



**District Business & Advisory Services**

Judy Kershaw, Director - DBAS: 408-453-6599

Bulletin: 17-026

Date: March 20, 2017

To: District Chief Business Officers  
District Fiscal Directors  
Human Resource and Payroll Personnel

From: Nghia Do, Advisor

Re: Reporting Errors Common Special Compensation California Public Employees' Retirement System (CalPERS)

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Please review the attached PERS Circular Letter 200-013-17 which identifies the most common special compensation reporting errors.

For classic and new member reporting errors include:

1. Longevity Pay
2. Uniform Allowance\*
3. Bonus\*
4. Temporary Upgrade Pay\*
5. Compensation Paid for Items Not Listed in California Code of Regulations Section 571
6. Final Settlement Pay

*\* Applies to classic members only, not reportable for new members.*

CalPERS relies on the information reported by employers to provide members with retirement estimates; to calculate benefit payments; and to set employer contribution rates. Reporting errors can result in inflated CalPERS benefit payments and when later identified, will result in adjustments to a retiree's benefit payment and the need to recover any overpayment.

*Please distribute this information within your District as deemed appropriate*



# Special Compensation Circular Letter

California Public Employees' Retirement System  
P.O. Box 942715  
Sacramento, CA 94229-2715  
(888) CalPERS (or 888-225-7377)  
TTY: (877) 249-7442  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

March 13, 2017

Circular Letter: 200-013-17  
Distribution: XII, XVI

**To:** All School Employers

**Subject:** Commonly Misreported Special Compensation Items for Schools

**Purpose** The purpose of this Circular Letter is to provide information on the most commonly misreported items of compensation relative to schools. This information is being provided in an effort to mitigate employer errors and provide guidance on how to correctly report special pay items on behalf of a CalPERS member.

**Classic Members - Compensation Earnable** For the purposes of retirement for classic members, Government Code (G.C.) section 20636.1(c)(1) specifies that "special compensation of a member includes any payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions." All items of special compensation reported to CalPERS must be reported separate from payrate and meet specific requirements set forth in California Code of Regulations (C.C.R.) section 571(a) and (b).

Further, special compensation items reported for classic members must be identified with the correct category and type listed in C.C.R. section 571(a). Please reference Circular Letter No. 200-014-16, dated April 6, 2016 for more information regarding this requirement.

**New Members - Pensionable Compensation** Pensionable compensation, rather than compensation earnable, is applicable for new members under the Public Employees' Pension Reform Act (PEPRA) (those typically hired on or after January 1, 2013) and must meet the requirements set forth in G.C. section 7522.34(a). All members that do not fall within the definition of a new member as set forth in G.C. section 7522.04(f) are considered classic members. More information regarding reportable items of special compensation for new members can be found in Circular Letter No. 200-062-12.

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**Common Errors** The following are some of the most common special compensation reporting errors identified during reviews of classic and new member accounts.

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**Longevity Pay** Agencies most commonly misreport Longevity Pay when they combine the criteria for this item with other criteria, such as employee performance. Longevity Pay, as defined in C.C.R. section 571(a), does not include additional requirements other than the length of service with an employer or the length of time worked in a specified job classification that exceeds a minimum period of five years. In cases where an agency includes additional criteria, the item does not meet the definition of Longevity Pay and will be excluded when calculating retirement benefits.

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**Uniform Allowance\*** There are two ways agencies commonly misreport Uniform Allowance. The first common reporting error occurs when agencies do not report the monetary value of uniforms provided. The monetary value of uniforms must be reported to CalPERS pursuant to C.C.R. section 571(a). Additionally, the agency's written labor policy or agreement must indicate the conditions for payment, including the monetary value of the uniform.

The second common reporting error occurs when agencies report Uniform Allowance for unqualified items. As stated in C.C.R. section 571(a), Uniform Allowance "excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes." If an item is found to be used solely for personal health or safety, that portion of compensation will be excluded when calculating any retirement benefits.

\* This item is not reportable for new members.

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**Bonus\*** Agencies most commonly misreport Bonuses when they provide a bonus that is not available to all members within a group or class, or is earned on criteria that does not reach the level of superior performance. Bonus, as defined by C.C.R. section 571(a)(1), is "compensation to employees for superior performance such as 'annual performance bonus' and 'merit pay'." Additionally, "a program or system must be in place to plan and identify performance goals and objectives." If there is no clear plan in place, the compensation item does not meet the definition of Bonus and will be excluded when calculating a retirement benefit. If this pay is provided only during a member's final compensation period, it will be considered Final Settlement Pay and will be excluded from the member's final compensation calculation.

\* This item is not reportable for new members.



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**Temporary Upgrade Pay\***

Agencies most commonly misreport Temporary Upgrade Pay when they report this item for employees who are only taking on a portion of an upgraded position while continuing to do their current duties. Temporary Upgrade Pay, as defined by C.C.R. section 571(a)(3), is “compensation to employees who are required by their employer or governing board or body to work in an upgraded position/classification of limited duration.” When an employee maintains his or her current duties and takes on additional duties of an upgraded position, the additional duties meet the definition of overtime as set forth in G.C. section 20635 and are not reportable to CalPERS.

\* This item is not reportable for new members.

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**Compensation Paid for Items Not Listed in C.C.R. Section 571**

Agencies often mistakenly report items of compensation or stipends that are not included in the exclusive list of special compensation items outlined in C.C.R. section 571 for classic members. Special compensation items listed in C.C.R. section 571(a) must meet all requirements listed in subsection (b), in order for the compensation to be reportable.

Furthermore, C.C.R. section 571(c) states “Only items listed in subsection (a) have been affirmatively determined to be special compensation. All items of special compensation reported to PERS will be subject to review for continued conformity with all of the standards listed in subsection (b).” Any items reported to CalPERS that are not contained in the “exclusive list of specifically defined items of special compensation” do not meet the definition of compensation earnable and should therefore not be reported to CalPERS for classic members.

For information regarding special compensation items that are reportable for new members, see Circular Letter 200-062-12.

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**Final Settlement Pay**

Agencies commonly misreport compensation when they report amounts in the form of severance packages or “golden parachutes” that are typically paid in the member’s final year of service prior to retirement. This compensation meets the definition of Final Settlement Pay set forth in C.C.R. section 570. Final Settlement Pay in any form is not reportable to CalPERS for classic or new members. Additionally, even if an employer’s MOU specifically states that the compensation is not Final Settlement Pay, the compensation will still be excluded in calculating a retirement benefit.

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**Publicly Available Pay Schedules**

C.C.R. section 570.5 sets forth the requirement for a publicly available pay schedule. For purposes of determining the amount of “compensation earnable” pursuant to G.C. sections 20630 and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

1. Has been duly approved and adopted by the employer’s governing body in accordance with requirements of applicable public meeting laws;
2. Identifies the position title for every employee position;
3. Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
4. Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
5. Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer’s internet website;
6. Indicates an effective date and date of any revisions;
7. Is retained by the employer and available for public inspection for not less than five years; and
8. Does not reference another document in lieu of disclosing the payrate.

When an agency does not provide a publicly available pay schedule as defined in C.C.R. section 570.5, CalPERS will determine that the pay amount reported fails to meet the definition of payrate as provided in G.C. sections 20636.1(b)(1) and 7522.34(a), and the amount will therefore be excluded when calculating a member’s retirement benefit.

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**Impact on Final Compensation**

Any compensation in question will not be used in a member’s retirement calculation until all issues regarding that reported item of compensation have been resolved.

G.C. section 20160 requires CalPERS to correct errors made by an employer or by the system. Once an error is discovered, CalPERS must take action to correct it and pay only those benefits authorized under the Public Employees’ Retirement Law (PERL).

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**Questions**

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

Renee Ostrander, Chief  
Employer Account Management Division