

Sonoma County Office of Education  
Business Services

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**EXTERNAL PAYROLL AND FINANCE UPDATES  
DBUG MEETING: NOVEMBER 16, 2018**

**REMINDERS**

***Off-Schedule/One-Time Bonuses:***

**Certificated STRS**

Ed Code is in place that dictates what types of compensation are creditable and whether the compensation goes to DB or DBS.

Please find attached Ed Code 22119.2 and Ed Code 27602 which applies to 2% @ 60 members. The one-time off schedule bonus is creditable for 2% @ 60 members. These one-time off schedule bonuses go straight to DBS due to being it is for a limited number of times (not permanent). As such, does not count towards final compensation.

Please also find attached Ed Code 22119.3 which applies to 2% @ 62 members for which any one-time or ad hoc payments made to the member are not creditable compensation and therefore not reportable to CalSTRS.

Please keep these ed codes in mind when negotiating salary.

**Classified PERS**

Please find attached Circular Letter 200-048-16 regarding Off-Salary-Schedule Pay. For Classic members, Off-Salary-Schedule Pay is only creditable when paid in lieu of a pay increase. Meaning, if there is a pay increase in the same fiscal year as the Off-Salary-Schedule, then the Off-Salary-Schedule is not creditable. When the Off-Salary-Schedule is paid in lieu of a pay increase, then only up to 6% is creditable.

For New members, Off-Salary-Schedule Pay is never creditable compensation as it is considered an ad hoc payment.

***Retro Pay Notification form:***

Please find attached the Retroactive Pay Notification Form instituted this fiscal year (2018/2019). The purpose of the form is to notify SCOE when LEAs are planning a retroactive pay adjustment including one-time bonus/off-schedule pay. We realize retroactive pay adjustments most commonly happen only once a year and that there can be turnover in payroll staffing. Therefore, we would like to provide you and staff the support and guidance necessary to navigate the retroactive pay process. Receiving the information requested in a timely manner allows our IT and Business Services divisions the opportunity to review the signed agreement(s) and new salary schedule(s) so that we may better serve the LEA.

***Deposits:***

Just a reminder that SCOE does not accept cash or personal checks for deposit in the County Treasury. LEAs should deposit all cash and personal checks into their own revolving cash account. Checks from the revolving cash account will be deposited into the County Treasury.

**§ 22119.2. “Creditable compensation” (2% at 60)**

**(a)** “Creditable compensation” means remuneration that is paid in cash by an employer to all persons in the same class of employees for performing creditable service in that position. Creditable compensation shall include:

**(1)** Salary or wages paid in accordance with a publicly available written contractual agreement, including, but not limited to, a salary schedule or employment agreement.

**(2)** Remuneration that is paid in addition to salary or wages, provided it is paid to all persons who are in the same class of employees in the same dollar amount, the same percentage of salary or wages, or the same percentage of the amount being distributed.

**(3)** Remuneration that is paid for the use of sick leave, vacation leave, or an employer-approved compensated leave of absence, except as provided in paragraph (4) of subdivision (c).

**(4)** Member contributions that are picked up by an employer pursuant to Section 22903 or 22904.

**(5)** Amounts that are deducted from a member’s remuneration, 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.

**(6)** Any other payments the board determines to be “creditable compensation.”

**(b)** Any creditable compensation determined by the system to have been paid to enhance a member’s benefits shall not be credited under the Defined Benefit Program. Contributions on that compensation shall be credited to the Defined Benefit Supplement Program. A presumption by the system that creditable compensation was paid to enhance a member’s benefits may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, a presumption by the system that creditable compensation was paid to enhance the member’s benefits may be reversed.

**(c)** “Creditable compensation” does not mean and shall not include:

**(1)** Remuneration that is not paid in cash or is not paid to all persons who are in the same class of employees.

**(2)** Remuneration that is paid for service that is not creditable service pursuant to Section 22119.5 or 22119.6.

**(3)** Remuneration that is paid in addition to salary or wages if it is not paid to all persons in the same class of employees in the same dollar amount, the same percentage of salary or wages, or the same percentage of the amount being distributed pursuant to paragraph (2) of subdivision (a).

**(4)** Remuneration that is paid in exchange for the relinquishment of unused accumulated leave.

**(5)** Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and for 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 when the cost is covered by an employer and is not deducted from the member’s salary.

**(6)** Fringe benefits provided by an employer.

**(7)** Expenses paid or reimbursed by an employer.

**(8)** Severance pay, including lump-sum and installment payments, or money paid in excess of salary or wages to a member as compensatory damages or as a compromise settlement.

**(9)** Any other payments the board determines not to be “creditable compensation.”

(d) An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (c) may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

(e) For purposes of this section, remuneration shall be considered paid if distributed to any person in the same class of employees who meets the qualifications or requirements specified in a publicly available written contractual agreement, including, but not limited to, a collective bargaining agreement or an employment agreement, as a condition of receiving the remuneration.

(f) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for the position, preventing adverse selection, and excluding from compensation earnable remuneration that is paid to enhance a member’s benefits. The system shall determine the appropriate crediting of contributions between the Defined Benefit Pro-gram and the Defined Benefit Supplement Program according to these principles, to the extent not otherwise specified pursuant to this part.

(g) The section shall become operative on July 1, 2002.

(h) This section shall not apply to a member subject to the California Public Employees’ Pension Reform Act of 2013.

## **§ 27602. Compensation That is Paid a Limited Number of Times (2% at 60)**

(a) Compensation is creditable to the Defined Benefit Supplement account if compensation was restructured into salary or remuneration in addition to salary as described in subdivision (c) of Section 27400 or subdivision (b) of Section 27401, and is paid a limited number of times, has a specified end date, or is otherwise not permanent.

(b) Contributions for remuneration in addition to salary that is paid pursuant to Section 27401 shall be credited to the member’s Defined Benefit Supplement account if the compensation is not ongoing, as limited by either of the following:

(A) The number of times is specified in law or in a publicly available written contractual agreement.

(B) The compensation is not scheduled to continue.

**§ 22119.3. “Creditable compensation” (2% at 62)**

**(a)** “Creditable compensation” for members who are subject to the California Public Employees’ Pension Reform Act of 2013 means remuneration that is paid each pay period in which creditable service is performed for that position. Creditable compensation shall be paid in cash by an employer to all persons in the same class of employees in accordance with a publicly available written contractual agreement, including, but not limited to, a salary schedule or employment agreement. Creditable compensation shall include:

**(1)** Remuneration that is paid for the use of sick leave, vacation leave, or an employer-approved compensated leave of absence, except as provided in paragraph (4) of subdivision (b).

**(2)** Member contributions that are picked up by an employer pursuant to Section 22903 or 22904.

**(3)** Amounts that are deducted from a member’s remuneration, 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.

**(4)** Notwithstanding paragraphs (6) and (8) of subdivision (c) of Section 7522.34 of the Government Code, remuneration that is paid for creditable service that exceeds one year in a school year.

**(b)** “Creditable compensation” does not mean and shall not include:

**(1)** Remuneration that is not paid in cash or is not paid to all persons who are in the same class of employees.

**(2)** Remuneration that is paid for service that is not creditable service pursuant to Section 22119.5 or 22119.6.

**(3)** Remuneration that is not paid each pay period in which creditable service is performed for that position.

**(4)** Remuneration that is paid in exchange for the relinquishment of unused accumulated leave.

**(5)** Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and for 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 when the cost is covered by an employer.

**(6)** Fringe benefits provided by an employer.

**(7)** Expenses paid or reimbursed by an employer.

**(8)** Severance pay, including lump sum and installment payments, or money paid in excess of salary or wages to a member as compensatory damages or as a compromise settlement.

**(9)** Creditable compensation determined by the system to have been paid to enhance a member’s benefit.

**(10)** Compensation paid to the member in lieu of benefits provided to the member by the employer or paid directly by the employer to a third party other than the system for the benefit of the member.

**(11)** Any one-time or ad hoc payments made to a member.

**(12)** Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniform.

**(13)** Any bonus paid in addition to compensation described in subdivision (a).

**(14)** Any other payments the board determines not to be “creditable compensation.”

**(c) (1)** Except for purposes of calculating credited service in the Defined Benefit Program and for reporting compensation earnable on or after January 1, 2013, creditable compensation in any fiscal year shall not exceed:

**(A)** One hundred twenty percent of the “contribution and benefit base,” as determined under Section 430(b) of the Social Security Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose service is not included in the federal system.

**(B)** One hundred percent of the “contribution and benefit base,” as determined under Section 430(b) of the Social Security Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose service is included in the federal system pursuant to any changes in state or federal law enacted on or after January 1, 2013.

**(2)** The system shall adjust the limit based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average, calculated by dividing the Consumer Price Index for All Urban Consumers: U.S. City Average for the month of February in the fiscal year preceding the adjustment by the Consumer Price Index for All Urban Consumers: U.S. City Average for the month of February of the previous year rounded to the nearest thousandth. Notwithstanding paragraph (1) of subdivision (d) of Section 7522.10 of the Government Code, the adjustment shall be effective annually on July 1, beginning July 1, 2014.

**(3)** The Legislature reserves the right to modify the requirements of this subdivision with regard to all members subject to this subdivision, except that the Legislature may not modify these provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.

**(4)** This subdivision shall apply to compensation paid during the 2013–14 fiscal year and each fiscal year thereafter.

**(d)** An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (b) may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

**(e)** For purposes of this section, remuneration shall be considered paid if distributed to any person in the same class of employees who meets the qualifications or requirements specified in a publicly available written contractual agreement, including, but not limited to, a collective bargaining agreement or an employment agreement, as a condition of receiving the remuneration.

**(f)** This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for the position, preventing adverse selection, and excluding from creditable compensation remuneration that is paid to enhance a member’s benefits. The system shall determine the appropriate crediting of contributions according to these principles, to the extent not otherwise specified pursuant to this part. A presumption by the system that creditable compensation was paid to enhance the member’s benefits may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, a presumption by the system that creditable compensation was paid to enhance the member’s benefits may be reversed.



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Sacramento, CA 94229-2715  
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TTY: (877) 249-7442  
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Circular Letter: 200-048-16  
Distribution: V, VI, XII, XVI

## Circular Letter

November 10, 2016

TO: **ALL CONTRACTING PUBLIC AGENCIES AND SCHOOLS**

SUBJECT: **OFF-SALARY-SCHEDULE PAY**

The purpose of this Circular Letter is to define Off-Salary-Schedule Pay and provide the correct method of reporting this pay for classic members of the California Public Employees' Retirement System (CalPERS).

### Helpful Related Terms

- Compensation Earnable - is defined in Government Code (G.C.) sections 20636 and 20636.1 and includes payrate and special compensation.
- Special Compensation - is specifically and exclusively defined and listed in section 571 of Title 2 of the California Code of Regulations (CCR).
- Off-Salary-Schedule Pay - is listed as an item of special compensation in section 571(a) of Title 2 of the California Code of Regulations under the category of Incentive Pay.

### Off-Salary-Schedule Pay Defined

Off-Salary-Schedule Pay is defined in section 571(a) of Title 2 of the California Code of Regulations, as the following:

**Off-Salary-Schedule Pay** - Compensation in addition to base salary paid in similar lump-sum amounts to a group or class of employees. These payments are routinely negotiated through collective bargaining in lieu of increases to the salary schedule. These payments are based on a similar percent of scheduled salary not to exceed six percent (6%) per fiscal year. The contracting agency or school employer may adopt similar action for non-represented groups or classes of employment as were negotiated through collective bargaining.

### Reporting Off-Salary-Schedule Pay

Off-Salary-Schedule Pay is reportable **only** for classic members and **only** when a pay increase has **not** been granted in the same fiscal year. Any award of Off-Salary-Schedule Pay should be documented in a public record that is available for public review, as required by G.C. sections 20636(d) and 20636.1(d).

Here are some examples of when Off-Salary-Schedule Pay is **not** reportable or only partially reportable:

1. Group A – Receives pay increase effective 7/1/16  
Group A – Receives Off-Salary-Schedule Pay for fiscal year 16/17  
*(Off-Salary-Schedule Pay is not reportable because it is only reportable in lieu of a pay increase for each fiscal year)*
2. Group A – Received pay increase effective on 7/1/15  
Group A – Receives retro-active Off-Salary-Schedule Pay for the 15/16 fiscal year  
*(Off-Salary-Schedule Pay is not reportable because it is only reportable in lieu of a pay increase for each fiscal year)*
3. Group A – Receives no pay increase on 7/1/16  
Group A – Receives 8 percent Off-Salary-Schedule Pay for fiscal year 16/17  
*(Off-Salary-Schedule Pay is reportable because the group did not receive a pay increase in the 16/17 fiscal year, but only 6 percent of the 8 percent of Off-Salary-Schedule Pay can be reported because Off-Salary-Schedule Pay cannot exceed 6 percent per fiscal year)*

#### **Off-Salary-Schedule Pay and New Members of CalPERS**

“Pensionable compensation” is applicable for new members, those typically hired on or after January 1, 2013, and must meet the requirements set forth in G.C. section 7522.34. All members that do not fall within the definition of a new member as defined by G.C. section 7522.04(f) are considered classic members.

G.C. section 7522.34(c) sets forth what is excluded from “pensionable compensation” for new members. Off-Salary-Schedule Pay is **not** reportable for new members, according to G.C. section 7522.34(c), as it is considered an ad hoc payment. More information regarding “pensionable compensation” for new members can be found in Circular Letter No. 200-062-12.

If you have any questions, please contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief  
Employer Account Management Division



**Sonoma County Office of Education  
IT and Business Services Division**


**Procedure for Retroactive Pay Notification Form**

The purpose of the Retroactive Pay Notification form is to notify the County Office of Education of when LEAs are planning for a retroactive pay adjustment including one-time bonus/off-schedule. We realize retroactive pay adjustments most commonly happen only once a year and that there can be turnover in payroll staffing. Therefore, we would like to provide you and staff the support and guidance necessary to navigate the retroactive pay process.

Receiving the information requested in a timely manner allows our IT and Business Services divisions the opportunity to review the signed agreement(s) and new salary schedule(s) so that we may better serve the LEA.

Please complete the attached Retroactive Pay Notification form and email to [helpdesk@scoe.org](mailto:helpdesk@scoe.org) and IT will work with you.

**Sonoma County Office of Education  
IT and Business Services Division**



**Sonoma County**  
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**Retroactive Pay Notification Form**

LEA Retro Information	
LEA Name:	
Contact Name:	
Contact Phone/Email:	
Date of Retro Pay:	
Escape HR/Payroll Fields	
Retro Period Coverage Dates (Earnings From/Thru)	
From: _____	Thru: _____
Bargaining Unit/Group*:	
Salary Schedule(s):	
Addon(s) to Include**:	

*\*Please submit separate form for each bargaining unit or group.*

*\*\*Consider including addons for docks, positive and negative adjustments, and vacation and longevity pay unless otherwise specified in agreement.*

**Check all that Apply:**

- Classified                     
  Certificated                     
  Certificated RWL                     
  Management  
 Other: \_\_\_\_\_

**Retro Payroll Features (check all that apply):**

- On Salary Schedule                     
  Active Employees Only  
 One-Time Bonus                     
  Include Terminated

**Required Attachments:**

- Copy of Signed Agreement (submit signed letter detailing terms if no bargained agreement)  
 New Salary Schedule(s)

\_\_\_\_\_  
*LEA Authorized Signature*

\_\_\_\_\_  
*Date*

Email completed form to [helpdesk@scoe.org](mailto:helpdesk@scoe.org)