The purpose of this Circular Letter is to define Off-Salary-Schedule Pay and provide the correct method of reporting this pay for classic members of the California Public Employees’ Retirement System (CalPERS).

**Helpful Related Terms**
- Compensation Earnable - is defined in Government Code (G.C.) sections 20636 and 20636.1 and includes payrate and special compensation.
- Special Compensation - is specifically and exclusively defined and listed in section 571 of Title 2 of the California Code of Regulations (CCR).
- Off-Salary-Schedule Pay - is listed as an item of special compensation in section 571(a) of Title 2 of the California Code of Regulations under the category of Incentive Pay.

**Off-Salary-Schedule Pay Defined**
Off-Salary-Schedule Pay is defined in section 571(a) of Title 2 of the California Code of Regulations, as the following:

**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.

**Reporting Off-Salary-Schedule Pay**
Off-Salary-Schedule Pay is reportable only for classic members and only when a pay increase has not been granted in the same fiscal year. Any award of Off-Salary-Schedule Pay should be documented in a public record that is available for public review, as required by G.C. sections 20636(d) and 20636.1(d).
Here are some examples of when Off-Salary-Schedule Pay is not reportable or only partially reportable:

1. Group A – Receives pay increase effective 7/1/16
   Group A – Receives Off-Salary-Schedule Pay for fiscal year 16/17
   *(Off-Salary-Schedule Pay is not reportable because it is only reportable in lieu of a pay increase for each fiscal year)*

2. Group A – Received pay increase effective on 7/1/15
   Group A – Receives retro-active Off-Salary-Schedule Pay for the 15/16 fiscal year
   *(Off-Salary-Schedule Pay is not reportable because it is only reportable in lieu of a pay increase for each fiscal year)*

3. Group A – Receives no pay increase on 7/1/16
   Group A – Receives 8 percent Off-Salary-Schedule Pay for fiscal year 16/17
   *(Off-Salary-Schedule Pay is reportable because the group did not receive a pay increase in the 16/17 fiscal year, but only 6 percent of the 8 percent of Off-Salary-Schedule Pay can be reported because Off-Salary-Schedule Pay cannot exceed 6 percent per fiscal year)*

**Off-Salary-Schedule Pay and New Members of CalPERS**

“Pensionable compensation” is applicable for new members, those typically hired on or after January 1, 2013, and must meet the requirements set forth in G.C. section 7522.34. All members that do not fall within the definition of a new member as defined by G.C. section 7522.04(f) are considered classic members.

G.C. section 7522.34(c) sets forth what is excluded from “pensionable compensation” for new members. Off-Salary-Schedule Pay is not reportable for new members, according to G.C. section 7522.34(c), as it is considered an ad hoc payment. More information regarding “pensionable compensation” for new members can be found in Circular Letter No. 200-062-12.

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

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