The information provided in this publication is for your convenience and reference as a general guide only and cannot be relied upon as an authoritative source for the law, practices, or policies of CalPERS. While CalPERS tries to include only accurate, timely and complete information in its publications, summaries, guidelines and other advisory printed materials, sometimes information provided in printed materials may be or become inaccurate, untimely, incomplete, unclear or misleading. In all instances, the law then in effect, not this publication, controls the application of the Public Employees’ Retirement Law. It is the reader’s responsibility to independently verify the accuracy of the information contained in this publication before engaging in a course of action.
GENERAL INFORMATION FOR ALL REPORTING METHODS

REPORTABLE/NON-REPORTABLE COMPENSATION

CALPERS COMPENSATION
Pay rate and special compensation must be in written schedules, ordinances, or similar documents that are available for public review.

California Government Code (G.C.) Sections 20630 and 20636 of Public Employees’ Retirement Law (PERL) define compensation earnable, pay rate, and special compensation as follows:

COMPENSATION (G.C. SECTION 20630)
Compensation is broadly defined as payment to employees for services performed during normal working hours or for time during which the employee is excused from work because of holidays, sick leave, industrial disability, (payments under Labor Code section 4800, 4850 or Education Code section 44043, 87042) vacation, compensatory time off, or leave of absence. The employer shall identify and report compensation for the pay period in which the compensation was “earned” regardless of when paid.

REQUIREMENT FOR A PUBLICLY AVAILABLE PAY SCHEDULE (CCR 570.5)
This regulation provides that each pay schedule meet the following requirements:
- Has been duly approved and adopted by the employer’s governing body in accordance with requirements of applicable public meeting laws
- Identifies the position title for every employee position
- Shows the pay rate for each position
- Indicates the time base for each pay rate

This regulation also contains criteria for ensuring the pay schedule is publicly available and does not permit a reference to another document in lieu of disclosing the pay rate. Further, the regulation clarifies that “compensation earnable” will be limited to the amount listed on a pay schedule that meets all of the established criteria, and identifies how a pay rate may be determined when employers fail to meet the requirements.

WORKERS’ COMPENSATION TEMPORARY DISABILITY AND INDUSTRIAL DISABILITY LEAVE PAYMENTS

WHAT IS REPORTABLE TO CALPERS?
G.C. section 20630 defines “Compensation” as: “... the remuneration paid out of funds controlled by the employer in payment for the member’s services performed during normal working hours or for time during which the member is excused from work because of: holidays; sick leave; industrial disability leave, during which, benefits are payable pursuant to sections 4800 and 4850 of the Labor Code or Article 4 (commencing with section 19869 of Chapter 2.5 of Part 2.6; or Education Code Section 44043, 87042) vacation; compensatory time off; or leave of absence. . .”

Labor Code section 4850 included in the definition above, contains industrial disability leave provisions for various specified safety members of CalPERS. This pay is reportable to CalPERS. Education Code section 44043 or 87042 contains industrial disability leave provisions for employees of the Superintendent of Schools. This compensation may also be reported to CalPERS.

Workers’ Compensation temporary disability payments in lieu of Workers’ Compensation that are not pursuant to the above mentioned law codes are not reportable to CalPERS. However, if a miscellaneous member uses accrued leave credits such as vacation, sick leave or compensated time off (CTO), the compensation attributable to the used leave credits is reportable to CalPERS.

COMPENSATION EARNABLE (G.C. SECTION 20636 AND G.C. SECTION 20636.1)
The pay rate and special compensation of members is further defined below.

PAY RATE
"Pay rate" means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours. For purposes of this part, for classified school members, full-time employment is 40 hours per week, and payments...
for services rendered, not to exceed 40 hours per week, shall be reported as compensation earnable for all months of the year in which work is performed.

"Pay rate" for a member who is not in a group or class means the monthly rate of pay or base pay of the member, paid in cash and pursuant to publicly available pay schedules, for services rendered on a full-time basis during normal working hours, subject to the limitations of paragraph (2) of subdivision (e) of G.C. section 20636.

**SPECIAL COMPENSATION**

Special compensation shall be limited to that which is received by a member pursuant to a labor policy or agreement to similarly situated members of a group or class of employment and is reported in addition to and separately from pay rate.

Special compensation is delineated specifically and exclusively in the regulations adopted in the California Code of Regulations (CCR) Section 571 (a) and (b). Subsection 'b' specifies the standards that all special compensation items must meet.

**CCR 571 (b) AMENDMENT**

CCR 571 (b) was amended to ensure greater transparency and disclosure of special compensation items in written labor policies or agreements. The labor policy or agreement must include:

- The conditions for payment of the item of special compensation, and
- Eligibility requirements and amount for each special compensation item.

The written labor policy or agreement cannot reference another document in lieu of disclosing the details of the special compensation. In addition, the written labor policy or agreement must be duly approved, posted, or immediately accessible and available for public review, retained for not less than five years, and include an effective date.

A complete reprint of CCR 571 (a) and 571 (b) is on the following pages.

Only those items listed in the CCR 571 (a) and meeting the criteria listed in CCR 571 (b) are reportable. If the special compensation item is not included in the exclusive list, it is not reportable for retirement purposes. Please note:

- All special compensation is required to be reported separately from pay rate as special compensation, as it is earned.
- Do not report special compensation prospectively, it must be reported for the pay period in which it was earned.
- Special compensation shall be for services rendered during normal working hours, and when reported to the Board, the employer shall identify the pay period in which the special compensation was earned.

Special compensation does not include final settlement pay, payments made for additional services rendered outside normal working hours, or any other payments the CalPERS Board of Administration has not affirmatively determined to be special compensation.

**CCR 570 SETTLEMENT PAY**

Final settlement pay means any pay or cash conversions of employee benefits, in excess of compensation earnable, that are granted or awarded to a member in connection with or in anticipation of a separation from employment. Final settlement pay may consist of severance pay or so called “golden parachutes”. It may be based on accruals over a period of prior service. It is generally, but not always, paid during the period of final compensation. It may be paid in either lump sum, or periodic payments.

Final settlement pay may also take the form of a bonus, retroactive adjustment to pay rate, conversion of special compensation to pay rate, or any other method of payroll reported to CalPERS. All forms of final settlement pay are prohibited from being considered special compensation.

**GROUP OR CLASS OF EMPLOYMENT**

Group or class of employment means a number of employees considered together because they share job similarities, work location, collective bargaining unit, or other logical work related grouping.

**COMPENSATION PAID TO COURT REPORTERS**

Report compensation for Court Reporters who qualify for CalPERS membership. Numerous statutes and a variety of payment methods prevent CalPERS from formulating standard reporting procedures for Court Reporters. Separate instructions are provided to the individual counties.
For more information, contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

**Compensation Earnable for Part-Time Service (G.C. section 20967)**
For the purpose of calculating retirement benefits based on part-time service, except under G.C section 21381, compensation earnable shall be taken as the compensation that would have been earnable if the employment had been on a full-time basis and the member had worked full time, and shall conform to the definitions given in G.C section 20636.1 for school members and G.C. section 20636 for all other members.

**California Code of Regulations (CCR)**
Special compensation items must meet definitions listed in 571 (a) as well as the criteria outlined in 571(b) to be reported to CalPERS.

**CCR 571 (a) — Definition of Special Compensation**
The following list exclusively identifies and defines special compensation items for members employed by contracting agencies and school employers that must be reported to CalPERS if they are contained in a written labor policy or agreement.

1. **Incentive Pay**
   1. **Bonus** — Compensation to employees for superior performance such as “annual performance bonus” and “merit pay.” A program or system must be in place to plan and identify performance goals and objectives. If provided only during a member’s final compensation period, it shall be excluded from the final compensation as “final settlement” pay.

2. **Dictation/Shorthand/Typing Premium**
   — Compensation to clerical employees for short hand, dictation or typing at a specified speed.

3. **Longevity Pay** — Additional compensation to employees who have been with an employer, or in a specified job classification, for a certain minimum period of time exceeding five years.

4. **Management Incentive Pay** — Compensation granted to management employees in the form of additional time off or extra pay due to the unique nature of their job. Employees within the group cannot have the option to take time off or receive extra pay. This compensation must be reported periodically as earned and must be for duties performed during normal work hours. This compensation cannot be for overtime, nor in lieu of other benefits excluded under the statutes, nor for special compensation not otherwise listed in section 571.

5. **Marksmanship Pay** — Compensation to local police officers, county peace officers and school police or security officers who meet an established criterion, such as, “certification” as a marksperson.

6. **Master Police Officer** — Compensation to local police officers, county peace officers and school police or security officers who meet specified requirements, years of employment, performance standards, education, Peace Officer Standard Training (POST), and perform a specialty assignment.

7. **Physical Fitness Program** — Compensation to local safety members and school security officers who meet an established physical fitness criterion.

8. **Value of Employer-Paid Member Contributions (EPMC)** — The full monetary value of employer-paid member contributions (EPMC) paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class.

The value of EPMC is calculated on all “compensation earnable” excluding the special compensation of the monetary value of EPMC paid to CalPERS by the employer under G.C. section 20636(c)(4) thus eliminating a perpetual calculation.

A. A resolution or ordinance of the governing body must be provided to CalPERS indicating the group or class, effective date, and the percent or amount of EPMC being paid and reported as an item of special compensation. The resolution or ordinance must be formally adopted by the employer’s governing body, and submitted to CalPERS for review and approval.

B. The resolution or ordinance must specify that the value of EPMC will be reported as an item of special compensation consistently, for all members in the affected group or class of employment — except that the employer’s governing body may elect a “time-in-grade exception” which shall only
apply to persons newly hired into the pertinent group or class of employment.

C. To be classified as “newly-hired”, a member of the group or class must not have been previously hired or retained by the employer in any capacity whatsoever.

D. The time-in-grade exception must be elected in the same resolution or ordinance, or by amendment thereto, as adopted by the employer’s governing body for the purpose of paying and reporting the value of EPMC, pursuant to this Section 571. The exception can only be used for the value of EPMC, and not for any other item of special compensation.

1. The time-in-grade exception must be applied consistently to all newly-hired employees in the pertinent group or class.

2. The time-in-grade requirement may be incremental, not to exceed a total of five (5) years. For example, the initial requirement may be three years for paying fifty percent (50%) with increases of twenty-five percent (25%) for each additional year of time-in-grade.

3. Once the initial time-in-grade requirement has been met by a newly-hired employee, the employer shall begin paying and reporting the value of EPMC for him or her to the same extent as for all others in the pertinent group or class.

E. To implement the time-in-grade exception, the employer’s governing body must acknowledge that it may experience an upward adjustment to its employer contribution rate. The acknowledgment must be included in the resolution or ordinance by which the employer’s governing body elected to pay and report EPMC as an item of special compensation, by adoption or amendment thereto.

F. The full terms of the resolution or ordinance by which the employer’s governing body elects to pay and report the value of EPMC as an item of special compensation, along with any time-in-grade exception for newly-hired employees, must be incorporated into the written labor agreement that pertains to the affected group or class of employment.

The time-in-grade exception from paying and reporting the value of EPMC as an item of special compensation pursuant to CCR section 571, is separate and apart from the time-in-grade exception from paying EPMC pursuant to CCR section 569. Both of these exceptions are separate and apart from, nor do they apply to, the process for converting EPMC to pay rate during the period of final compensation, pursuant to G.C. section 20692.

Off-Salary-Schedule Pay — Compensation in addition to base salary paid in similar lump-sum amounts to a group or class of employees. These payments are routinely negotiated through collective bargaining in lieu of increases to the salary schedule. These payments are based on a similar percent of scheduled salary not to exceed six percent (6%) per fiscal year. The contracting agency or school employer may adopt similar action for non-represented groups or classes of employment as were negotiated through collective bargaining.

(2) Educational Pay
The items of special compensation outlined below do not include reimbursement to an employee for the cost of an application or test, books, tuition, or travel.

Applicator’s Differential — Compensation to employees who are required to maintain a Qualified Pesticide Applicator’s Certificate.

Certified Public Accountant Incentive — Compensation to miscellaneous employees passing an exam and receiving a license as a Certified Public Accountant.

Educational Incentive — Compensation to employees for completing educational courses, certificates, and degrees which enhance their ability to do their job. A program or system must be in place to evaluate and approve acceptable courses. The cost of education that is required for the employee’s current job classification is not included in this item of special compensation.

Emergency Medical Technician Pay — Compensation to safety employees who obtain and maintain an emergency medical technician (EMT) certification.
Engineering Registration Premium — Compensation to engineers who have taken and passed a California engineering proficiency exam and are registered with the State of California.

Government Agency Required Licenses — Compensation to employees receiving and maintaining a license required by government or regulatory agencies to perform their duties.

International Conference of Building Officials (ICBO) Certificate — Compensation to building inspectors who obtain and maintain an International Conference of Building Officials (ICBO) certificate in one or more certified areas.

Mechanical Premium (Brake Adjustment License, SMOG Inspector License) — Compensation to employees who obtain and maintain state-required mechanical licenses.


Notary Pay — Compensation to clerical employees who obtain and maintain a notary public certificate from the State of California or are deputized by an agency’s chief administrative officer to sign legal or financial documents for the agency.

Paramedic Pay — Compensation to employees who obtain and maintain certification in auxiliary medical techniques.


Reading Specialist Premium — Compensation to certificated employees who have obtained special training and provide literacy instruction as part of their teaching duties.

Recertification Bonus — Compensation to local firefighters who obtain and maintain a fire safety and prevention certificate for a specified period of time.

Special Class Driver’s License Pay — Compensation to school bus drivers or street maintenance employees who are required to obtain and maintain a special class driver’s license to perform their duties.

Undergraduate/Graduate/Doctoral Credit — Compensation to school district employees who are required to obtain a specified degree.

(3) PREMIUM PAY
Temporary Upgrade Pay — Compensation to employees who are required by their employer, or governing board or body, to work in an upgraded position/classification of limited duration.

(4) SPECIAL ASSIGNMENT PAY
Accountant Premium — Compensation to rank and file employees who are routinely and consistently responsible for developing the employer’s budget.

Administrative Secretary Premium — Compensation to an administrative secretary responsible for coordinating meetings, plans and other specialized activities for the governing board of the contracting agency or school employer.

Aircraft/Helicopter Pilot Premium — Compensation to safety employees who are routinely and consistently assigned as aircraft/helicopter pilots.

Asphalt Work Premium — Compensation to miscellaneous employees who are routinely and consistently assigned to mix, transport and/or apply a tar-like substance for sidewalks, roads, roofs and/or parking lots.

Audio Visual Premium — Compensation to miscellaneous employees who are routinely and consistently responsible for operating audio visual equipment.

Auditorium Preparation Premium — Compensation to school employees who are routinely and consistently assigned to prepare auditorium(s), i.e. setting up stages, lighting, props and chairs for performing arts purposes.

Bilingual Premium — Compensation to employees who are routinely and consistently assigned to positions requiring communication skills in languages other than English.
**Branch Assignment Premium** — Compensation to employees who are routinely and consistently assigned to a branch office or work site that is identified as “rural” or “remote” in the written labor agreement.

**Canine Officer/Animal Premium** — Compensation to local police officers, county peace officers and school police or security officers who are routinely and consistently assigned to handle, train and board a canine or horse. Compensation shall not include veterinarian fees, feed or other reimbursable expenses for upkeep of the animal.

**Cement Finisher Premium** — Compensation to miscellaneous employees who are routinely and consistently assigned to finish cement work, e.g. watering, brushing or surfacing.

**Circulation Librarian Premium** — Compensation to library staff who are routinely and consistently assigned to the circulation desk of the library.

**Computer Operations Premium** — Compensation to employees who have special knowledge of computer processes and applications.

**Confidential Premium** — Compensation to rank and file employees who are routinely and consistently assigned to sensitive positions requiring trust and discretion.

**Contract Administrator Coordinator Premium** — Compensation to school employees who routinely and consistently coordinate administrative contracts for instruction or facility maintenance.

**Crime Scene Investigator Premium** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to analyze and explore a crime scene.

**Critical Care Differential Premium** — Compensation to nursing staff who are routinely and consistently assigned to critical and intensive medical or psychological care areas.

**D.A.R.E. Premium** — Compensation to local police officers, county peace officers, and school police or security officers who routinely and consistently provide training to students on drug abuse resistance.

**Detective Division Premium** — Compensation to local police officers, county peace officers and school police, or security officers who are routinely and consistently assigned to a detective or investigative division or intelligence duties.

**Detention Services Premium** — Compensation to employees who are routinely and consistently assigned to areas where criminally charged persons are confined and nursing staff who are routinely and consistently assigned to an adult facility where criminally charged persons are confined.

**DUI Traffic Officer Premium** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to enforce Driving Under the Influence (DUI) of alcohol or drug laws.

**Extradition Officer Premium** — Compensation to local police officers and county peace officers who are routinely and consistently assigned to return a person to the custody of another jurisdiction.

**Fire Inspector Premium** — Compensation to “fire inspector” personnel who are routinely and consistently assigned to inspect buildings and other permanent structures for compliance with governmental safety standards.

**Fire Investigator Premium** — Compensation to “fire investigation” personnel who are routinely and consistently assigned to investigate causes of destructive burning.

**Fire Prevention Assignment Premium** — Compensation to rank and file local firefighters who are routinely and consistently assigned to specific fire inspections and investigative work during normal hours of employment that may differ from the work schedule of fire suppression personnel.

**Fire Staff Premium** — Compensation to rank and file local firefighters who are routinely and consistently assigned to administrative work during normal hours of employment that may differ from the work schedule of fire suppression personnel.

**Flight Time Premium** — Compensation to safety employees for time spent as co-pilot or crew on work related air missions.
Float Differential Premium — Compensation for nurses not specifically assigned to a specific station.

Front Desk Assignment (Jail) — Compensation to employees staffing a jail who are routinely and consistently assigned the duty of responding to questions from the public.

Fugitive Officer Premium — Compensation to local police and county peace officers who are routinely and consistently assigned to pursue persons who have or are fleeing from justice.

Gang Detail Assignment Premium — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to enforce laws relating to a group of individuals banded together for unlawful activities.

Grading Assignment Premium — Compensation to employees who are routinely and consistently assigned to inspect the degree of rise or descent of a sloping surface.

Hazard Premium — Compensation to employees who are routinely and consistently exposed to toxic, radioactive, explosive, or other hazardous substances or perform hazardous activities to implement health or safety procedures.

Heavy/Special Equipment Operator — Compensation to employees who are routinely and consistently assigned to operate heavy equipment or specialized equipment.

Height Premium — Compensation to employees who are routinely and consistently required to work on ladders or mechanical devices at heights over 40 feet.

Housing Specialist Premium — Compensation to city housing specialists who are routinely and consistently assigned to perform administrative functions of the housing division.

Juvenile Officer Premium — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to enforce laws that restrict the activities of juveniles.

Lead Worker/Supervisor Premium — Compensation to employees who are routinely and consistently assigned to a lead or supervisory position over other employee’s subordinate classifications or agency-sponsored program participants.

Library Reference Desk Premium — Compensation to library staff who are routinely and consistently assigned to provide direction or resources to library patrons.

Maintenance Premiums:

Gas Maintenance Premium — Compensation to maintenance employees who are routinely and consistently assigned to inspect gas construction, repair instruments, or perform pipeline welder duties.

Plumber Irrigation System Premium — Compensation to plumbers who are routinely and consistently assigned as irrigation systems plumbing specialists.

Refuse Collector Premium — Compensation to maintenance employees who are routinely and consistently assigned to collect refuse.

Street Lamp Replacement Premium — Compensation to maintenance employees who are routinely and consistently assigned to replace street lamps from an aerial bucket.

Motor Coach Operator (MCO) Instructor Premium — Compensation to miscellaneous employees who are routinely and consistently assigned to train MCOs, i.e. bus drivers.

Motorcycle Patrol Premium — Compensation to local police officers and county peace officers who are routinely and consistently assigned to operate and/or patrol on motorcycle.

Mounted Patrol Premium — Compensation to local police officers and county peace officers who are routinely and consistently assigned to patrol on horseback.

Narcotic Division Premium — Compensation to local police officers, county peace officers and school police or security officers who are routinely and consistently assigned to drug enforcement.

Paramedic Coordinator Premium — Compensation to paramedics who are routinely and consistently assigned to coordinate training activities in auxiliary medical techniques.
**General Information for all Reporting Methods**

**Park Construction Premium** — Compensation to groundskeepers who are routinely and consistently assigned to build park equipment.

**Park Maintenance/Equipment Manager Premium** — Compensation to park maintenance employees who are routinely and consistently assigned to equipment management and other administrative duties.

**Parking Citation Premium** — Compensation to employees who are routinely and consistently assigned to read parking meters and cite drivers who have violated parking laws.

**Patrol Premium** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to patrol detail.

**Police Administrative Officer** — Compensation to rank and file police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to police administration to provide support for the police chief and command staff in the operation of the police department.

**Police Investigator Premium** — Compensation to rank and file local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to analyze crimes or investigate accidents.

**Police Liaison Premium** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to function as a liaison between special persons, groups or courts and the police/sheriff department.

**Police Polygraph Officer** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to administer and interpret polygraph exams.

**Police Records Assignment Premium** — Compensation to employees who are routinely and consistently assigned to the police records division.

**Rangemaster Premium** — Compensation to local police officers, county peace officers, and school police or security officers who are routinely and consistently assigned to supervise the target range facilities and all related activities.

**Refugee Arrival Cleanup Premium** — Compensation to employees who are routinely and consistently assigned to cleanup from activities directly related to refugee arrival flights.

**Safety Officer Training/Coordinator Premium** — Compensation to employees who are routinely and consistently assigned to instruct personnel in safety procedures.

**Sandblasting Premium** — Compensation to miscellaneous employees who are routinely and consistently assigned to operate sandblasting equipment.

**School Yard Premium** — Compensation to part-time school district employees who are routinely and consistently assigned to supervise students during recreation.

**Search Pay Premium** — Compensation to employees who are routinely and consistently assigned to search and process prisoners in the induction area of jails.

**Severely Disabled Premium** — Compensation to school instructional aides who are routinely and consistently assigned to work with severely disabled students.

**Sewer Crew Premium** — Compensation to laborers who are routinely and consistently assigned to repair and maintain sewer systems.

**Shift Differential** — Compensation to employees who are routinely and consistently scheduled to work other than a standard “daytime” shift, e.g. graveyard shift, swing shift, shift change, rotating shift, split shift, or weekends.

**Solo Patrol Premium** — Compensation to local police officers, county peace officers and school police or security officers who are routinely and consistently assigned to patrol alone in vehicles.

**Sprinkler and Backflow Premium** — Compensation to groundskeepers who are routinely and consistently assigned to repair large sprinkler head controllers, valves, and backflow prevention devices.
**General Information for all Reporting Methods**

**Tiller Premium** — Compensation to local firefighters who are routinely and consistently assigned to operate the tiller on an aerial ladder.

**Tire Technician Premium** — Compensation to equipment attendants who are routinely and consistently assigned to work on heavy duty tires, e.g. for buses and large construction equipment.

**Traffic Detail Premium** — Compensation to employees who are routinely and consistently assigned to direct traffic.

**Training Premium** — Compensation to employees who are routinely and consistently assigned to train employees.

**Tree Crew Premium** — Compensation to maintenance workers who are routinely and consistently assigned to remove, prune, or otherwise care for trees.

**Utility Meter Premium** — Compensation to miscellaneous employees who are routinely and consistently assigned to re-read utility meters, repair, or set and install meters.

**Utilities Systems Operation Premium** — Compensation to maintenance or carpenter employees who are routinely and consistently assigned to planner duties in the maintenance division.

**Water Certification Premium** — Compensation to miscellaneous employees who are routinely and consistently assigned to test local water quality for compliance with governmental health standards.

**(5) Statutory Items**

**Fair Labor Standards Act (FLSA)** — Compensation paid for normal full-time work schedule including premium pay required by FLSA. For example, a firefighter’s normal work schedule is 56 hours per week. FLSA states premium pay must be paid on all hours worked above 53 hours per week up to what is considered normal for employees on a full-time basis. In this example, the firefighter works 56 hours in a normal work week. Therefore, compensation would be reported for 53 hours per week and FLSA premium pay would be reported for 3 hours per week. Any work performed above 56 hours per week would be considered overtime and would not be reported to CalPERS.

**Holiday Pay** — Additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays. If these employees are paid over and above their normal monthly rate of pay for approved holidays, the additional compensation is holiday pay and reportable to CalPERS.

For those employees with written labor agreements providing holiday credit and allowing employees to cash out accumulated holiday credit, the cash out must be done at least annually and reported in the period earned.

If a written labor agreement allows an employee to accumulate holiday credit beyond the year in which it is earned and an employee later elects to cash out accumulated holiday credit, it is not compensation for CalPERS purposes.

If an employee utilizes the cash out option only during their final compensation period, it will be considered final settlement pay and excluded from reportable compensation.

If the cash out option is also utilized near their final compensation period, it may still be excluded based upon a review of the contracting agency or school employer’s experience relating to:
- The number of employees in the group with this option;
- The number of employees who exercise this option;
- The frequency with which employees exercise this option;
- Whether or not the cash out is paid periodically, and in a manner that is historically consistent; and
- Whether or not the cash out would create an unfunded liability over and above CalPERS actuarial assumptions.

This review will be conducted by CalPERS on a case-by-case basis.

**Uniform Allowance** — Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and
safety such as protective vests, pistols, bullets, and safety shoes.

If in doubt as to whether an item of compensation is reportable to CalPERS, submit a copy of the memorandum of understanding, union contract, or other supporting documentation to:

CalPERS
Customer Account Services Division
Compensation and Employer Review Unit
P.O. Box 942709
Sacramento, CA 94229-2709

CCR 571 (b)
The Board has determined that all items of special compensation listed in subsection (a) must be:
1. Contained in a written labor policy or agreement and:
   A. Have been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
   B. Indicate the conditions for payment of the item of special compensation, including but not limited to, eligibility for, and amount of, the special compensation;
   C. Are posted at the office of the employer and be immediately accessible and available for public review from the employer during normal business hours or posted on the employer's website;
   D. Indicate an effective date and date of any revisions;
   E. Are retained by the employer and available for public inspection for not less than five years; and
   F. Do not reference another document in lieu or disclosing the item of special compensation;

2. Available to all members in the group or class;
3. Part of normally required duties;
4. Performed during normal hours of employment;
5. Paid periodically as earned;
6. Historically consistent with prior payments for the job classification;
7. Not paid exclusively in the final compensation period;
8. Not final settlement pay; and,
9. Not creating an unfunded liability over and above CalPERS actuarial assumptions.

NOTE:
Special Compensation items must meet definitions listed in CCR 571 (a) as well as the criteria outlined in CCR 571 (b) to be reported to CalPERS.

CCR 571 (c)
Only items listed in CCR 571 (a) have been affirmatively determined to be special compensation. All items of special compensation reported to CalPERS will be subject to review for continued conformity with all of the standards listed in CCR 571 (b).

CCR 571 (d)
If an item of special compensation reported for a member is not listed in CCR 571 (a) or is out of compliance with any of the standards in CCR 571 (b) as reported for an individual, then it shall not be used to calculate the final compensation for that individual.
EMPLOYERS PAYING MEMBER CONTRIBUTIONS

PUBLIC EMPLOYEES’ PENSION REFORM ACT OF 2013 (PEPRA)

PEPRA prohibits EPMC for new members employed by public agencies, school employers, the judicial branch, or CSU, unless an employer’s existing MOU would be impaired by this restriction. It is up to each employer to determine if an MOU would be impaired by this restriction on EPMC for new members. The impaired MOU must have an effective date of January 1, 2013, or earlier.

NOTE: Please see the Membership chapter of this Guide for the definition of a new PEPRA member.

If your agency determines that an existing MOU is impaired, then any stated EPMC agreements will apply to new members through the duration of the MOU. CalPERS must receive the full required member contributions, regardless of the amounts paid by the member or the employer. Once the impaired MOU is amended, extended, renewed, or expires, EPMC will no longer be permitted for new members. CalPERS will implement a manual validation procedure to ensure EPMC is not being reported on payroll for new members.

Agencies must notify CalPERS in writing if they determine that their MOU is impaired and provide a certification to CalPERS, signed by the agency’s presiding officer, confirming that application of Section 7522.30(c) of PEPRA would cause an existing MOU to be impaired.

EPMC may continue to be reported for classic members pursuant to existing PERL provisions. Agencies who wish to eliminate or reduce EPMC for classic members are able to do so under existing law through collective bargaining and contract amendments. Existing PERL statutes allow employers to periodically increase, reduce, or eliminate employer paid member contributions.

State and federal statutes provide various provisions for paying and reporting member contributions. Below are five provisions, a brief description of each and requirements to implement any of the five. Samples of all five resolutions are located on the CalPERS Forms & Publications Center.

PAYMENT OF MEMBER CONTRIBUTIONS

A contracting public agency or school employer may pay all or a portion of the normal contributions required to be paid by members of a group or class. This is called Employer Paid Member Contributions (EPMC). If an individual is not part of a group or class, the agency must pay EPMC for the closest related group or class in order to pay EPMC for the individual. Determinations for “group of one” and closest related group are made on a case-by-case basis by the Customer Account Services Division, Compensation and Employer Review Unit. For this option a resolution is required (see Sample A). A copy should be sent to:

CalPERS
Customer Account Services Division
Compensation and Employer Review Unit
P.O. Box 942709
Sacramento, CA 94229-2709

CALIFORNIA CODE OF REGULATIONS (CCR) SECTION 569

An employer may implement a cumulative “time-in-grade exception” for newly-hired employees upon the election by the contracting agency or school employer for the payment of normal member contributions (Employer Paid Member Contributions - EPMC) based on compensation within the pertinent group or class. To elect the “time-in-grade exception,” the employer’s governing body must adopt a resolution (see Sample B) or ordinance that specifies the “time-in-grade” schedule and group or class involved. The “time-in-grade exception” cannot take effect until after the resolution or ordinance has been reviewed and approved by CalPERS.

To be classified as “newly hired”, a member of the group or class must not have been previously hired or retained by the employer in any capacity.

PAYING AND REPORTING THE VALUE OF EPMC

Effective July 1, 1994, under G.C. section 20636(c) and California Code of Regulations section 571 (a) (1), an employer has the option of reporting the value of EPMC to CalPERS as special compensation. This provision must be...
Employers Paying Member Contributions

adopted and applied equally to everyone in a group or class of employment. If an individual is not part of a group or class, the agency must pay and report the value of EPMC for the closest related group in order to pay and report the value of EPMC for the individual. Determinations for “group of one” and closest related group are made on a case-by-case basis by the Customer Account Services Division, Compensation and Employer Review Unit.

Should an agency decide to report the value of EPMC, it would need to comply with the following items:

1. Each written labor policy or agreement must acknowledge the fact that the employer is paying and reporting the value of EPMC for everyone in that group or class.

2. The governing board must pass a Resolution utilizing language similar to Sample C.

3. The Resolution must be sent to the Compensation and Employer Review Unit and written confirmation of compliance will be returned to the employer.

4. The amount (percent) of EPMC being paid by the employer is the value (amount) that must be reported as special compensation.

5. The value of EPMC must be reported on all compensation, i.e., pay rate and special compensation. Do not report the value of EPMC on the value of EPMC under G.C. section 20636(c)(4). This avoids the perpetual loop of reporting the value of EPMC on the previous value of EPMC.

NOTE:
School districts may negotiate for this provision on a district by district basis. It does not have to apply to all districts under the County Office of Education.

Reporting the value of EPMC should not affect the calculations the agency makes for overtime or other special payments employees receive as a factor of base salary. Reporting the value of EPMC is not subject to state and federal income taxes, nor Social Security and Medicare taxes. However, since there is no case or ruling directly related to Social Security and Medicare, affected employers should consider seeking a ruling from the Internal Revenue Service on this issue.

The cost of reporting the value of EPMC will be an increase in the agency’s employer and employee contributions due to the increased earnings reported. There could also be an increase to the employer’s rate similar to increases associated with comparable pay rate increases for groups of employees. The cost for this provision is expected to be the same as the cost of converting EPMC to salary in the final compensation period.

The cost is paid in a different manner, i.e., if the additional compensation increases an employee’s retirement allowance by $100.00 per month under either method, CalPERS will collect the same amount of money from member and employer contributions to pay for that benefit.

PAYING AND REPORTING THE VALUE OF EPMC WITH TIME IN GRADE

Under the CCR section 571 regulation, an employer may implement a cumulative “time-in-grade exception” for newly-hired employees for contracting agency or school employers to pay and report the value of EPMC as an item of “special compensation” within the pertinent group or class. To elect the “time-in-grade exception,” the employer’s governing body must adopt a resolution (see Sample D) that specifies the “time-in-grade” schedule and the group or class involved. The “time-in-grade exception” cannot take effect until after the resolution has been reviewed and approved by CalPERS. To be classified as “newly hired”, a member of the group or class must not have been previously hired or retained by the employer in any capacity.

CONVERTING EPMC TO PAY RATE IN THE FINAL COMPENSATION PERIOD

(Contract Amendment Method)

The conversion of EPMC to pay rate in an employee’s final compensation period is the only conversion provision allowed in the PERL. To contract for this provision, your agency must have a resolution on file for EPMC. This provision must be adopted and applied equally to everyone in a group or class of employment. If an individual is not part of a group or class, your agency must adopt this provision for the closest related group or class in order to convert EPMC to pay rate for the individual. Determinations for “group of one” and closest
related group are made on a case-by-case basis by the Customer Account Services Division, Compensation and Employer Review Unit.

G.C. section 20692, effective July 1, 1994, provides:

“(a) Where a contracting agency employer or a school employer has elected to pay all or a portion of the normal contributions of members of a group or class of employment pursuant to G.C. section 20691, the employer may, pursuant to a labor policy or agreement, stop paying those contributions during the final compensation period applicable to the members and, instead, increase the pay rate of the members by an amount equal to the normal contributions paid by the employer on behalf of the employees in the pay period immediately prior to the final compensation period or increase the pay rate of the members by an amount established by a labor policy or agreement in existence and in effect on June 30, 1993. That amount shall not exceed the amount of the normal member contributions that are required to be paid by the members.”

Request a valuation from the Retirement Contract Services Unit and follow the contract amendment procedures for this provision. For more information on requesting a valuation, refer to the Contract Coverage chapter.

After an agency amends its contract with CalPERS to provide this conversion, the new employer rate is effective the same day the amendment is effective. All employees in a group or class must be treated the same and there can be no “election” on the part of individual employees to convert EPMC to pay rate in the final compensation period. The conversion would be allowed from the effective date of the contract amendment and cannot be reported prior to the contract amendment effective date.

Should an agency decide to stop paying members’ contributions in the final compensation period and instead increase the pay rate by an equal amount, it would need to comply with the following:

1. Include the provision in each written labor policy or agreement adopting this provision. The amount of EPMC converted to pay rate must be the same amount (percent) of EPMC being paid by the employer unless there is a written labor agreement still in effect that was adopted prior to June 30, 1993 allowing the conversion of a smaller amount of EPMC than what is being paid.
2. Stop paying the member’s contribution in the final compensation period and give a pay increase for all purposes. This is not just reporting the value of EPMC in the final compensation period.
3. The conversion of EPMC must be on all compensation (i.e., pay rate and special compensation).

If an employee only gives two weeks’ notice of retirement, the agency must retroactively adjust and report payroll for the conversion in the full final compensation period (for any final compensation period after the effective date of the contract amendment). If an employee cancels a retirement date, the agency can reverse the entries for the conversion but must commence the conversion again in the new final compensation period.

For more information or questions, please refer to the California Code of Regulations, section 566.1, found in the PERL or you may contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

NOTE:
Individual school districts cannot amend for this provision. All districts in a County Office of Education must amend for this provision by passing a resolution. After all districts have passed a resolution, the County Office of Education may amend its contract to convert EPMC to pay rate in the final compensation period.

TAX-DEFERRING THE MEMBER-PAID CONTRIBUTIONS
INTERNAL REVENUE CODE SECTION 414(h)(2)
EMPLOYER PICK-UP
A benefit that employers can provide to their employees at no cost to the employer or employee is Internal Revenue Code (IRC) section 414(h)(2), Employer Pick-Up.

Under this provision, employees pay their own member contributions from reportable compensation and defer state and federal income taxes on the member contributions. The Employer Pick-Up allows employee contributions to be treated as employer
Employers Paying Member Contributions

contributions for federal and state tax purposes, thus lowering the employees’ taxable gross income.

The amount reported to the Internal Revenue Service is reportable compensation less the member contributions. Federal and state taxes on the amount of contributions are postponed until distribution either through a retirement allowance or a lump sum payment (refund). All supplemental pay that is based upon employees’ salary, such as overtime, will be computed on the employees’ original gross salary (base pay including the member contributions). There is no increase in the member’s pay rate reported to CalPERS when reporting tax-deferred member contributions under IRC section 414(h)(2). For more information on IRC section 414(h)(2), visit www.irs.gov.

To implement this provision, the employer’s duly authorized board of trustees must adopt the appropriate resolution for the affected group or class of employees (see Sample E). Once the resolution is adopted, contributions for all employees in the affected group or class must be reported to CalPERS on a tax-deferred basis. Employees may not elect Employer Pick-Up on an individual basis.

Copies of all resolutions for member contributions should be sent to:

CalPERS
Customer Account Services Division
Compensation and Employer Review Unit
P.O. Box 942709
Sacramento, CA 94229-2709

For more information, contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

**PRE-TAX PAYROLL DEDUCTION PLAN (A.K.A. PLAN) FOR SERVICE CREDIT PURCHASE(S)**

By filing a Resolution (see Sample F) with CalPERS, your agency is allowed to extend the pick-up of member contributions under IRC section 414(h)(2) provisions for member payments by payroll deductions for service credit purchases. Agencies that opt to participate in this “pick-up” program provide their employees, who elect to participate, with the benefit of deferring income tax liability on member service credit purchases.

County Superintendents of Schools need submit only one Resolution which will cover all the districts/units within that superintendent’s jurisdiction. The effective date for commencement of the Plan cannot be any earlier than the date the completed resolution and the completed Readiness to Report form are received and approved by CalPERS.

**PLAN RESTRICTIONS/REQUIREMENTS**

**EMPLOYER**

1. The agency must complete and submit a request in myCalPERS for the resolution to allow their employees to participate in the Plan. Navigate to the resolution in myCalPERS by this path: Help/Manage Retirement Contract/Employer Paid Member Contribution (EPMC) Details Page/How to... and select “How to Initiate Tax-Deferred Service Credit Purchase Resolution”.

2. The wording of the resolution cannot be altered.

3. The resolution applies to all employees in the specified member category (ies).

4. Upon receipt of an approval letter from CalPERS, the agency must also complete the “Readiness to Report” form. This form certifies that your payroll system can concurrently report both after-tax (taxed) and pre-tax (tax-deferred) payroll deductions for any employee with multiple service credit elections.

5. Pre-tax payroll deductions must not be reported until the member has elected the Plan. For each electing member, CalPERS will send a payroll deduction authorization form specifying their effective date of pre-tax reporting. IRS does not allow retroactive deductions.

6. The employer is responsible for reducing the taxable income of a member by the pre-tax payroll deduction amount.

7. Pre-tax deductions will be completed through the payroll reporting process. Contributions should be reported in the Tax-deferred Member Contribution fields instead of the
Normal Member Contribution fields.

8. If an employee has more than one service credit purchase authorization, each authorization must be reported as separate entries.

9. Overpayments must be reported as negative adjustments through the payroll reporting process. The employer will be responsible for returning such funds to the member as taxable income.

10. The employer is responsible for all payroll corrections (including W-2 reporting) for the member.

11. The employer will report payroll deductions for service credit purchases for members who choose not to elect the Plan on an after-tax basis.

12. Once the Plan Resolution is adopted, it is irrevocable.

**MEMBER**

1. Upon approval of the employer/CalPERS resolution, the member has the option to file a binding irrevocable election with CalPERS to elect the Plan for each type of service credit purchase.

2. Members with an existing after-tax receivable who are not within 90 days of retirement or do not have a delinquent status on their receivable account will be notified by CalPERS of their opportunity to elect the Plan.

3. Members requesting service credit purchase(s) will be provided the pre-tax election opportunity (if the employer is a Plan participant and the member’s membership category(ies) is covered under the resolution) with their cost information letter.

4. The Plan amount and time period are irrevocable and cannot be adjusted or discontinued at any time during the payroll deduction schedule.

5. The deductions are member contributions and are subject to income taxes when received by the member as either a retirement benefit or refund.

6. A member who elects the Plan deductions then changes employers will automatically continue pre-tax payroll deduction payments if the new employer is a Plan participant. If the new employer does not have a pre-tax resolution on file with CalPERS, the deductions will be taken on an after-tax basis.

7. A member who elects the Plan is not allowed to make changes to their payment schedule; such as: additional direct cash payments (i.e., lump sum, partial payments, or increased scheduled payments).

8. A member who elects the Plan and terminates employment will be given the option to pay the lump sum balance or continue payments on an after-tax basis through Direct Payments to CalPERS.

9. A member who elects the Plan and retires may request to pay the lump sum balance prior to retirement. If no request is made, payments will continue through retirement allowance deductions as after-tax deductions.

10. Electing the Plan will reduce the taxable gross and may lower the amount the member can contribute into a defined contribution plan. It is the member’s responsibility to determine the potential impact prior to electing the Plan.

11. Once pre-tax deductions are elected, it is irrevocable unless #6, #8, or #9 above applies.

For more information contact:

**CalPERS**
Customer Account Services Division
Service Credit Costing and Elections Units
P.O. Box 942704
Sacramento, CA 94229-2704

Or contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).
COMPENSATION LIMITS
(IRC SECTION 401(a)(17))

Section 401(a)(17) of the Internal Revenue Code provides dollar limitations on annual compensation that can be taken into account under qualified retirement plans. Below are the procedures for reporting a member who has reached the limit. CalPERS notifies all employers of the new limits each year by sending a Circular Letter, and myCalPERS will automatically track the compensation limit.

The compensation limit is only applicable to persons who first became members or participants of California Public Employees’ Retirement System (CalPERS) on or after July 1, 1996.

For those members who are subject to the limit, their final compensation will be capped at the limit in effect for each 12 consecutive-month period that is used to calculate their allowance if they were to retire. For example, the compensation limit for 2014 is $260,000. Therefore, the member should not make contributions on earnings that exceed the $260,000 limit within the 2014 calendar year. The earnings that are mentioned are those earnings that are reportable to CalPERS, which exclude earnings for overtime, automobile allowances, lump sum payouts, etc. The compensation limit does not limit the salary an employer can pay an employee who is a member of CalPERS.

Once the calendar year is over, myCalPERS will prompt you to report contributions for the employee and begin the monitoring for the new calendar year.

PUBLIC EMPLOYEES’ PENSION REFORM ACT OF 2013 (PEPRA)

PEPRA mandated all new members be subject to contribution caps which differ from the caps set for classic members. New member contribution caps are effective January 1, 2013. Adjustments to the caps are permitted annually based on changes to the Consumer Price Index for All Urban Consumers.

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<td>New Member without Social Security</td>
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NOTE:
Please see the Membership chapter of this Guide for the definition of a new PEPRA member.

Employers will report full pay rate and actual earnings for all members in myCalPERS and the system will flag and notify the employer when the contribution limit has been reached for that calendar year. Member and employer contributions must stop when the member’s actual earnings reach the contribution limits outlined above.

Note that this does not necessitate a change to your file formatting structure; rather it is related to how your agency tracks and reports payroll. Reporting up to the compensation cap for new members will occur in the same manner it does currently for classic members subject to the 401(a)(17) limit.

PEPRA requires the CalPERS Board to define excessive compensation as “a significant increase in actuarial liability due to increased compensation paid to a non-represented employee” and further directs the Board to implement program changes to ensure that a public agency that creates a significant increase in actuarial liability bears the increased cost associated with that liability.