

Creditable Compensation

This document provides information about what constitutes creditable compensation for the Defined Benefit Program pursuant to Education Code sections 22119.2 and 22119.3. Specific citations to the Education Code (EDC) and California Code of Regulations (5 CCR) are provided where applicable.

Questions? Contact EmployerTraining@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review.

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What is creditable compensation?

Creditable compensation consists of the earnings you report to us each month for active employees. Creditable compensation depends on whether the employee is part of the DB 2% at 60 or DB 2% at 62 benefit structure. For more information, see the [Benefit Structures](#) job aid available at employersupport.calstrs.com.

Creditable compensation can include the following:

- Compensation paid for the use of sick leave, vacation leave, or an employer-approved leave of absence. This does not include compensation paid for the relinquishment of unused leave.
- Member contributions picked up by an employer pursuant to EDC 22903 or 22904.
- Amounts deducted from a member's compensation, including but not limited to, deductions for participation in a deferred compensation plan, deductions to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and contributions to a plan that meets the requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States Code. This does not include compensation for payments that are deemed covered by the employer.

Does the compensation meet the conditions of creditable compensation? (EDC 22119.2, 22119.3)

Compensation must meet all the following criteria to be creditable:

Paid for the performance of creditable service

Compensation must be paid for the performance of creditable service. For more information, see the [Creditable Service](#) job aid available at employersupport.calstrs.com.

Paid each pay period creditable service is performed (DB 2% at 62 only)

The Public Employees' Pension Reform Act of 2013 intended only to allow regular, reoccurring compensation to count towards retirement. For DB 2% at 62 members, this means compensation must be paid every pay period in which the creditable service is performed for it to be considered creditable.

We will still accept compensation that is paid in the following pay period if that is simply due to the nature of how payroll is run. For example, an employee performs creditable service in November and is paid for the November pay period during the month of December. The compensation is considered paid every pay period. However, if the employee performs the service in November and December and is paid in a lump sum in January, which is when the December pay period is paid, the compensation is not considered paid in every pay period. None of the compensation earned during the months of November or December are creditable since compensation cannot be partially creditable. Creditable compensation is either all creditable or not creditable at all.

Compensation only needs to be paid each pay period the employee was eligible for the payment. For example, an employee is paid for having excess students in their classroom and they have excess students in September and November, but not in October. They are paid for the excess students for the September pay period and again for the November pay period. This is considered paid each pay period since they were paid for the pay periods when they were eligible for the payment.

Paid in cash to all in the same class of employees

Compensation must be paid in cash to all in the same class of employees. For more information, see the [Class of Employees](#) job aid available at employersupport.calstrs.com.

Paid in accordance with a publicly available contract

Compensation must be paid in accordance with a publicly available written contractual agreement. By publicly available, we mean that the agreement is available upon request. You do not need to have all agreements posted online for them to be considered publicly available for our purposes.

Is the compensation reportable as salary? (5 CCR 27400)

For compensation to be salary, it must be explicitly characterized as salary and must be used as the basis for future pay increases with the following exceptions:

- Compensation paid to perform creditable service activities that are related to, and an outgrowth of, the instructional and guidance program of the school.
- Compensation paid to perform creditable service activities that are related to the examination, selection, in-service training, mentoring, or assignment of teachers, principals, or other similar personnel involved in the instructional program.

Is the compensation reportable as special pay? (5 CCR 27401)

Remuneration paid in addition to salary or wages is known as “special pay” in the system. For compensation to be special pay, it must meet all the following requirements:

- Paid to all in the class of employees, in the same dollar amount, percentage of salary or amount being distributed.
- Paid in the same manner to all in the class of employees and not available in an alternative format.
- Not associated with the performance of additional service.

In addition to these requirements, special pay must be paid for specific conditions. Contribution File format users report these conditions using the applicable Earnings Type. These conditions still apply to compensation reported using the F496 File format even though the information is not reported. F496 File format users must report special pay using the applicable Assignment Code for the position and **Contribution Code 6** for DB 2% at 60 members and using **Assignment Code Special Compensation 2% at 62 (72)** and **Contribution Code 6** for DB 2% at 62 members.

Earnings Type (value)	Type of Special Pay
Special Pay Available Funding (AVFG)	Availability of funds.
Special Pay Certificate/License/Degree (CLDE)	Possession or attainment of a certificate, license, special credential or advanced degree.
Special Pay Longevity (LNGY)	Career or service longevity.
Special Pay Hiring/Transfer/Retirement (HTRT)	Hiring, transfer or retirement. Note: Due to the nature of these payments, the compensation is typically a Limited-Term Payment and reported using Assignment Code Limited-Term Special Pay (71) .
Special Pay Difficult to Staff (DTSF)	Employment in a position that is hazardous or difficult to staff.
Special Pay Excess Students (EXST)	Employment in an assignment in which the number of students enrolled exceeds the contractual class size maximum.

Earnings Type (value)	Type of Special Pay
Special Pay Performance Benchmark (PMBK)	Achievement of a performance benchmark.

Is the compensation reportable as a limited-term payment? (5 CCR 27602 – DB 2% at 60 only)

Special pay is considered a limited-term payment if the compensation is not ongoing and is limited by one or more of the following:

- The number of times is specified in law or in a publicly available written contractual agreement.
- The compensation has a specified end date.
- The compensation is not scheduled to continue.

Limited-term payments are creditable only for DB 2% at 60 members and are creditable directly to the Defined Benefit Supplement Program. Limited-term payments are not creditable for DB 2% at 62 members.

Contribution File format users report limited-term payments directly to the Defined Benefit Supplement Program using **Assignment Code Limited-Term Special Pay (71)** and the applicable Earning Type for the special pay.

F496 File format users report limited-term payments directly to the Defined Benefit Supplement Program using **Assignment Code Limited-Term Special Compensation (71)**.

What types of compensation are never reportable?

Amounts Not Deducted from a Member's Salary (5 CCR 27500)

Compensation paid in addition to salary that is contingent upon the purchase of any of the following items is deemed covered by the employer and is not creditable compensation:

- Payments for participation in a deferred compensation plan.
- Payments to purchase an annuity contract, tax-deferred retirement plan, or insurance program.
- Contributions to a plan that meets the requirements of Section 125, 401(a), 401(k), 403(b), or 457(f) of Title 26 of the United States Code.

Fringe Benefits (5 CCR 27501)

Fringe benefits are excluded from creditable compensation pursuant to EDC 22119.2(d)(6) and 22119.3(c)(6). Fringe benefits include any of the following:

- A good or service for which the cost is paid to a third party or otherwise covered by the employer.
- Compensation allocated to an employee to cover a personal or business expense that could otherwise be provided in the form of that good or service.
- Cash in lieu of, or cash remaining from, that good or service.

Expenses Paid or Reimbursed by an Employer (5 CCR 27502)

Compensation that is an expense paid or reimbursed by an employer is excluded from creditable compensation pursuant to EDC 22119.2(d)(7) and 22119.3(c)(7).

An expense paid by an employer includes any of the following:

- Compensation allocated to an employee to cover a cost the employee is expected to incur while performing duties for that employer, which could otherwise be covered by the employer or provided in the form of a reimbursement of the cost.
- Cash paid directly to a third party of a cost that is otherwise covered by the employer.
- Cash in lieu of, or remaining from, compensation allocated to cover a cost the employee is expected to incur while performing duties for that employer, which could otherwise be covered by the employer or provided in the form of a reimbursement of the cost.

An expense reimbursed by an employer is compensation that meets all the following:

- There is a business connection to the expenditure.
- The employee is required to provide documentation or accounting of the expenditure to the employer.
- The employee is required to return excess reimbursements or advances to the employer if actual incurred expense is less than the amount reimbursed or advanced.