

May 28, 2014

TO: School District Administrators
FROM: Division of Administration, Finance & Accountability
SUBJECT: Payroll Coding for CalSTRS One-Time Off Schedule Bonuses

Effective July 1, 2014 we can no longer accept One-time Off Schedule Bonuses as part of creditable compensation towards the Defined Benefit Program part of Base Salary. KCSOS has received guidance from CalSTRS stating:

In order for compensation to be creditable to CalSTRS Defined Benefit Program it has to be related to the performance of creditable service. An off schedule salary payment meets the criteria of Education Code section 22905 (b) (3) because it's payable a specified number of times; therefore its creditable to the Defined Benefit Supplement Program for CalSTRS 2% at 60 members. It is not creditable for CalSTRS 2% at 62 members pursuant to Education Code 22119.3.

Retirement Coding should now be 71-0-6 Defined Benefit Supplement and NOT 57-0-6 Special Compensation to the Defined Benefit for 2% at 60 members. For 2% at 62 members it will continue as 99-0-9 not creditable.

Although CalSTRS Creditable Compensation Guide of 2006 has One-Time Off Schedule Bonuses listed as creditable to the Defined Benefit Program, CalSTRS is saying it was written in error and One-Time Off Schedule Bonuses should never have been coded to be creditable to the Defined Benefit Program, but should have been coded to creditable to the Defined Benefit Supplemental.

Due to the information recently received, we need to enforce this regulation for all payrolls submitted after July 1, 2014. If a district is audited for CalSTRS reporting prior to July 1, 2014, there is a potential for an audit finding. This will require the district to change retirement reporting from the Defined Benefit Program to the Defined Benefit Supplemental program for all those that had One-Time Off Schedule Bonuses, including any retirees that have since retired.

This can be a confusing topic so please do not hesitate to call Priscilla Quinn at (661) 636-4732 if you have any questions or concerns.

PAQ:mrp