

Employer Information Circular

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Substantiating Pay Increases and Payments of Special Compensation

The purpose of this circular is to provide guidance for employers regarding the importance of supplying substantiating documents used for the calculation of service credit and final compensation.

Fiduciary Responsibility

CalSTRS has a fiduciary duty to protect the assets of the plan and therefore its members. This responsibility extends to the data that is the basis for calculation of our members' benefits. To this end, CalSTRS takes the prevention and identification of controversial pension practices, such as pension spiking, very seriously. Pension spiking is the practice of increasing a member's final compensation for the purpose of receiving an inappropriate increase in the monthly benefit. Legitimate and reasonable expectations for salary increases just prior to retirement could include a position with a different employer or a significant change in duties with the same employer.

However, there are times when pay increases or the issuance of special compensation require CalSTRS' review. In an effort to increase transparency and accountability, CalSTRS may request documentation from employers to substantiate pay increases or payments of special compensation.

Education Code Reference

The Education Code provides CalSTRS with the authority to request information in order to properly determine benefit calculations. Specifically, Section 22455 states that the county superintendent and other employing agencies shall furnish any further information concerning any member or beneficiary the board may require.

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