries over the course of their careers.

For the vast majority of CalSTRS members, compensation adheres to a strict salary schedule established through collective bargaining agreements.

### Prevention in Plan Design

Inherent to the CalSTRS comprehensive hybrid plan is a supplemental plan component designed to prevent inappropriate benefit enhancements. Compensation earned from extra duty assignments or other extra pay is credited to the supplemental component, otherwise known as the Defined Benefit Supplement (DBS) account, and is not included in the final compensation used to calculate defined benefit pension benefits.

### Creditable Compensation Regulations

Effective in 2015, new regulations provide employers and CalSTRS staff with clear guidelines to ensure all members are being credited properly, consistently and fairly for their service. The Creditable Compensation Regulations also assist CalSTRS in the process of identifying, evaluating and determining instances of pension spiking – the boosting of pay at the end of a member's career to increase their pension benefit.

### Early Spiking Detection

- **Audits:** CalSTRS takes pension spiking very seriously and is committed to aggressively pursue any instances of suspected spiking. Our internal controls and processes to identify and resolve instances of spiking include: regularly conducting school district audits and analyzing employer compensation reports to identify excessive increases in compensation that could enhance a member's final pension benefit. Our program also analyzes other risk factors, such as large amounts of special compensation and inconsistent pay raises throughout a member's career.
- **Compensation Review Unit:** To underscore our commitment to detecting and preventing pension spiking, CalSTRS formed a Compensation Review Unit focused on analyzing individual instances to determine if compensation changes resulted in pension spiking.
- **Pension Abuse Reporting:** CalSTRS maintains an anonymous, toll-free Pension Abuse Reporting hotline that is accessible to the public by calling 855-844-2468. Additionally an electronic form for reporting potential spiking abuse is available online at [CalSTRS.com](http://CalSTRS.com).

### Conducting A Thorough Review

In cases where pension spiking has been determined, CalSTRS responds accordingly by reducing member benefits to the appropriate level and collecting overpayments in a manner consistent with the law.