



# STRS Creditable Service & Compensation Update

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# STRS Creditable Service Update

# STRS Membership

- Education Code section 22119.5 is the basis for determining whether a community college employee qualifies for CalSTRS, with a two-part test:
  - 1) Do the duties performed require “appropriate minimum standards adopted by the Board of Governors of the California Community Colleges”?; and
  - 2) Is the individual performing “creditable service”?

# STRS Creditable Service

- Creditable Service:
  - Teachers and instructors
  - Educational or vocational counselors
  - Directors, coordinators and assistant administrators who plan courses of study or research connected with evaluation/efficiency of instructional program
  - Selection, collection, preparation, classification, demonstration, or evaluation of instructional materials
  - School health professionals (e.g., nurses)

# STRS Creditable Service

- Creditable Service (cont.):
  - Examination, selection, in-service training, or assignment of teachers or others involved in instruction
  - School activities related to, and an outgrowth of, the instructional and guidance program of the school when performed in addition to other creditable service
  - School librarian (learning resource)
  - Administrators responsible for supervision of persons or administration of creditable service duties

# Non-Creditable Service

- August 2012 CalSTRS Circular indicated certain administrators are ineligible for STRS membership, *including:*
  - Director of Human Resources
  - Director of Payroll Services
  - Chief Financial Officer
  - Chief of Police

# Pending Legislation

- Assembly Bill 963
  - Introduced on February 26, 2015
  - Clarifies the definition of creditable service
  - Proposes the addition of Education Code section 22119.6:
    - Creditable service includes activities that do not meet the definition of creditable service under Section 22119.5, but were performed by an employee of a community college or K-12 school district on or before December 31, 2015, and were reported as creditable service to CalSTRS

# Creditable Compensation Update



# Regulations

- New creditable compensation regulations
  - Sections 27200 through 27602 of Chapter 2, Division 3, Title 5 of the California Code of Regulations
  - Clarify Education Code section 22112.5, 22119.2, and 22905
  - Apply to “Classic” CalSTRS members (2 % at 60)
  - Effective January 1, 2015

# Class of Employees

- A number of employees considered a group because they:
  - Are employed to perform similar duties
  - Are employed to perform same type of program; or
  - Share other similarities related to the nature of the work being performed
- May be comprised of one person if no other person employed by the employer meets any of the three characteristics above *and* that same class is in common use among other employers

# Creditable Compensation – Defined Benefit Plan

- Salary
  - Compensation that is paid in cash for the performance of creditable service;
  - Explicitly characterized as salary on a contract, salary schedule or employment agreement;
  - Used as a basis for future pay increases; and
  - Paid without a requirement for proof of expenditure.

# Creditable Compensation – Defined Benefit Plan

- Remuneration paid in addition to salary
  - Paid in cash in accordance with a publicly available written contractual agreement;
  - Not associated with the performance of additional service; and
  - Meets a qualification or requirement on the list below *or* is paid contingent upon the availability of funds:
    - Holding a certificate, license, special credential or advanced degree;
    - Career or service longevity;
    - Hiring, transfer or retirement;
    - Position that is hazardous or difficult to staff;
    - An assignment where the number of students enrolled exceeds contractual amount; or
    - Achievement of a performance benchmark.

# Creditable Compensation – Defined Benefit *Supplement*

- Creditable to defined benefit supplement if:
  - Meets the definition of “creditable compensation,” but is not ongoing because:
    - Number of times is specified by law or in a written contractual agreement; or
    - Compensation is not scheduled to continue
  - Compensation was restructured into salary or remuneration in addition to salary and is paid a limited number of times, has a specified end date, or is otherwise not permanent

# Non-Creditable Compensation

- Not paid in cash to all persons in the same class
- Paid for service that is not creditable
- Payments made by employer for:
  - Deferred comp
  - Purchase of annuity or other retirement plan
  - Severance pay
  - Cash in lieu
  - Fringe benefits
  - Expenses paid or reimbursed
  - Allowances

# Compensation for Outgrowth Activities

- Effective January 1, 2015
  - Do not report outgrowth activities as special compensation
  - Report as a part-time assignment
    - Credited at the lowest pay rate earned by member for other creditable service performed for the same district during school year

# Consistent Treatment

- Seven year “look back” at time of retirement
- Compensation is creditable only if “consistent” due to:
  - Permanent restructure of compensation
  - Salary deferral due to reduction in school funds
  - Commensurate % increase in comp earnable for majority of members
  - Change in duties required by employee or increase in responsibility that is incorporated in the first contract for the immediate successor to the position
  - Attainment of educational or performance benchmark



# Consistent Treatment (cont.)

- Increases in compensation are creditable only if “consistent” due to:
  - An increase that establishes pay parity as demonstrated by commensurate comp earnable for:
    - The same position in the past; or
    - For other employees performing similar duties for the same employer or other employers
  - Commensurate comp earnable for immediate successor or predecessor
  - More education or experience than immediate predecessor
  - Increase required to recruit for position directly responding to a specific time-bound financial crisis

# Inconsistent Treatment

- Compensation is excluded if:
  - Salary is restructured on or after January 1, 2016, and is outside employer’s standard bargaining or employment contract negotiation time frames; or
  - Salary restructure is implemented for a “class of one,” and the change is reversed upon hire and negotiation of the first contract of immediate successor\*

# Restructuring Salary

- Decrease/eliminate non-creditable compensation, increase salary
- Not an increase in pay for an individual
- Permanent increase in the salary range for the classification
  - Action by Board of Trustees
  - Reflected on publicly available salary schedule
- Creditable salary on the effective date of restructure

# What To Do Now

- Before January 1, 2016
  - Review compensation items in collective bargaining agreements and employment contracts
  - Can restructure salary for any employee without penalty of inconsistent treatment
    - Can fold non-creditable items into base salary
    - New, amended or renewed contracts
  - Update salary schedules

# Thank you!

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