

ATTACHMENT B

STAFF'S ARGUMENT

STAFF'S ARGUMENT TO ADOPT THE PROPOSED DECISION

Cameron K. Handley (Respondent) first established membership with CalPERS through her employment with Respondent County of Yolo (Respondent County) on February 6, 1995. Respondent County contracts with CalPERS for retirement benefits for its eligible employees.

Respondent worked for Respondent County as the Multi-Disciplinary Interview Center (MDIC) Director until 2015. In 2015, a consortium of agencies created the Yolo County Family Justice Center (FJC). Respondent County initiated a Family Violence Coordination Pilot Project (FVCPP) under the Yolo County District Attorney to create and manage the FJC. Respondent was named the FVCPP Coordinator. Respondent continued to direct the MDIC, but effective October 4, 2015, her job classification was reclassified as "Family Justice Center Director," and she was paid an "out of class" 10% salary differential. Respondent County reported the 10% salary differential as special compensation; Management Incentive Pay (MIP) from July 2017 through December 2021.

On September 30, 2021, Respondent filed an application for service retirement. On December 31, 2021, Respondent retired as a Children's Advocacy Center Director with 28.264 years of service credit. Respondent has been receiving her retirement allowance since February 8, 2022.

In January 2022, CalPERS reviewed the MIP reported by Respondent County on Respondent's behalf. CalPERS reviewed the Memorandum of Understanding (MOU) between Respondent County and the Yolo County Management Association ("YCMA") dated June 27, 2017. The MOU covers the period July 1, 2017 through June 30, 2020. Article 1 of the MOU provides a salary adjustment for the Management Unit, stating "[c]lassifications shall be adjusted as needed to provide a salary range differential between them and their closest subordinate of no less than ten percent (10%)."

On April 4, 2022, CalPERS determined that Respondent belonged in the management group and class. CalPERS also determined that the 10% salary adjustment did not comply with California Code of Regulations (CCR) section 571, subdivisions (a) and (b) so could not be used in the calculation of her final compensation because it (1) did not meet the definition of special compensation, (2) was not paid for normally required duties during normal work schedules, (3) was not available to Respondent's whole group or class, and (4) was not paid due to the unique nature of her job. Therefore, CalPERS did not include the MIP when calculating Respondent's retirement allowance.

On May 3, 2022, Respondent appealed this determination and exercised her right to a hearing before an Administrative Law Judge (ALJ) with the Office of Administrative Hearings (OAH).

Following the appeal, Respondent County provided CalPERS with the MOU between the County and the YCMA for July 1, 2024, through June 30, 2028 (2024-2028 MOU). Section 1.11, titled Management Incentive Pay (MIP), of the 2024-2028 MOU provides that “[e]ffective January 1, 2015, in order to address unique circumstances in which managers are asked to take on additional duties outside of their essential duties, the County Administrative Officer, at their sole discretion, may adjust the salary of any employee up to a maximum of ten percent (10%) of base salary. . .”

CalPERS reviewed the 2024-2028 MOU. On October 4, 2024, CalPERS determined that the MIP does not qualify as special compensation because (1) it does not meet the definition of “Management Incentive Pay” in CCR section 571, subdivision (a), (2) it compensates managers for performing additional duties outside of their essential duties, and (3) the MIP is not available to the whole group or class.

Respondent and Respondent County argued that Respondent was provided the MIP because she took on additional duties due to the unique nature of her job and her skillset.

"Compensation earnable" is comprised of "payrate" and "special compensation." (Gov. Code § 20636, subd. (b).) "Payrate" is defined as 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, pursuant to publicly available pay schedules. (Gov. Code § 20036, subd. (b).)

"Special compensation" is defined as payments received by a member for special skills, knowledge, abilities, work assignment, workdays, or other work conditions. Special compensation must be paid pursuant to a written labor policy or agreement to similarly situated members of a group or class of employment that is in addition to payrate. (Gov. Code § 20636, subd. (c).) The CalPERS Board of Administration has specifically and exclusively identified what constitutes special compensation and under what conditions payments to a member may qualify as special compensation. (See Gov. Code § 20636, subd. (c)(6); Cal. Code Regs., Title 2, § 571.)

MIP is a type of special compensation listed and defined under CCR section 571, subdivision (a)(1) as:

(1) INCENTIVE PAY [¶] . . . [¶]

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 this Section 571. [¶] . . . [¶]

In addition to being an item that is listed under section 571, subdivision (a), the compensation must also meet the requirements set forth under section 571, subdivision (b) to be special compensation.

A hearing was held on April 29, 2025. Respondent was represented by counsel at the hearing. Respondent County appeared at the hearing and was represented by counsel. Prior to the hearing, CalPERS provided Respondent with a copy of the administrative hearing process pamphlet, which notified Respondent of how to obtain further information on the process.

At the hearing, CalPERS staff testified to explain the basis for CalPERS' determination. CalPERS argued that the MIP did not meet the definition of "Management Incentive Pay" under section 571, subdivision (a)(1) because it was not paid due to the unique nature of the job. Furthermore, the item of pay did not meet the requirements of Government Code section 20636 and CCR section 571, subdivision (b) (3) and (4) because the MIP was not provided for "part of normally required duties" and for "services performed during normal working hours." Additionally, the MIP was unavailable to other management employees in Respondent's group or class. Rather, the MIP was a reward paid exclusively to Respondent for the duties she performed out of her position.

Respondent County presented the testimony of the Yolo County District Attorney, who conceded that Respondent was a member of Respondent County's management class and she was the only employee in the class who received the MIP – no other employee received this item of pay, not even Respondent's successor. Respondent testified on her own behalf about her job duties and the fact that she wouldn't have taken the job if she knew the 10% special compensation would not be included in her pension calculation.

After considering all the evidence introduced, as well as arguments by the parties, the ALJ denied Respondent's appeal. The ALJ found that the MIP is not reportable as an item of special compensation because (1) Respondent's special compensation was for work that was not part of her normally required duties; and (2) Respondent's special compensation was not available to all members of her group or class. The ALJ concluded that Respondent's special compensation reported and paid from July 1, 2017, through December 30, 2021, cannot be included in the calculation of Respondent's final compensation.

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For all the above reasons, staff argues that the Proposed Decision should be adopted by the Board.

July 16, 2025

Preet Kaur
Senior Attorney