

Creditable Compensation Reference Guide

This document is a Resource pursuant to Education
Code section 22325

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Overview

This document provides information about what constitutes creditable compensation for the Defined Benefit (DB) Program pursuant to Education Code sections 22119.2 and 22119.3. Specific citations to the Education Code (EDC) and California Code of Regulations (5 CCR) are provided where applicable. All official Resources related to creditable compensation and creditable service are available at CalSTRS.com

Questions? Contact EmployerTraining@CalSTRS.com.

What is creditable compensation?

Creditable compensation consists of the earnings you report to us each month for active employees. Creditable compensation depends on whether the member is part of the DB 2% at 60 or DB 2% at 62 benefit structure.

Creditable compensation can include the following:

- Compensation paid for the use of sick leave, vacation leave, or an employer-approved leave of absence. This does not include compensation paid for the relinquishment of unused leave.
- Member contributions picked up by an employer pursuant to EDC 22903 or 22904.
- Amounts deducted from a member's compensation, 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. This does not include compensation for payments that are deemed covered by the employer.

Does the compensation meet the conditions of creditable compensation? (EDC 22119.2, 22119.3)

Compensation must meet all the following criteria to be creditable:

Paid for the performance of creditable service

Compensation must be paid for the performance of creditable service (EDC 22119.5). For more information, see the Creditable Service Reference Guide on CalSTRS.com.

Paid each pay period creditable service is performed (DB 2% at 62 only)

The Public Employees' Pension Reform Act of 2013 intended only to allow regular, reoccurring compensation to count towards retirement. For DB 2% at 62 members, this means compensation must be paid every pay period in which the creditable service is performed for it to be considered creditable.

We will still accept compensation that is paid in the following pay period if that is simply due to the nature of how payroll is run. For example, an employee performs creditable service in November and is paid for the November pay period during the month of December. The compensation is considered paid every pay period. However, if the employee performs the service in November and December and is paid in a lump sum in January, which is when the December pay period is paid, the compensation is not considered paid in every pay period. None of the compensation earned during the months of November or December is creditable. Paid each pay period may also include compensation for service performed in the pay period prior to the first or last pay period of the school term. For example, a school district requires staff perform three days of preparatory work in August to earn the annualized payrate for that position. The compensation is paid with the September payroll and the position continues to be paid in all subsequent pay periods of the school term. The compensation is reported for both benefit structures.

Compensation only needs to be paid each pay period the employee was eligible for the payment. For example, an employee is paid for having excess students in their classroom and they have excess students in September and November, but not in October. They are paid for the excess students for the September pay period and again for the November pay period. This is considered paid each pay period since they were paid for the pay periods when they were eligible for the payment.

Paid in cash to all in the same class of employees

Compensation must be paid in cash to all in the same class of employees. Paid to all in the same class of employees does not mean that all in the class must receive the payment, but all in the class who perform the service or meet the criteria outlined in the publicly available written contractual agreement receive the payment. For example, if a district pays a \$2,000 stipend to all teachers with a master's degree, this would be considered paid to all in the class of employees if all teachers who possess master's degrees receive the compensation.

There are five specifically prohibited ways of forming a class of employees (5 CCR 27301):

- Based on the benefit structure or retirement program
- Based on minimum or maximum threshold for age or service credit
- Based on the characterization or restructure of compensation
- Based on the option or requirement for one or more employees who perform similar job duties to work longer or shorter days, or more or fewer days per year.
 - There is an exception to this in the case of full-time minimum standards for community colleges as defined in EDC 22138.5(c) or those employed in the same type of program as defined in 5 CCR 27300(a)(2).
- Based on their performance of an outgrowth activity

If a payment is not available to all based on a manner specifically prohibited by law, it is not considered paid to all in the same class of employees. For example, a retirement incentive that specifies a minimum age of 60 to receive the compensation is not considered paid to all in the

same class of employees, as it divides the class of employees by a minimum threshold for age.

Paid in accordance with a publicly available contract

Compensation must be paid in accordance with a publicly available written contractual agreement. A publicly available written contractual agreement includes, but is not limited to, a collective bargaining agreement, employment agreement, memorandum of understanding (MOU), approved board minutes, or salary schedule. In order to be considered publicly available, the document must be easily accessible for public review or posted on the employer's website. If you are unable to provide the written contractual agreement to CalSTRS or no written contractual agreement documenting the payment exists, it is not creditable and should not be reported to CalSTRS.

A publicly available written contractual agreement does not include email exchanges, timesheets, or payroll screens. While these documents may be helpful in further describing the purpose of a payment or verifying service performed, a publicly available written contractual agreement between the employer and employee(s) describing the payment amount and criteria to receive the payment is required.

Is the compensation reportable as salary? (5 CCR 27400)

For compensation to be salary, it must be explicitly characterized as salary and must be used as the basis for future pay increases with the following exceptions:

- Compensation paid to perform creditable service activities that are related to, and an outgrowth of, the instructional and guidance program of the school.
- Compensation paid to perform creditable service activities that are related to the examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program.
 - Payments for the time spent attending an in-service training are considered "related to" these activities and would be exempt from the requirements of salary.

The phrase "used as a basis of future pay increases" does not mean that compensation must increase every year to be creditable to CalSTRS. We consider compensation that is subject to future pay increases to meet this definition. The most common example is compensation listed on the salary schedule, or the hourly or daily rate derived from the employee's salary. Typically, stipends paid in a specific dollar amount are not used as a basis of future pay increases. We rely on the employer to provide clarification on payments being used as a basis of future pay increases.

Is the compensation reportable as special pay? (5 CCR 27401)

“Remuneration paid in addition to salary or wages” is also known as “special pay” in the CalSTRS pension administration system. For compensation to be special pay, it must meet all the following requirements:

- Paid to all in the class of employees, in the same dollar amount, percentage of salary or amount being distributed.
- Paid in the same manner to all in the class of employees and not available in an alternative form.
- Not associated with the performance of additional service.

In addition to these requirements, special pay must be paid for specific conditions. Contribution File format users report these conditions using the applicable Earnings Type. These conditions still apply to compensation reported using the F496 File format even though the information is not reported. F496 File format users must report special pay using the applicable Assignment Code for the position and **Contribution Code 6** for DB 2% at 60 members and using **Assignment Code Special Compensation 2% at 62 (72)** and **Contribution Code 6** for DB 2% at 62 members.

Earnings Type (value)	Type of Special Pay
Special Pay Available Funding (AVFG)	Availability of funds.
Special Pay Certificate/License/Degree (CLDE)	Possession or attainment of a certificate, license, special credential, or advanced degree.
Special Pay Longevity (LNGY)	Career or service longevity.
Special Pay Hiring/Transfer/Retirement (HTRT)	Hiring, transfer or retirement. Note: Due to the nature of these payments, the compensation is typically a limited-term payment and reported using Assignment Code Limited-Term Special Pay (71) .
Special Pay Difficult to Staff (DTSF)	Employment in a position that is hazardous or difficult to staff.
Special Pay Excess Students (EXST)	Employment in an assignment in which the number of students enrolled exceeds the contractual class size maximum.

Earnings Type (value)	Type of Special Pay
Special Pay Performance Benchmark (PMBK)	Achievement of a performance benchmark.

Is the compensation reportable as a limited-term payment? (5 CCR 27602 – DB 2% at 60 only)

Special pay is considered a limited-term payment if the compensation is not ongoing and is limited by one or more of the following:

- The number of times is specified in law or in a publicly available written contractual agreement.
- The compensation has a specified end date.
- The compensation is not scheduled to continue.

Limited-term payments are creditable only for DB 2% at 60 members and are creditable directly to the Defined Benefit Supplement Program. Limited-term payments are not creditable for DB 2% at 62 members.

Contribution File format users report limited-term payments directly to the Defined Benefit Supplement Program using **Assignment Code Limited-Term Special Pay (71)** and the applicable Earnings Type for the special pay.

F496 File format users report limited-term payments directly to the Defined Benefit Supplement Program using **Assignment Code Limited-Term Special Compensation (71)**.

What types of compensation are never reportable?

Amounts Not Deducted from a Member's Salary (5 CCR 27500)

Compensation paid in addition to salary that is contingent upon the purchase of any of the following items is deemed covered by the employer and is not creditable compensation pursuant to EDC 22119.2(d)(5) and 22119.3(c)(5):

- Payments for participation in a deferred compensation plan.
- Payments to purchase an annuity contract, tax-deferred retirement plan, or insurance program.
- Contributions to a plan that meets the requirements of Section 125, 401(a), 401(k), 403(b), or 457(f) of Title 26 of the United States Code.

Fringe Benefits (5 CCR 27501)

Fringe benefits are excluded from creditable compensation pursuant to EDC 22119.2(d)(6) and 22119.3(c)(6). Fringe benefits include any of the following:

- A good or service for which the cost is paid to a third party or otherwise covered by the employer.
- Compensation allocated to an employee to cover a personal or business expense that could otherwise be provided in the form of that good or service.
- Cash in lieu of, or cash remaining from, that good or service.

Expenses Paid or Reimbursed by an Employer (5 CCR 27502)

Compensation that is an expense paid or reimbursed by an employer is excluded from creditable compensation pursuant to EDC 22119.2(d)(7) and 22119.3(c)(7).

An expense paid by an employer includes any of the following:

- Compensation allocated to an employee to cover a cost the employee is expected to incur while performing duties for that employer, which could otherwise be covered by the employer or provided in the form of a reimbursement of the cost.
- Cash paid directly to a third party or a cost that is otherwise covered by the employer.
- Cash in lieu of, or remaining from, compensation allocated to cover a cost the employee is expected to incur while performing duties for that employer, which could otherwise be covered by the employer or provided in the form of a reimbursement of the cost.

An expense reimbursed by an employer is compensation that meets all the following:

- There is a business connection to the expenditure.
- The employee is required to provide documentation or accounting of the expenditure to the employer.
- The employee is required to return excess reimbursements or advances to the employer if actual incurred expense is less than the amount reimbursed or advanced.

Combination Classes/Class Coverage

Description

A combination class is formed when students from two consecutive grades are placed in one classroom under the supervision of one teacher. Combination classes may occur when a school has an overflow of students in one grade that exceeds the planned number of classrooms and teachers. Class coverage may be required when there is a shortage of teachers. In instances where there is a shortage of teachers, employers may need to create temporary combination classes to address the overflow of students or have teachers cover classes during their non-instructional periods. Compensation for Combination Classes or Class Coverage is often evaluated as salary due to the nature of performing additional creditable service.

Reporting as Salary

When employers provide compensation for the additional service associated with a combination class or for covering a class, the compensation is evaluated as salary. The compensation must meet the conditions of creditable compensation and requirements of salary to be reportable.

Scenario 1

The bargaining agreement between the district and teachers' association for the 2022-23 school year states unit members who are assigned to an elementary combination class for the 2022-23 school year will receive \$1000 stipend for the additional service and responsibilities associated with the combination classroom. The employer clarifies that pay increases do not apply to the stipend amount.

Scenario Evaluation

The stipend is associated with the performance of additional creditable service but is not used as the basis of future pay increases by the employer. Since the compensation is not for performing service that falls under the exceptions to the requirement of being used as a basis of future pay increases, it is not reportable for either benefit structure.

Scenario Reporting

DB 2% at 60

This compensation is not reportable as it does not meet the definition of salary.

DB 2% at 62

This compensation is not reportable as it does not meet the definition of salary.

Scenario 2

A school district experiencing a substitute teacher shortage adopts an amendment to their bargaining agreement to compensate teachers and school counselors \$75 per period for covering a class when no substitute teacher is available. The district states that the compensation is paid each pay period the service is performed, but they do not consider the compensation the basis of future pay increases.

Scenario Evaluation

The \$75 per period for covering a class is associated with the performance of additional creditable service but does not meet the definition of salary as it is not used as a basis of future pay increases and is not exempt from this requirement. This payment is not reportable for either benefit structure.

Scenario Reporting

DB 2% at 60

This compensation is not reportable as it does not meet the definition of salary.

DB 2% at 62

This compensation is not reportable as it does not meet the definition of salary.

Reporting as Special Pay

When employers provide compensation due to difficulty staffing combination class assignments, the payment would be evaluated as special pay. The compensation must meet the conditions of creditable compensation and requirements of special pay to be reportable. These payments may be ongoing or limited term depending on what the contract stipulates.

Scenario 1

An MOU between the district and teachers' association for the 2022-23 school year states that those assigned to combination classes for the 2022-23 school year will receive a one-time stipend of \$1,000. The stipend will be paid in June of 2023. The employer confirms in an email that they have had difficulty staffing these positions and would like to offer \$1,000 to unit members who teach combination classes.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, it is available to all in the class of employees in the same dollar amount, it is documented in a publicly available written contractual agreement, and it is not available in an alternative form. Since the employer mentioned the difficulty staffing the position and the MOU states the payment will be issued out in June of 2023, the \$1,000 is evaluated as limited-term special pay.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
71	\$1,000	0 (annual)	\$1,000	6	06/01/2023	06/30/2023

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Department Chair/Head

Description

Typically, compensation for Department Chair or similarly named positions is paid for the performance of creditable service and is evaluated as salary per 5 CCR 27400. Depending on the contract language used, these positions may either be considered an employee's contracted position or an additional assignment. For example, some employers consider Department Chair positions a full-time contracted position, while other employers consider the position an assignment in addition to a separate position employed with the district.

Reporting as Salary

Payments associated to Department Chair service may be reportable as salary if they are associated with the performance of creditable service and meet the conditions of creditable compensation and requirements of salary.

Scenario

At Adventure Community College, the Department Chair duties include serving as the primary resource to support department faculty through leading meetings on instructional strategies, classroom management, and instructional materials. These duties are evaluated as the work of an instructor seen in EDC 22119.5(b)(1). The collective bargaining agreement states that faculty who perform Department Chair duties receive 3.5% of Step IV, Column V of their Full-Time Faculty Salary Schedule, which is \$110,000. The pay is given in addition to their contracted faculty position and is paid out in equal monthly payments.

Scenario Evaluation

This pay is for the performance of additional creditable service, is documented in the collective bargaining agreement, paid in cash, and is paid each pay period. Assuming the pay is used as the basis for future pay increases, this pay would be reportable for DB 2% at 60 members and DB 2% at 62 members. This is a non-time-based assignment, so you would report the compensation using the pay rate for the position the assignment is associated with. For the purposes of this example, the instructor's annualized pay rate is \$100,000.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
58*	\$100,000	0 (annual)	\$385	1	07/1/2023	07/31/2023

*Note: For part-time and additional duties at all other employers, use AC 55

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
58*	\$100,000	0 (annual)	\$385	1	07/1/2023	07/31/2023

*Note: For part-time and additional duties at all other employers, use AC 55

Scenario 2

Apple Unified School District employs Department Chairs over math, science, language arts, and history. These positions are considered full-time contracted over a 10-month school term by the employer and performing the supervision of curriculum development and certificated staff in their departments. The annualized payrate for these positions is determined by their step and column placement and an additional 5% increase to salary as specified by the salary schedule.

Scenario Evaluation

The compensation is documented on a salary schedule, is paid consistently to all in the class of employees, and meets the requirements of salary, including being used as a basis for future pay increases. Since this payment is included in members' monthly salary, it also meets the requirement of being paid each pay period. This payment is reportable for both DB 2% at 60 and DB 2% at 62 members. The annualized payrate for this example is \$63,000.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,300	3 (10 month)	\$6,300	1	03/01/2023	03/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,300	3 (10 month)	\$6,300	1	03/1/2023	03/31/2023

Reporting as Special Pay

These payments are paid for the performance of creditable service or additional creditable service and are not reportable as special pay.

Outgrowth

Description

Pursuant to EDC 22119.5(d), outgrowth is the performance of activities related to, and an outgrowth of, the instructional and guidance program of the school. Outgrowth can never be creditable on its own and is only creditable when performed by a member who performs another creditable service activity for the same employer in the same fiscal year.

CalSTRS does not have a list of activities that are considered outgrowth. However, outgrowth would not meet the definition of creditable service on its own, as outlined in EDC 22119.5. Instead, it would be items such as extracurricular activities or other activities that are related to or an outgrowth of the instructional and guidance program. Common examples of payments for these activities include compensation for yearbook advisors, sports coaches at PreK-12 school districts and charter schools, or robotics club coaches. For more information regarding outgrowth, see the Creditable Service Reference Guide.

Reporting as Salary

When service is creditable as outgrowth, the compensation paid for the outgrowth is associated with the performance of additional creditable service. Compensation paid for outgrowth must meet the conditions of creditable compensation and be evaluated as salary. Salary has the additional requirements of the payment being explicitly characterized as salary and used as the basis for future pay increases with two exceptions. The two exceptions are for the performance of activities related to and an outgrowth of the instructional program or activities related to the examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program. Therefore, payments paid for the performance of outgrowth are not required to be characterized as salary or be used as the basis of future pay increases.

EDC 22104.8(b) requires that outgrowth be reported at the lowest annualized payrate of the creditable service assignments performed by the employee for the same employer in the same school year.

Scenario

A PreK-12 school district offers \$3,000 to employees who serve as sports coaches. The bargaining unit agreement stipulates that the compensation will be paid in monthly installments of \$1,000 over the three-month sport season.

Scenario Evaluation

A substitute teacher at this district also begins coaching the soccer team. This payment is for the performance of additional creditable service, is documented in the district's bargaining agreement, is paid in cash, and is paid each pay period the outgrowth service is performed. This payment is for serving as a sports coach at a PreK-12 school district, so it would be

evaluated as outgrowth and exempt from the requirement of being used as a basis of future pay increases. This payment would be reportable for DB 2% at 60 members and DB 2% at 62 members. Since this is an outgrowth assignment, you will report the compensation with the lowest annualized pay rate of all the other creditable service activities performed by the employee for the same employer in the same school year. For the purposes of this example, the employees' lowest annualized pay rate is \$35,000.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55	\$35,000	0 (annual)	\$1,000	1	01/01/2023	01/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55	\$35,000	0 (annual)	\$1,000	1	01/01/2023	01/31/2023

Reporting as Special Pay

Outgrowth is specifically associated with the performance of additional creditable service and would not be reportable as special pay.

Stipends

Description

“Stipends” is not a term defined in the Teachers’ Retirement Law but is often used as an umbrella term by employer reporting partners to refer to payments outside of an employee’s full-time salary. These payments must be evaluated on a case-by-case basis to ensure that they meet the conditions of creditable compensation and requirements of either salary or special pay. If the payment does not meet these conditions and requirements, the payment will not be reportable to CalSTRS.

Reporting as Salary

Stipends may be reportable as salary if they are paid for the performance of additional creditable service and meet the conditions of creditable compensation and requirements of salary. This includes the payment being either used as a basis for future pay increases or exempt from this requirement. The two exceptions are for the performance of activities related to and an outgrowth of the instructional program or activities related to the examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program. Often flat dollar stipends that are for the performance of additional service are not used as a basis of future pay increases and not exempt, meaning that they are not reportable to CalSTRS.

Scenario

A district offers a \$1,000 stipend for mentoring new teachers to the district, per the bargaining agreement. The bargaining agreement states that this payment is paid each pay period that the service is performed.

Scenario Evaluation

This payment is for the performance of additional creditable service (EDC 22119.5(b)(5)), is documented in the district’s bargaining agreement, is paid in cash, and is paid each pay period. This payment is for the mentoring of teachers and is exempt from the requirement of being used as a basis of future pay increases. This payment would be reportable for DB 2% at 60 members and DB 2% at 62 members. This is a non-time-based assignment so you would report the compensation using the pay rate for the position the assignment is associated with. For the purposes of this example, the teacher’s annualized pay rate is \$50,000.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$50,000	0 (annual)	\$100	1	07/1/2023	07/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$50,000	0 (annual)	\$100	1	07/1/2023	07/31/2023

*Note: For part-time and additional duties at a community college, use AC 58

Reporting as Special Pay

Stipends may be reportable as special pay if they are not associated with the performance of additional creditable service and meet the conditions of creditable compensation and requirements of special pay. Special pay may be considered ongoing or limited term depending on the contract language.

Scenario

A district offers a \$1,000 annual stipend when teachers reach 15 years with the district, per the bargaining agreement. The bargaining agreement states that this payment is paid once a year in June of their 15th year and every year after.

Scenario Evaluation

This payment is paid to those performing creditable service but is not associated with the performance of additional service. It is paid in cash, and is not available in an alternative form, for the attainment of 15 years of longevity with the district. It is paid in the same dollar amount to all in the class of employees who meet this requirement, and it is paid on an ongoing basis. However, it is not paid each pay period the creditable service is performed, so it would only be reportable for DB 2% at 60 members. To report this payment, you will use the Assignment Code associated with the position.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$1,000	0 (annual)	\$1,000	6	06/1/2023	06/30/2023

DB 2% at 62

Payments that are not paid each pay period the creditable service is performed are not reportable for DB 2% at 62 members.

Training

Description

Training is a creditable service activity pursuant to EDC 22119.5. Members conducting training are performing a creditable service activity pursuant to EDC 22119.5(b)(5). However, members receiving training are performing creditable service related to their normal creditable service activity. For example, a teacher attending training is performing a creditable service activity of the work of a teacher (EDC 22119.5(b)(1)). The training material itself does not necessarily need to be related to a specific topic for the service to be creditable.

Reporting as Salary

Compensation paid for training is evaluated as salary as it is paid for the performance of service. Therefore, compensation paid for attending training must not be contingent on the completion of the training, with no payment given for partial completion of the program. If it is paid contingent upon the completion of the training, the associated compensation is not reportable to CalSTRS.

Payments for training may be reportable as salary if they are for the performance of additional creditable service and meet the conditions of creditable compensation. Salary has the additional requirements of the payment being explicitly characterized as salary and used as the basis of future pay increases with two exceptions. The two exceptions are for the performance of activities related to and an outgrowth of the instructional program or activities related to the examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program. Therefore, payments paid for training are exempt from salary's requirements as attending and conducting training are both activities related to the creditable service activities of mentoring and training as identified in 5 CCR 27400(a)(3)(C).

Scenario

A charter school offers an Emotional Wellbeing in the Classroom training series to teachers. The MOU indicates that unit members who attend the training will receive an hourly amount of \$30 for taking the trainings, and that the payment will be paid the pay period the member attended the training.

Scenario Evaluation

This payment is for the performance of additional creditable service (EDC 22119.5(b)(1)), is documented in the district's MOU, is paid in cash, and is paid each pay period. This payment is for an activity related to mentoring and training, so it is exempt from the requirement of being used as a basis of future pay increases. This payment would be reportable for DB 2% at 60 members and DB 2% at 62 members as an additional assignment. For the purposes of this example, the employee's base hours are 1,100, and they attended 2 hours of training.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$33,000	0 (annual)	\$60	1	03/01/2023	03/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$33,000	0 (annual)	\$60	1	03/01/2023	03/31/2023

*Note: For part-time and additional duties at a community college, use AC 58

Reporting as Special Pay

Since training is associated with the performance of creditable service, it will never be reportable as special pay.

Availability of Funds

Description

5 CCR 27401 lists payments that are contingent upon the “availability of funds” as a type of special pay. Payments that are due to the availability of funds do not have to list the funding source in the publicly available written contractual agreement. Common payments that fall into the category of availability of funds include parity pay, lottery pay, and one-time off salary schedule payments.

Reporting as Salary

These payments are not paid for the performance of additional creditable service and are not reportable as salary.

Reporting as Special Pay

Payments based on the availability of funds may be reportable as special pay since they are not associated with the performance of additional creditable service, meet the conditions of creditable compensation, and meet the requirements of special pay. These payments are typically limited term, meaning that they are paid a limited number of times, have a specified end date, or are otherwise not scheduled to continue.

Scenario

A district is paying a \$1,000 one-time off salary schedule payment in June 2023 to all staff employed in the 2022-2023 fiscal year per the MOU.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, it is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. It is paid a limited number of times, so it would be considered a limited-term payment and only creditable for DB 2% at 60 members. Limited-term payments are never creditable for DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
71	\$1,000	0 (annual)	\$1,000	6	06/01/2023	06/30/2023

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Certificate, License, Advanced Degree, Special Credential

Description

5 CCR 27401 lists payments for the “possession or attainment of a certificate, license, special credential or advanced degree” as a type of special pay. If a credential or degree is a requirement for a position, the compensation paid for performing service in that position would not be special pay. Common payments for the category of certificates, licenses, or degrees include payments for a master’s degree, National Board Certification, and bilingual certification.

While compensation paid for these items can be special pay, there are scenarios where additional compensation is included in base pay and is evaluated and reported as salary. However, this will vary and be dependent on an employer’s contract language.

Reporting as Salary

Payments for a certificate, license, degree, or credential may be reportable as salary if the compensation is incorporated into the member’s salary and meets the conditions of creditable compensation and requirements of salary. This includes the payments being explicitly characterized as salary and being used as the basis for future pay increases.

Scenario

A school district’s teacher salary schedule includes a footnote at the bottom of the schedule specifying teachers with a master’s degree will receive 2% added to their base salary. The footnote also specifies that the compensation will be subject to future pay increases.

Scenario Evaluation

This compensation is for the performance of creditable service (EDC 22119.5(b)(1)), is documented on the district’s salary schedule, is paid in cash, and is paid each pay period as it is incorporated into the salary. The documentation further specifies that the compensation is characterized as salary as it is being incorporated into the base salary and indicates it is used as the basis for future pay increases. Therefore, this would be reportable for DB 2% at 60 members and DB 2% at 62 members. For the purposes of this example, the member’s annualized pay rate is \$61,200 and is paid over the 10-month school term.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,120	3 (10 month)	\$6,120	1	01/01/2023	01/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,120	3 (10 month)	\$6,120	1	01/01/2023	01/31/2023

Reporting as Special Pay

Payments for a certificate, license, degree, or credential may be reportable as special pay if they are not associated with the performance of additional creditable service and meet the conditions of creditable compensation and requirements of special pay. These payments could be ongoing or limited term depending on what the contract stipulates.

Scenario 1

Per a community college district's collective bargaining unit agreement, counselors are to receive a payment of \$2,000 once they obtain a Cantonese or Mandarin bilingual certification. The agreement stipulates this payment is to be issued as a lump sum.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. The publicly available contract states that those eligible to receive the compensation will receive one lump-sum payment, so the compensation is paid a limited number of times. Since it is paid a limited number of times, it is a limited-term payment and only reportable for DB 2% at 60 members. Limited-term payments are never reportable for DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
71	\$2,000	0 (annual)	\$2,000	6	02/01/2023	02/28/2023

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Scenario 2

At the same community college district, their agreement also stipulates that counselors who obtain a Spanish bilingual certification will receive an ongoing monthly payment of \$300.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. The publicly available contract states that those eligible to receive a payment will receive a monthly payment that is available on an ongoing basis. This ongoing payment is reportable for members of both benefit structures.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$300	0 (annual)	\$300	6	02/01/2023	02/28/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
72	\$300	0 (annual)	\$300	6	02/01/2023	02/28/2023

Longevity

Description

5 CCR 27401 lists payments for “career or service longevity” as a special pay type. These are payments made contingent on career or service longevity. Examples may include years of service with the district, years of experience as a teacher, or years of experience in education. The payment can be either ongoing or limited term depending on the contract.

While compensation paid for longevity can be special pay, there are scenarios where the compensation is included as a condition of movement on the salary schedule and is evaluated and reported as salary. This analysis is dependent on the specific contract language and documentation held by the employer.

Reporting as Salary

In some cases, compensation for longevity is included into the base salary. If the publicly available written contractual agreement stipulates longevity is used to increase the salary schedule or is included in a step or column, longevity can be considered part of salary. This must include the payment being explicitly characterized as salary and used as the basis for future pay increases.

Scenario 1

A PreK-12 school district’s salary schedule states that after 20 years of service with the district, an additional 3% will be added to the base salary. The employer characterizes this compensation as salary and uses this compensation as the basis of future pay increases. A teacher at this district has a salary of \$60,000. The employee has 20 years of service and earns the additional 3% that is added to their salary. Their annualized pay rate is \$61,800 and will be paid over a 10-month school term.

Scenario Evaluation

The compensation is documented on a salary schedule, is paid consistently to all in the class of employees, and meets the requirements of salary, including being used as a basis for future pay increases. Since this payment is included in members’ monthly salary, it also meets the requirement of being paid each pay period. This payment is reportable for both DB 2% at 60 and DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,180	3 (10 month)	\$6,180	1	03/01/2023	03/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$6,180	3 (10 month)	\$6,180	1	03/1/2023	03/31/2023

Reporting as Special Pay

Scenario 1

The charter school's salary schedule states a longevity stipend of \$200 per month is paid to all employees who reach 25 years of experience in education. The payment is paid each pay period of the 10-month school term.

Scenario Evaluation

The payment is documented on a salary schedule, is paid to all in the class of employees in the same dollar amount, is not available in an alternative form and meets the career or service longevity special pay type. Since the payment does not have a specified end date this payment would be analyzed as ongoing special pay. The payment is also paid each pay period and is reportable for both DB 2% at 60 and DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$200	0 (annual)	\$200	6	05/01/2023	05/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
72	\$200	0 (annual)	\$200	6	05/01/2023	05/31/2023

Scenario 2

A community college district's MOU states a one-time longevity stipend equal to 3% of salary is paid to all members once they reach 20 years of service with the district. A professor at the district has a salary of \$80,000 when they reach 20 years of service. Their longevity stipend is calculated as 3% of \$80,000, which equals \$2,400, and is paid at the end of the year in June.

Scenario Evaluation

The payment is on a MOU, is paid to all in the class of employees in the same percentage of salary and meets the career or service longevity special pay type. The compensation is paid once in the employee's career and is not otherwise scheduled to continue. This payment is considered limited term for 2% at 60 members and not reportable for DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
71	\$2,400	0 (annual)	\$2,400	6	06/01/2023	06/30/2023

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Hiring/Transfer/Retirement

Description

5 CCR 27401 lists payments for the “hiring, transfer or retirement” as a type of special pay. Due to the nature of these payments, the compensation is typically considered limited term. Examples of this special pay type may include a hiring incentive for new employees to the district, a transfer incentive for employees transferring from school A to school B, or a retirement incentive for employees retiring within the year.

Reporting as Salary

These payments are not paid for the performance of additional creditable service and are not reportable as salary.

Reporting as Special Pay

Payments that are for hiring, transfer, or retirement incentives are often limited-term payments and, therefore, not reportable for DB 2% at 62 members. For hiring and retirement incentives, the payment must be considered earned while the employee is employed by the district. If the payment is considered earned before they are considered employed or after the member has retired, it is not reportable to CalSTRS.

Scenario 1

A charter school’s MOU states that all new employees hired in the 2022-2023 school year will receive a \$1,000 incentive paid in two equal payments in July and May.

Scenario Evaluation

The payment is documented in a publicly available written contractual agreement, is paid to all in the class of employees in the same dollar amount and meets the hiring/transfer/retirement special pay type. The payment is paid a specific number of times and considered limited term for 2% at 60 members. The hiring incentive is not reportable for DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution code	Service Period Start	Service Period End
71	\$500	0 (annual)	\$500	6	7/01/2022	07/31/2022
71	\$500	0 (annual)	\$500	6	5/01/2023	05/31/2023

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Scenario 2

A PreK-12 school district sends an email to all staff stating all employees who are willing to relocate to another school site will get a one-time payment of \$2,500 or an additional teachers' aide in their classroom.

Scenario Evaluation

The email submitted is not considered a publicly available written contractual agreement, and the payment would not meet the conditions of creditable compensation. Even if the district has additional documentation that is considered a publicly available written contractual agreement, the payment does not meet the definition of special pay as the compensation is available in an alternative form. This payment is not reportable for either benefit structure.

Scenario Reporting**DB 2% at 60**

Compensation that is not documented in a publicly available written contractual agreement and does not meet the definition of salary or special pay is not reportable to CalSTRS.

DB 2% at 62

Compensation that is not documented in a publicly available written contractual agreement and does not meet the definition of salary or special pay is not reportable to CalSTRS.

Scenario 3

A bargaining unit agreement at a community college district states that any employee who submits their intent to retire by May 2023 will receive a one-time lump-sum payment of \$2,000 at the end of the school year in June 2023. For the purposes of this example, the employer has clarified this payment is considered earned in June, prior the members retiring with CalSTRS.

Scenario Evaluation

The payment is documented on a publicly available written contractual agreement, is paid to all in the class of employees in the same dollar amount and meets the special pay type of hiring/transfer/retirement. Since the payment is paid a specific number of times and not scheduled to continue, it is considered limited term for 2% at 60 members. The retirement incentive is not reportable for DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution code	Service Period Start	Service Period End
71	\$2,000	0 (annual)	\$2,000	6	06/01/2022	06/30/2022

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Difficult to Staff

Description

5 CCR 27401 lists “difficult to staff” payments as a type of special pay. These payments are paid contingent on employment in a position that is hazardous or difficult to staff. For example, compensation may be offered for working in a school in a remote area, for working in-person during a pandemic, or for taking a position that is difficult to fill overall.

Reporting as Salary

These payments are not paid for the performance of additional creditable service and are not reportable as salary.

Reporting as Special Pay

Payments paid due to difficulty staffing the position or the potentially hazardous conditions of a position may be reportable as special pay if they are not associated with the performance of additional creditable service and meet the conditions of creditable compensation and requirements of special pay. These payments could be ongoing or limited term depending on what the contract stipulates.

Scenario 1

The school board has approved an annual payment of \$5,000 to all STEM teachers effective August 1, 2023. The approved board minutes noted the compensation is for the lack of STEM teachers available at one of their high schools and the difficulty in successfully recruiting applicants. In addition, the approved board minutes include a note stating that the \$5,000 will be paid in 10 monthly installments.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. Since it is paid on an annual basis starting August 1, 2023, and in monthly installments, the compensation is evaluated as ongoing special pay and reportable for both benefit structures.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$500	0 (annual)	\$500	6	08/01/2023	08/31/2023

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
72	\$500	0 (annual)	\$500	6	08/01/2023	08/31/2023

Scenario 2

The district's MOU for the 2022-25 school years states all school counselors will receive a stipend worth 5% of their salary for working at school sites located in remote areas. The stipend is paid in two installments and in the months of December and May.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same percentage of salary, is documented in a publicly available written contractual agreement, and is not available in an alternative format. Since the stipend is available each year with no specified end date, the compensation is evaluated as ongoing special pay and reportable for DB 2% at 60 members. The compensation is not creditable for DB 2% at 62 members because it is not paid each pay period in which creditable service is performed. For the purposes of this example, the counselor earns \$50,000 per year, and 5% of the counselor's salary is \$2,500.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$1,250	0 (annual)	\$1,250	6	12/01/2023	12/31/2023
57	\$1,250	0 (annual)	\$1,250	6	05/01/2024	05/31/2024

DB 2% at 62

Compensation that is not paid each pay period in which creditable service is performed is not reportable for DB 2% at 62 members.

Scenario 3

The side letter between the school district and teachers' association states the district is paying a one-time lump-sum payment of \$1,000 to all unit members who provided in-person instruction during the 2020-21 fiscal year during the COVID-19 pandemic. This payment was issued on June 15, 2021.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. Since the intent of the payment is to be paid one-time and as a lump sum, the compensation is reportable as limited-term special pay for DB 2% at 60 members only.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
71	\$1,000	0 (annual)	\$1,000	6	06/01/2021	06/30/2021

DB 2% at 62

Payments that are evaluated as special pay and considered limited term are not reportable for DB 2% at 62 members.

Excess Students

Description

Compensation that is paid when the number of students enrolled exceeds the contractual class size maximum is referred to as payments for excess students. When full-time is a non-time-based measure, such as number of students or load credits, and payments for excess students is associated with earning additional credits, it is considered the performance of additional creditable service. When full-time is a time-based measure, such as based on days or hours, payments for excess students are evaluated as special pay.

Reporting as Salary

When full time is based on a non-time-based measure and having excess students is associated with earning additional credits, it is considered the performance of additional creditable service. These payments must meet the conditions of creditable compensation and requirements of salary to be reportable. This is most common with community college districts and some charter schools.

Scenario

A charter school's contract for their independent study program states full time is equivalent to a caseload of 25 students. The contract also states that teachers earn an additional 4% of their monthly salary for each student in excess of 25, and the additional pay is intended to be paid each pay period of the 10-month school term the excess occurs. A teacher earns an additional 12% of their monthly salary for teaching 28 students.

Scenario Evaluation

This payment is for the performance of additional creditable service (EDC 22119.5(b)(1)), documented in the districts contract, is paid in cash, is paid each pay period, and appears to be used as the basis for future pay increases. This payment is reportable for DB 2% at 60 members and DB 2% at 62 members. This is a non-time-based assignment, so the compensation is reported using the annualized pay rate for the position the assignment is associated with. For the purposes of this example, the teachers' annualized pay rate is \$60,000.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$60,000	0 (annual)	\$720	1	07/01/2023	07/31/2023

*Note: For part-time and additional duties at a community college, use AC 58

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
55*	\$60,000	0 (annual)	\$720	1	07/01/2023	07/31/2023

*Note: For part-time and additional duties at a community college, use AC 58

Reporting as Special Pay

When full time is based on a time-based measure, payments for having excess students are evaluated as special pay and are not associated with the performance of additional creditable service. These payments must meet the conditions of creditable compensation and requirements of special pay to be reportable. These payments can be ongoing or limited term depending on what the contract stipulates.

Scenario

A district's collective bargaining agreement states the maximum class size is 28 students. The agreement also states that for each student over the maximum, the teacher is compensated \$100 each month the excess occurs. The teacher has 30 students in May.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative format. It is paid each month the excess occurs, so it is considered an ongoing payment and creditable for both DB 2% at 60 and DB 2% at 62 members.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57*	\$200	0 (annual)	\$200	6	05/01/2023	05/31/2023

*Note: For ongoing special pay report using the Assignment Code of the associated position

DB 2% at 62

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
72	\$200	0 (annual)	\$200	6	05/01/2023	05/31/2023

Performance Benchmarks

Description

5 CCR 27401 lists payments for the “achievement of a performance benchmark” as a type of special pay. A performance benchmark is an objective and measurable condition set by a publicly available written contractual agreement. If the compensation does not meet this condition, it is not reportable as a performance benchmark. Common payments that fall into the category of performance benchmarks include payments for teacher attendance or student test scores.

Reporting as Salary

These payments are not paid for the performance of additional creditable service and are not reportable as salary.

Reporting as Special Pay

Compensation that is paid for meeting a performance benchmark may be reportable as special pay since it is not associated with the performance of additional creditable service, meets the conditions of creditable compensation, and meets the requirements of special pay. These payments could be ongoing or limited term depending on what the contract stipulates.

Scenario 1

A charter school is starting a new ongoing incentive for teacher perfect attendance. Each year a teacher has perfect attendance, they will receive \$2500. This incentive was approved and documented within the charter’s board minutes.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same dollar amount, is documented in a publicly available written contractual agreement, and is not available in an alternative form. The publicly available contract indicates that this compensation is available on an ongoing basis, but it is not paid each pay period creditable service is performed.

Scenario Reporting

DB 2% at 60

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	\$2500	0 (annual)	\$2500	6	05/01/2023	05/31/2023

DB 2% at 62

Payments that are not paid each pay period the creditable service is performed are not reportable for DB 2% at 62 members.

Scenario 2

A school district is offering a payment to all librarians for great performance. If a librarian can provide exceptional service for the whole school year, they receive a bonus equal to 4% of their salary to be paid at the end of the year as specified in the district's MOU. The district does not further define "exceptional service" and states that the principal of each school site determines who provides exceptional service and who does not.

Scenario Evaluation

This payment is not associated with the performance of additional creditable service, is available to all in the class of employees in the same percentage of salary, is documented in a publicly available written contractual agreement, and is not available in an alternative form. However, this performance benchmark does not use objective and measurable criteria. Since the criteria of providing exceptional service is not quantifiable or determined through documented quantifiable criteria, this compensation is not reportable for members of either benefit structure.

Scenario Reporting

DB 2% at 60

Compensation that does not meet the definition of salary or special pay is not reportable to CalSTRS.

DB 2% at 62

Compensation that does not meet the definition of salary or special pay is not reportable to CalSTRS.