

Employer Information Circular



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Creditable Compensation

The Legislature recently enacted AB 2700 (Chapter 1021, Statutes of 2000). This bill will make significant changes to the definition of creditable compensation. The changes to the definition will become effective July 1, 2002, if the increase in the K-12 revenue limit for the 2001-02 fiscal year is at least 3.5 percent (otherwise, the provisions become effective July 1, 2003).

The California State Teachers' Retirement System (CalSTRS) Membership Division will be coordinating a project to implement this legislation, which will significantly affect how you report previously non-creditable compensation to CalSTRS. We are asking for your assistance in the planning, development and implementation of this project.

Historically, the compensation paid for certain types of service (duties) has been treated as non-creditable for retirement purposes. For example, compensation paid for overtime, summer school and intersession periods for year round school programs was excluded from the definition of creditable compensation, and no contributions to the retirement system were paid. The new law will require the payment of both employee and employer contributions for all creditable service performed, regardless of type, in California public schools by a member of the CalSTRS Defined Benefit Program.

Additionally, there are certain lump sum payments to employees that are not specifically made for the performance of service. In most instances, these irregular or bonus payments have been excluded from the definition of creditable compensation. In all cases, CalSTRS Membership Division has required a request for determination of creditability for each type of payment made by the employer. If the payment was determined to not meet the definition of creditable compensation in the Teachers' Retirement Law, no contributions have been paid to CalSTRS. The new law will require the payment of employer and employee contributions on almost all such compensation paid by an employer to a member of the CalSTRS Defined Benefit Program.

There are two opportunities for employers to assist us in this project.

1. We need to identify all types of payments that are made by employers for service performed by credentialed and academic employees. To accomplish this task, we are requesting that all county and district offices forward to CalSTRS copies of current salary

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schedules and/or bargaining agreements. This will help us to identify all types of payments currently being made. Please send copies by mail or fax to CalSTRS Membership Division, Attention AB 2700 Project.

2. CalSTRS will be holding regional forums (focus groups), for the purpose of identifying complexities that may be encountered in making changes to payroll and reporting information systems to accommodate the changes in crediting compensation. These focus groups will be held in Los Angeles-Orange, Fresno, Alameda and Shasta county areas in mid summer. All county offices of education and fiscally independent school districts are encouraged to participate.

Over the next couple of months, we will provide additional information regarding the projects status and scheduling of the regional forums. We will also provide an overview at the Employer Institutes scheduled this spring. Thank you in advance for your cooperation and participation.