



Pensionable Compensation Circular Letter

California Public Employees' Retirement System
P.O. Box 942715
Sacramento, CA 94229-2715
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

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To: All CalPERS Employers

Subject: Public Employees' Pension Reform Act (PEPRA) of 2013
Adoption of Pensionable Compensation Regulations

Purpose The purpose of this Circular Letter is to inform CalPERS contracting employers of the adoption of section 571.1 to title 2 of the California Code of Regulations (C.C.R.), which further clarifies what CalPERS considers to be "pensionable compensation" as defined in Government Code (G.C.) section 7522.34.

This Circular Letter supersedes and replaces Circular Letter No. 200-062-12 dated December 27, 2012, as it applies to "pensionable compensation."

**Pensionable
Compensation**

Pensionable compensation

For new members, as defined in subdivision (f) of G.C. section 7522.04, "pensionable compensation" must meet the following four criteria set forth in subdivision (a) of both G.C. section 7522.34 and C.C.R. section 571.1:

1. Pay is the normal monthly rate of pay or base pay that is earned for normally required duties and historically consistent with prior payments for the job classification.
2. Pay is paid in cash to similarly situated members of the same group or class of employment.
3. Pay is for services rendered on a full-time basis during normal working hours.
4. Pay is paid pursuant to publicly available pay schedules.

Subdivision (b) of C.C.R. section 571.1 provides an exclusive list and defines the forms of pay the Board has determined meet the criteria of "pensionable compensation" for individuals who are considered "new

members” as defined by subdivision (f) of G.C. 7522.04, so long as each of the criteria in subdivision (a) of C.C.R. section 571.1 have been met.

As set forth in subdivision (c) of C.C.R. section 571.1, “pensionable compensation” for all new members does not include the items explicitly excluded from “pensionable compensation” under subdivision (c) of G.C. section 7522.34.

Notable Exclusions

Notable exclusions compared to classic members

The following forms of compensation are not reportable for PEPRA new members:

- Temporary Upgrade Pay
- Management Incentive Pay
- Uniform Allowance
- Bonus
- Value of Employer Paid Member Contributions (EPMC)
- Off-Salary-Schedule Payments

Additionally, we would like to clarify the following forms of compensation as they relate to PEPRA new members:

- Fair Labor Standard Act (FLSA): As set forth in subdivision (c)(8) of G.C. section 7522.34, FLSA is only reportable for safety members.
- Holiday Pay: For 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 an employee utilizes the cash out option only during his/her final compensation period, it will be considered final settlement pay and excluded from reportable compensation.

Conclusion

Please refer to C.C.R. section 571.1 for the exclusive list of pensionable compensation items that may be reportable for PEPRA new members.

For classic members, please refer to C.C.R. section 571 for the exclusive list of special compensation items that may be reported. Employers should continue to report both payrate and all reportable special compensation under C.C.R. section 571 as PEPRA does not affect reportable compensation for classic members.

These regulations benefit the public, employers, members, and CalPERS staff by clarifying existing law, ensuring consistency in the reporting of compensation and enhancing disclosure and transparency of public employee compensation.

We have attached C.C.R. section 571.1 for your convenience.

Questions

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

Renee Ostrander, Chief
Employer Account Management Division

Attachment: California Code of Regulations (C.C.R.) section 571.1