



CALSTRS

AB1997 creditable compensation simplification: What's changing?

Benefits and Services Committee

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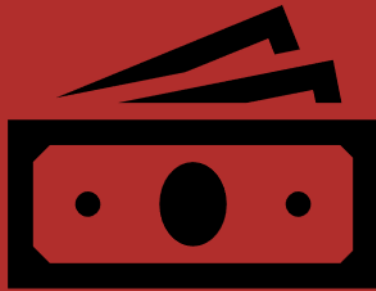
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Issues to address

- CalSTRS requirements are complex
- Changes must:
 - Be actuarially sound
 - Maintain similar benefits for members

Benefits to realize

- Clear rules lead to:
 - More accurate reporting and a reduction in administrative burden
 - Fewer audit findings, reporting corrections, benefit adjustments, penalties, liabilities for benefit overpayments and instances of creating annualized pay rates



Three pay types

Salary, special pay, supplemental pay

1. Salary
2. Special pay



A.K.A. “Base pay”

Used to determine compensation earnable and final compensation for service credit up to one year

3. Supplemental pay

Not used to determine compensation earnable or final compensation

Salary, special pay, supplemental pay (cont'd)

Changes

- All creditable compensation fits into one of these categories
- Rules are the generally same for both CalSTRS 2% at 60 and 2% at 62 members
- Member contributions for service in excess of one year will stay in DBS (employers will still receive excess contributions)

Benefits

- Reduces the amount of analysis and number of decision points
- Easier for employers, members and unions to understand how pay will be treated for retirement purposes

Salary

- Paid for being employed up to the full-time equivalent in a “position subject to membership”
- Paid in accordance with a “publicly available pay schedule”
- Paid to all persons in the same class of employees
- Not paid a limited number of times

Special pay

- Generally the same requirements as salary
- Similar to today's remuneration in addition to salary or special compensation
- May include ongoing pay for education or experience

Supplemental pay

- Includes all other types of compensation not expressly prohibited by law
- Provides additional service for members earning less than one year of service credit in a year
- Contributions on supplemental pay when service exceeds one year are transferred to DBS

Combining rules for CalSTRS 2% at 60 and 2% at 62 members

- Increases consistency and equity for all members
- Eliminates “paid each pay period” requirement for CalSTRS 2% at 62 members
- Allows for limited-term payments to be creditable for CalSTRS 2% at 62 members as supplemental pay
- Retains PEPPRA principles, benefit formula and compensation limit for CalSTRS 2% at 62 members



Position subject to membership

Position subject to membership

Changes

- Eliminates the list of creditable service activities
- Creates a new term that defines the position for which creditable service is performed

Benefits

- Removes subjectivity about creditable service activities
- Clarifies documentation establishing positions reportable to CalSTRS

Next steps

- Modify system functionality
- Develop regulations
- Update all training
- Provide stakeholder education and outreach