

## One-Time Off-Salary Schedule Payments

As additional one-time funding is being disbursed to schools, new payments to faculty are being approved, and we are receiving questions about the creditability of this compensation. One of the more common types of payments offered are widely referred to as one-time off-salary schedule payments. These payments are called by a variety of names and have a variety of purposes but are generally limited-term payments that are not associated with additional service, are not scheduled to continue and are only being paid due to additional one-time funding.

This Employer Circular does not take precedence over the law; it is meant to clarify how school districts and county offices of education should report to CalSTRS. If you have any questions regarding this circular, please contact CalSTRS Employer Help at [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com).

### **Creditable Compensation**

Payments made to members must meet the definition of either salary or remuneration that is paid in addition to salary to be creditable compensation and reportable to CalSTRS.

The definition of salary pursuant to Education Code sections 22119.2 and 22119.3, and California Code of Regulations, Title 5, section 27400, requires the compensation to be paid for the performance of creditable service. Generally, one-time off-salary schedule payments are not paid for the performance of additional creditable service, and as such, they do not meet the definition of salary.

However, these types of payments may meet the definition of remuneration that is paid in addition to salary pursuant to California Code of Regulations, Title 5, section 27401. One of the criteria for compensation to be considered remuneration that is paid in addition to salary is that it must be paid in cash in accordance with a publicly available written contractual agreement and be paid to all persons in a class of employees in the same dollar amount, same percentage of salary, or same percentage of amount being distributed. Additionally, the compensation must be paid contingent on the availability of funds or meet other qualifications or requirements.

When one-time off-salary schedule payments are being distributed to a class of employees based solely on additional one-time funding or other funding remaining at the end of the year and also meet all of the criteria pursuant to Education Code section 22119.2 and California Code of Regulations, Title 5, section 27401, these types of payments meet the definition of remuneration that is paid in addition to salary due to the availability of funds and should be reported to CalSTRS for 2% at 60 members.

When a one-time off-salary schedule payment meets all of the criteria pursuant to Education Code section 22119.2 and California Code of Regulations, Title 5, section 27401 but is not based

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solely on additional one-time funding, then the compensation must meet one of the qualifications or requirements outlined in California Code of Regulations, Title 5, section 27401(a)(6)(B) for the compensation to be creditable as remuneration that is paid in addition to salary.

### **Limited-Term Payments**

One-time off-salary schedule payments that meet the definition of remuneration that is paid in addition to salary under California Code of Regulations, Title 5, section 27401 are generally considered by CalSTRS to be limited-term payments. Pursuant to California Code of Regulations, Title 5, section 27602, a limited-term payment is one that is not ongoing, paid a specified number of times, has a specified end date or is otherwise not scheduled to continue.

Limited-term payments are only creditable for CalSTRS 2% at 60 members, and the contributions for limited-term remuneration in addition to salary payments must be credited to the member's Defined Benefit Supplement account pursuant to Education Code section 22905.

Pursuant to Education Code section 22119.3(c)(11), creditable compensation for CalSTRS 2% at 62 members does not mean and shall not include any one-time or ad hoc payments made to a member. As these types of one-time off-salary schedule payments are generally limited-term, they are not reportable to CalSTRS for 2% at 62 members.

### **Reporting One-Time Off-Salary Schedule Payments for 2% at 60 Members**

If all the requirements stated in California Code of Regulations, Title 5, section 27401 regarding remuneration that is paid in addition to salary are met, one-time off-salary schedule payments are creditable for 2% at 60 members to the Defined Benefit Supplement account as a limited-term payment and should be reported to CalSTRS using Assignment Code 71 and Contribution Code 6.

### **Examples of One-Time Off-Salary Schedule Payments that are Creditable Compensation**

Example 1:

According to a supplemental contract, the employer will offer all teachers a 2% one-time off-salary schedule increase for the teachers' hard work during the school year transitioning between online and in-person learning. The compensation will be paid effective May 31, 2021. The employer further explains that this payment is being given to teachers solely due to additional one-time funding received by the employer from COVID-19-related funds.

Example 2:

According to a signed board letter, all counselors will receive a \$2,000 payment at the end of the school year to acknowledge the increase in responsibility placed on them during the pandemic. This payment will only be made in the 2019-20 school year. The employer further explains that this payment is being given to counselors solely due to additional one-time funding received by the employer.

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In both of these examples, the payments meet the definition of creditable compensation pursuant to Education Code section 22119.2 because they are paid in accordance with a publicly available written document and are offered to all persons in the same class of employees. The payments are not being made for the performance of additional service, so they do not meet the definition of salary. The payments do meet the definition of remuneration that is paid in addition to salary in accordance with California Code of Regulations, Title 5, section 27401 due to the availability of funds. Since these are one-time payments and not scheduled to continue, the payments are creditable to the Defined Benefit Supplement account for 2% at 60 members only. They are not creditable for 2% at 62 members.

### **Specific Questions?**

The above guidance is meant to cover most situations; however, if you have a specific one-time off-salary schedule payment question, please contact CalSTRS Employer Help at [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com). To better assist in answering specific inquiries, please be prepared to provide relevant documentation about the payment(s).

### **Resources**

All Employer Directives (ED) published within the past five years are available online at [CalSTRS.com/employer-and-administrative-directives](https://www.calstrs.com/employer-and-administrative-directives). All Employer Information Circulars (EIC) published within the past five years are available online at [CalSTRS.com/employer-information-circulars](https://www.calstrs.com/employer-information-circulars). Please contact your Employer Help representative for relevant circulars and directives more than five years old.

Additional resources regarding provisions of the Teachers' Retirement Law are available online on the [Employer Support Portal](#). There you will find tools and resources such as Teachers' Retirement Law Job Aids and the link to the [Pension Administration Learning Management System](#) (PALMS) where you have access to additional training materials.