

# CLIENT NEWS BRIEF

## CalSTRS Update: What Compensation Counts for Retirement? What Service is Considered Creditable?

The pension reform movement has now moved into the era of pension accountability. With the passage of the Public Employee Pension Reform Act and “clean up” legislation, CalSTRS is in the process of clarifying what compensation will count for a member’s Defined Benefit Program and what compensation will be rolled over into a member’s Defined Benefit Supplement Program. In addition, CalSTRS is working to provide guidance on what service is creditable. A member’s retirement allowance is based on creditable compensation paid for creditable service work; therefore, these new CalSTRS rules will be significant.

### Creditable Compensation

The CalSTRS administration has obtained CalSTRS Board approval to issue regulations defining creditable compensation for current CalSTRS members. The Association of California School Administrators, the Small School Districts Association, and teacher groups (California Federation of Teachers and California Teachers Association) are working with CalSTRS to develop agreed upon creditable compensation concepts prior to the introduction of the proposed regulations. The proposed regulations are expected to be submitted to the CalSTRS Board later this year or in early 2014. The use of formal regulations to provide guidance on CalSTRS is unusual but welcome. Interested districts and members of the public will have an opportunity to comment on the proposed regulations once they are issued.

### Creditable Service

CalSTRS issued a Circular in August of 2012 that listed “Positions not Eligible for Creditable Service.” Notwithstanding the fact that most districts require human resource administrators to have a credential and consider the position to be eligible for CalSTRS membership, CalSTRS included administrators of human resource departments in the listed positions not eligible to participate in CalSTRS.

As a result of this Circular, Lozano Smith has been working with the Association of California School Administrators (ACSA) to clarify guidelines on what constitutes creditable service and to provide a remedy for human resource administrators who believe in good faith that they are, and have been, performing creditable service work. ACSA is working with CalSTRS to frame a solution for both current and retired human resource administrators, as well as current and retired administrators who previously worked in a human resources administrative position.

If your district is about to hire or promote a person who is a CalSTRS member as its human resources administrator, to guard against creating a creditable service issue, be sure to notify the prospective administrator of their right to make an election to remain in CalSTRS. As an employer, you have a responsibility to notify employees of election rights and the newly hired or promoted employee has the right to make an election within sixty (60) days of assuming the new position. You may also wish to notify other non-human

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resource administrators assuming positions that are not clearly defined as performing creditable service work (e.g. Administrator of Educational Technology) of their election rights as well.

If you have any questions about whether your employment contracts or collective bargaining agreements provide compensation that will be creditable to your employees' Defined Benefit Accounts, or if you have questions about whether your certificated administrators are performing creditable service work, please feel free to contact one of our [eight offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).