

Employer Information Circular

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Community College Part-time Instructors Reporting of Parity Pay

The purpose of this circular is to clarify for employers the ways in which community college parity payments can be reported to CalSTRS' Defined Benefit Program.

The annual Budget Act appropriates funds to the community colleges for the express purpose of making part-time faculty salaries comparable to full-time salaries for similar work. The methods used for the calculation and distribution of parity payments vary among the districts.

It is important for the employer to first determine the compensation earnable, which is the compensation the employee would earn if they work fulltime. This is commonly referred to as the retirement base. The retirement base is used to determine the employee's service credit. A 50 percent contract employee would earn compensation equal to 50 percent of the retirement base and receive 0.5 year of service credit. CalSTRS is concerned that service credit is accurately calculated and compensation earnable represents full-time salary.

Parity Payments Added to the Retirement Base

Parity payments added to the retirement base and paid as regular salary will affect service credit calculations. Therefore, the parity payment *must* be paid proportional to the service provided, if the payments are to be added to the retirement base.

Example: If \$5,000 represents 100 percent parity payment and the employee works a 50 percent contract, their parity payment would be \$2,500. However, if this payment occurs in a year that is used in the calculation of a retirement benefit his or her retirement base would increase by \$5,000. The retirement base (compensation earnable) is one of the factors used in the calculation of the retirement benefit.

If you do not pay parity payment proportional to the service provided, you *cannot* add it to the retirement base. In that case, you must report the compensation as special compensation (CC6).

Parity Payment Reported as Special Compensation (CC6)

Parity payments reported as special compensation (CC6) do not affect service credit calculations. Special compensation only increases final compensation for retirement calculation purposes.

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Example: All part time employees receive a \$5,000 parity stipend regardless of their course load. The stipend is treated as special compensation and reported at a Contribution Code 6 (CC6) to CalSTRS. If this occurs in a year that is used in the calculation of a retirement benefit, the \$5,000 would be added to member's final compensation calculation. Otherwise, the special compensation will not affect the calculation of a benefit.

Since the calculation and distribution of the parity payments is not governed by retirement law, the method of payment is to be determined, or negotiated, at the district level. However, the method of payment *must* apply to the entire class of employees. Employees cannot individually select the method of payment.

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