

CLIENT NEWS BRIEF

With CalSTRS' New Creditable Compensation Regulations in Effect – Opportunity to Restructure Administrator Employment Contracts by December 31, 2015

The CalSTRS creditable compensation regulations adopted this past September officially came into force January 1, 2015. The new regulations define creditable compensation for CalSTRS members who entered the public retirement system prior to January 1, 2013 (i.e., "classic" or "2% at 60" members). The regulations prescribe new rules governing which forms of compensation count for the Defined Benefit program as opposed to the Defined Benefit Supplement account, thereby directly impacting the amount of monthly retirement allowances. Importantly, in an effort to curb spiking, the regulations also provide new tests to determine "consistent treatment" of compensation over time.

Given the significant changes to the treatment of certain forms of compensation under the new rules, the regulations have a built-in opportunity to restructure employment contracts before the year's end. If done properly, restructures completed by December 31, 2015 will likely meet the "consistent treatment" test. A proper restructure could allow non-creditable forms of compensation to become part of base salary. Now is the time to review all administrator contracts to determine whether any elements of compensation could be restructured in light of the new regulations before the window is closed.

Restructures are not without risk and the rules governing the process are complex. Both school district employers and administrators should clearly understand the benefits and risks of a restructure before moving forward.

The regulations also impact creditable compensation for bargaining unit members enrolled in the CalSTRS system. Accordingly, the regulations impact all certificated salary schedules, salary articles and extra duty pay as well. School districts should also consider reviewing these provisions in collective bargaining agreements to determine compliance.

Lozano Smith attorneys are available to provide guidance on contract restructures and the impact of the creditable compensation regulations at the bargaining table. We also provide workshops on these and other public retirement issues upon request at individual school districts or through county offices of education.

For a copy of the new creditable compensation regulations, click [here](#).

For a copy of Lozano Smith's co-authored article with ACSA explaining the creditable compensation regulations in greater detail, click [here](#).

A copy of CalSTRS' Employer Information Circular regarding the new creditable compensation regulations can be found [here](#).

If you have any questions about the new CalSTRS creditable compensation regulations or how public retirement law governs California public schools and their employees, please contact one of our [nine offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).

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Michael E. Smith
Partner
Fresno Office
msmith@lozanosmith.com



Thomas R. Manniello
Partner and Students
Practice Group Co-Chair
Monterey Office
tmanniello@lozanosmith.com



Ashley N. Emerzian
Associate
Fresno Office
aemerzian@lozanosmith.com

LS **Lozano Smith**
ATTORNEYS AT LAW

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