



Santa Barbara County Employees' Retirement System

## Consideration of Pay Codes as Compensation Earnable and Pensionable Compensation

The purpose of these tables is to assist the Operations Committee and the Board of Retirement in considering and approving items of pay as constituting "compensation earnable" for current employees as of 12/31/12, and "pensionable compensation" for new employees as of 1/1/13.

This determination must be made by the Board of Retirement for each component of pay, so that employers may be advised for payroll calculation and reporting purposes. If a pay code is compensation earnable or pensionable compensation it impacts whether or not it is included in the calculation of employee and employer retirement contributions and the calculation of a pension benefit as part of a Final Average Salary. Some items of pay are included in the calculation of a member's final average salary and subject to subject to employee contributions however, are not included as retirement service credit due to the fact that they are not linked to time based service (e.g. uniform allowance).

### What is Compensation Earnable and Pensionable Compensation?

<b>Compensation Earnable for Current Employees as of 1/1/2013 Gov. Code Sec. 31461(a)</b>	<b>Pensionable Compensation for New Employees as of 1/1/2013 Gov. Code Sec. 7522.34(a)</b>
§ 31461(a) "Compensation earnable" defined:  "(a) 'Compensation earnable' by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid."	§ 7522.34 "Pensionable compensation" defined:  "(a) 'Pensionable compensation' of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules, subject to the limitations of subdivision (c)."

## What is NOT Compensation Earnable or Pensionable Compensation?

<b>Items of pay that are NOT Compensation Earnable Gov. Code Sec. 31461(b)</b>	<b>Items of pay that are NOT Pensionable Compensation Gov. Code Sec. 7522.34(c)</b>
Any compensation determined by the board to have been paid to enhance a member's retirement benefit	Any compensation determined by the board to have been paid to increase a member's retirement benefit
Pay previously provided in kind to the member or paid by the employer to a 3 <sup>rd</sup> party, but converted into a cash payment in the Final Average Salary Period.	Pay previously provided in kind to the member or paid by the employer to a 3 <sup>rd</sup> party, but converted into a cash payment in the Final Average Salary Period.
One time or ad hoc payment to the member but not to all similarly situated members in the member's grade or class.	Any one-time or ad hoc payments made to a member.
Paid solely due to the termination of the member's employment upon termination or while still employed.	Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment,
A payment for unused vacation, leave or compensatory time off exceeding the amount earned and payable in the final average salary period	A payment for unused vacation, leave or compensatory time off.
Payment for additional services rendered outside of normal working hours.	Payment for additional services rendered outside of normal working hours.
	Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
	Overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.
	Employer contributions to deferred compensation or defined contribution plans.
	Any bonus paid in addition to the compensation described in subdivision (a).
	Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a).
	Any other form of compensation a public retirement board determines should not be pensionable compensation.