



Compensation Assessment Policy

Purpose

The purpose of this policy is to establish fair and impartial guidelines to be used in determining if an element of compensation was paid during a member's highest final average salary period to enhance a member's retirement benefit.

Authority

Government code §31542 states that the Board of Retirement (Board) shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.

Procedure

Upon application for retirement, StanCERA staff will perform a preliminary review of the member's final average salary period to determine if it includes elements of pay that could be used to enhance a member's retirement benefit.

If initially, the final average salary period appears higher than other similar periods of time, StanCERA staff will analyze the cause of the increase. StanCERA staff will rely on the following four principles to guide its decision:

- Inconsistent use of special pay elements at or near the end of one's career
- That frequency of the use of the elements over time appear to be random
- Whether pay increases achieved at the end of one's career are typically normal for those job classifications and are routine and customary
- Whether those special pay elements were accumulated through work done on a voluntary basis or whether the work was employer directed

StanCERA acknowledges that there may be valid reasons for pay increases at the end of one's career. As a result, StanCERA will look at each situation on a case by case basis and consider all relevant facts.

As one example of the process, if the increase appears to be caused by the inclusion of specific elements of compensation, such as on call pay, shift differential, etc., a report of those specific elements of compensation will be used to compare the frequency of those elements of compensation during the final average salary period against other similar periods of time.

If the analysis indicates that specific elements of compensation have been routinely paid to the member during the review period at or near the same frequency as seen during the final average salary period, the final average salary will be used to determine the member's retirement benefits.

If the analysis indicates that an element of compensation was paid to enhance a member's retirement benefit, the member or the employer will be given the opportunity to present StanCERA evidence that the compensation was not paid for the purpose of enhancing the



member's retirement benefit. The Executive Director will evaluate all evidence provided, and if in the opinion of the Executive Director, it still appears that an element of compensation was paid to enhance a member's benefit, he/she will deny the use of the elements in calculating the member's final average salary. If the member disagrees with the decision of the Executive Director, the member may request that the item be placed on the agenda of a future Administrative Board meeting for discussion and action by the Board of Retirement.

If the Board finds that the final average salary does not contain elements of compensation that were paid to enhance a member's benefit, the final average salary will be used to determine the member's retirement benefit.

If the Board finds that the final average salary contains elements of compensation that were paid to enhance a member's retirement benefit, those elements of compensation will not be allowed in the final average salary calculation and will not be used to determine the member's retirement benefit.

Upon final determination by the Board, that compensation was paid to enhance a member's retirement benefit, the Board shall provide notice of that determination to the member and employer. The member or employer may obtain judicial review of the Board's action by filing a petition for writ of mandate within 30 days of the mailing of that notice.

If any element(s) of pay, during the final average salary period, are still being evaluated at the time that the member's application would normally be processed for inclusion onto the retiree payroll, StanCERA will process the application, excluding the element(s) of pay in question, to avoid delay in the member receiving their first benefit payment. If, upon completion of the evaluation, it is determined that the element(s) of pay should have been included in the final average salary, StanCERA will recalculate the final average salary, including the additional element(s) of pay. The new benefit amount will begin with the next payroll process after the determination has been made and the retiree will receive a retro-active payment of the difference.



Policy Review

This Board shall review this policy at least every three years.

Policy History

Adopted by the Retirement Board on December 11, 2013

Reviewed and amended by the Board of Retirement

A handwritten signature in blue ink, appearing to read "Rick Santos", written over a horizontal line.

Rick Santos, Executive Director

Approval/Adoption Date: 12/11/13