

CLIENT NEWS BRIEF

Creditable Compensation for Paid Administrative Leave Under Review by CalSTRS

February 2020
Number 10

On January 23, 2020, the California State Teachers' Retirement System ("CalSTRS") issued an Employer Information Circular taking a restrictive position regarding what leaves count for the purpose of calculating creditable compensation under the Teachers' Retirement Law. The CalSTRS Employer Circular is located [here](#).

Creditable compensation is a term set forth in the Education Code that represents all compensation reportable to CalSTRS for an employee's performance of creditable service. Compensation paid for the use of sick leave, vacation, or an employer-approved leave, is included in the statutory definition of creditable compensation.

Effective January 1, 2016, a definition for "leave of absence" was incorporated into the Teacher's Retirement Law, in Education Code section 22144.3, limiting the definition to only those leaves included in specific sections of the Education Code.

CalSTRS' January 23, 2020 Circular expressed a narrow interpretation of section 22144.3, stating that only those paid leaves **expressly stated** in those Education Code sections listed in section 22144.3 count as creditable compensation. The Circular specifically noted that leaves legally granted through a governing board's general authority to grant paid administrative leave under Education Code sections 44963 (K-12 school districts) or 87764 (community colleges) are *not* expressly authorized for purposes of the Teachers' Retirement Law.

CalSTRS' position effectively eliminated certain discretionary leaves commonly utilized by school districts for various reasons, such as paid administrative leave while an employee is under investigation, from the definition of a "leave of absence" under the CalSTRS system. CalSTRS' interpretation, if it stands, will mean that teachers do not earn any service credit for time spent on such leaves.

There has been significant concern over the position taken in the CalSTRS Circular. CalSTRS has recently indicated that it will be withdrawing the January 23, 2020 Circular and will be taking this issue under review. CalSTRS may pursue legislative or regulatory changes to address how paid administrative leave and other leaves granted under a governing board's general authority will be treated in the CalSTRS system. School districts and community colleges will need to monitor this issue carefully as the outcome of this issue may impact the retirement benefits of their employees and could have audit ramifications if the compensation is not reported correctly.



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For questions regarding CalSTRS' guidance related to leaves of absence or the potential impacts this guidance may have on its current practices, or to discuss any other labor and employment issues, please contact the authors of this Client News Brief or an attorney at one of our [eight offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#), [Twitter](#) and [LinkedIn](#) or download our [mobile app](#).

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