

Bargained One-Year Final Compensation

This document provides information about the bargained one-year final compensation benefit enhancement provision for classroom teachers with fewer than 25 years of service credit pursuant to Education Code section 22135.

Questions? Contact EmployerHelp@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review.

Revised: 06/12/2024

Overview

The bargained one-year final compensation benefit enhancement allowed CalSTRS employers to elect to provide eligible employees who are members of the Defined Benefit (DB) Program and retire with less than 25 years of service credit a benefit enhancement that calculates their final compensation at retirement or when receiving a disability benefit based on their highest average annual compensation earnable over a period of 12 consecutive months, instead of the standard 36 month period. This benefit enhancement should not be confused with the one-year final compensation enhancement that applies to all DB 2% at 60 members who retire with 25 or more years of credited service. There is no cost to the employer for their credentialed employees who retire with 25 years of service credit or more.

What was the employer required to do to offer the enhancement?

The employer must have entered into, extended, renewed or amended a written agreement with the exclusive representative for classroom teachers in the district pursuant to Title 1, Division 4, Chapter 10.7 of the Government Code (Section 3540 et seq.) before January 1, 2014.

Employers and employee organizations should ensure that their agreements address the treatment of members with fewer than 25 years of credited service and who retire, become disabled, or die prior to the date the agreement is signed by including a statement specifying the period during which one-year final compensation is available.

What are the member eligibility requirements?

Employment as a classroom teacher

You must certify that the member has been employed as a classroom teacher by the same employer for the last 10 school years immediately preceding the retirement effective date, the disability effective date, or the date of death. Employer approved leaves of absence do not constitute a break in service.

For the purposes of the bargained one-year final compensation benefit enhancement, "classroom teacher" includes:

- All teachers and substitute teachers in positions requiring certification qualifications
- Other certificated personnel who spend 60 percent or more of their contract time each year providing direct services to pupils
 - Examples include but are not limited to librarians, counselors, nurses, speech therapists, resource specialists, audiologists, audiometrists, hygienists, optometrists, psychologists, driver safety instructors, and school attendance and adjustment services

“Classroom teacher” excludes:

- Certificated employees whose job descriptions require an administrative credential
- Certificated employees whose job descriptions include responsibility for supervision of certificated staff
- Advisers, coordinators, consultants, developers or planners of curriculum, instructional materials or programs who spend less than 60 percent of their time in direct instruction
- Certificated employees whose job descriptions require provisions of direct instruction or services but who are functioning in nonteaching assignments
- Classified employees

DB 2% at 60 members: Those 2% at 60 members who have at least 25 years of service credit are eligible for one-year final compensation. Employers may also provide one-year final compensation to those with fewer than 25 years of service credit in collective bargaining agreements entered into, extended, renewed or amended before January 1, 2014.

DB 2% at 62 members: These members are not eligible for one-year final compensation.

Effective date

The bargained one-year final compensation applies only to a service retirement benefit, disability allowance, disability retirement or ongoing survivor benefit effective on or after July 1, 1990.

What are my responsibilities as an employer?

You must certify that the member meets the eligibility requirements on the following forms:

- The service retirement certification document is the *Express Benefit Report* (SR 0554E) or the *Employment Termination or Sick Leave Data Correction* (SR 0559).
- The disability certification documents are the *Employment and Benefits Information* (DS 0318) and *Certification by Principal* (DS 0056).
- The ongoing survivor benefit certification document is the *Survivor Benefits Employment Termination and Sick Leave Report* (SB 0054).

What are the billing and payment requirements?

Present Value Costs and Administrative Fees

Once the members' increased benefit has been calculated, CalSTRS will determine the associated present value and administrative costs and bill the employer for those costs.

This payment includes:

- The calculated present value cost
- An administrative fee of \$250 per applicant

Payments must be received by CalSTRS within 30 days from the invoice date, otherwise interest will accrue.

Present Value Cost Calculation

To calculate the present value cost to the employer, the difference of the one-year monthly benefit formula and the three-year monthly benefit formula is multiplied by the present value factor. Please note, the present value costs are calculated by CalSTRS.

Please refer to the [Employer Directive 2023-03](#) for more information on the present value factors for the Defined Benefit (DB), Defined Benefit Supplement (DBS), and Cash Balance (CB) Benefit programs.

Example

A teacher with less than 25 years of service credit is looking to retire. The retiring teacher is 56 years old (exactly) and has accumulated 24.050 years of service credit. Using the three-year final compensation formula, the teacher's monthly benefit would be \$1,705.95. When calculated using the one-year final compensation formula, the teacher's monthly benefit is \$1,827.80.

To calculate the present value cost to the employer, the retiring teacher's three-year formula benefit of \$1,705.95 is subtracted from their one-year formula benefit of \$1,827.80, resulting in a difference of \$121.85. This difference of \$121.85 is then multiplied by the present value factor of 157.321 resulting in a present value cost of \$19,169.56 to the employer.

With the \$250 administrative fee added to the \$19,169.56 present value cost to the employer, a total of \$19,419.56 would be billed to the employer.

Interest

Interest will accrue at the regular interest rate for any payment not received within 30 days of receipt of the invoice. Payments not received within 30 days of the receipt date of the invoice may be collected pursuant to EDC 23007.

Please refer to the [Employer Directive 2023-03](#) for more information on the current interest rates for the Defined Benefit (DB), Defined Benefit Supplement (DBS), and Cash Balance (CB) Benefit programs.