



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: May 21, 2025

SUBJECT: Final Compensation Review Policy—Discussion
Draft

SUBMITTED FOR: ☐ Action ☒ Information

RECOMMENDATION

Receive and file proposed amendments to the Final Compensation Review Policy discussion draft.

PURPOSE

This item supports Strategic Management Plan goals regarding transparency, efficiency, and compliance with laws and regulations.

DISCUSSION

In October 2018, the Board approved its Final Compensation Review Policy, formalizing the traditional framework for reviewing elements of members' final compensation since the enactment of the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). In October 2020, the Board amended the policy in the wake of the Board's implementation of the California Supreme Court's July 2020 *Alameda* decision that affirmed PEPRA's constitutionality with respect to the exclusion of certain pay items when calculating final compensation.

Pursuant to SCERS' practice of reviewing and refreshing policies every three years, Staff has re-evaluated the policy to consider whether any amendments are necessary due to legal changes or practical experience. The existing policy is dense and difficult to follow, largely due to a perceived need for explanation of the significant reforms and changes imposed on SCERS and its members as a result of PEPRA and *Alameda*. The policy also does not address the appropriate calculation of compensation for the 81st-84th hours in a regular "7/12" working schedule, nor does it account for changes in the law since 2020.

The proposed revisions are mostly cosmetic in nature, concisely summarizing the purpose of the policy and streamlining the Standards and Procedures for easier consumption by SCERS members now that PEPRA and *Alameda* are settled law. There are, however, a handful of substantive changes, including:

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- Removal of the word “Review” from the title to more accurately reflect the policy’s broad purpose, applications, standards and procedures regarding calculations of final compensation.
 - Additional language incorporating Assembly Bill 3025 provisions allowing for employee groups to seek pensionability determinations of proposed new compensation items and encouraging employers to make similar requests in advance of implementation of new compensation items.
 - An express requirement that compensation and pay elements be included in an employer’s publicly available pay schedules, labor agreements, or governing body resolutions.
 - Clarification regarding pensionability of compensation for the 81st-84th hours in a regular “7/12” working schedule, as discussed in more detail below.
 - Alignment of appeal procedures with SCERS’ Administrative Appeals Policy amended in 2024.
 - Updated and consolidated legal authorities.
 - An updated Appendix, combining the two existing Appendices into a single, easier-to-read document, substantively changing only the “7/12” working schedule. Though categories have been combined, no other substantive changes are proposed.

7/12 Work Schedule and Proposed Correction

SCERS identified an issue for Miscellaneous (non-Safety) PEPRA members as part of the recent *Alameda* correction process, and the complexity of the “7/12” schedules required more research and analysis into the statutes, federal law, labor agreements, and the impacted population. The 7/12 schedule reflects an 84-hour biweekly work schedule in which employees work seven, 12-hour shifts over a two-week period.

Currently, compensation for the 81st-84th hours have been treated as retirement applicable for all Safety and Miscellaneous tiers.

Under statute, overtime is excluded from retirement-based compensation, except:

- for Legacy members, “FLSA Overtime” under 29 U.S.C. §201; and
- for PEPRA members, active law enforcement or fire protection employees under 29 U.S.C. §207(k).
 - To the extent that 81st-84th hours for both Safety and Miscellaneous members are part of regularly scheduled normal working hours, they remain properly included in the “compensation earnable” for Legacy members.
 - Because the PEPRA exception applies to a more limited group, including only sworn officers in active law enforcement or fire protection, SCERS must discontinue inclusion of the 81st-84th hours as pensionable compensation for non-sworn PEPRA members (i.e. Miscellaneous Tier 5).

In accordance with SCERS' Error Correction Policy and state law regarding disallowed compensation, SCERS will be recommending the Board of Retirement take the following actions at a future meeting:

- Direct the employer to discontinue retirement contributions on compensation for the 81st-84th hours for Miscellaneous Tier 5 members.
- For active and deferred Miscellaneous Tier 5 members, SCERS will refund contributions taken on the 81st-84th hours since January 1, 2013. SCERS may determine a minimum threshold for refunding contributions if the administrative cost of processing the refund exceeds the amount of the refund itself.
- For retired Miscellaneous Tier 5 members, SCERS will:
 - Refund contributions taken on the 81st-84th hours since January 1, 2013.
 - Recalculate pension allowances to exclude the 81st-84th hours from Final Compensation. SCERS will not recover overpayments and instead will recognize the overpayments in the employer's actuarial accrued liability.
 - Calculate the actuarial present value of the difference in pension allowances and direct the employer to make a one-time payment of 20% of that amount to the retired members (under new Government Code section 31541.2).
- Credit overpaid employer contributions on the disallowed compensation to the employer.
- Notify affected members of the pending corrections.

Impacted Population

SCERS has identified approximately 500 non-sworn PEPRA members since January 1, 2013, who are currently working or previously worked "7/12" schedules and had retirement contributions taken on the 81st-84th hours. As of March 2025, there were approximately:

- 400 active employees
- 5 retired employees
- 50 deferred members with contributions remaining at SCERS
- 30 terminated and already refunded contributions (no action needed)

The following Bargaining Units have labor agreements that authorize "7/12" schedules: General Supervisory (001), Law Enforcement Non-Supervisory (003), Office Technical (005), Health Services (007), Nurses (016), and Probation (019).

Further analysis will be needed to review payroll data for the impacted population to determine refund amounts and pension adjustments. SCERS anticipates minor impacts. For example, SCERS sampled three retirees who will require pension adjustments and determined reductions of approximately \$2, \$5, and \$10 per month.

Next Steps

SCERS has briefed the County and notified labor organizations of the proposed changes to the retirement applicability of the 7/12 schedule. Similar to prior approaches when SCERS proposes major policy amendments, SCERS will continue soliciting feedback from stakeholders and will

return to the Board at a future date with a final recommended action. SCERS also will continue working with the County to determine the specific impacted population and timing needed to change the County's payroll system.

ATTACHMENTS

- Board Order
- Revised policy with proposed amendments
- Current version of policy

Prepared by:

/S/

Keith Riddle
Chief Benefits Officer

Prepared by:

/S/

Jason R. Morrish
General Counsel

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
May 21, 2025**

AGENDA ITEM:

Final Compensation Review Policy—Discussion Draft

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file proposed amendments to the Final Compensation Review Policy discussion draft.

I HEREBY CERTIFY that the above order was passed and adopted on May 21, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



FINAL COMPENSATION POLICY

PURPOSE

The purpose of this policy is to establish standards and procedures for an assessment of the final compensation of a retiring member that will be used to calculate that member's retirement allowance.

POLICY

At retirement, members are entitled to a calculation of their final compensation as part of determining their monthly retirement allowance. In making this calculation, SCERS staff is authorized to review the member's payroll activity and associated pay elements during their employment and make a determination regarding retirement-eligible compensation in a manner consistent with applicable law.

STANDARDS AND PROCEDURES

1. Retirement-Eligible Compensation

A summary of compensation or pay elements that are included in and excluded from final compensation is provided in the Appendix to this policy. For consideration under this policy, compensation and pay elements must be included in an employer's publicly available pay schedules, labor agreements, or governing body resolutions.

2. Review of Proposed Additional or New Compensation or Pay Elements

Employers or authorized employee representatives are encouraged to submit to SCERS' Chief Executive Officer (CEO) for review any proposed additional or new compensation or pay elements intended to form the basis for retirement-eligible compensation determinations at least thirty (30) days prior to implementation. Upon receipt of all necessary supporting documentation to complete SCERS' review, in accordance with applicable law, the CEO will issue an Administrative Decision pursuant to SCERS' Administrative Appeals Policy.

3. Staff Review, Assessment and Determination of Retirement-Eligible Compensation

- a. Upon receipt of a member's application for retirement, SCERS staff will review payroll activity and associated pay elements to identify any items that may have been paid or manipulated to enhance a member's retirement benefit utilizing the following non-exclusive criteria:

- i. whether there was a substantial increase in final average compensation compared to prior years;
- ii. whether there was an increase due to payments unavailable or not provided to similarly situated employees of the member's employer;
- iii. whether there was an increase due to a conversion to a case payment of a benefit previously provided in-kind to the member or paid to a third party on the member's behalf;
- iv. whether there was an inconsistent use of special pay items at or near the end of the member's career;
- v. whether there was use of a special pay item for a job classification or grade that includes only one employee ("class-of-one" pay items);
- vi. whether there was an increase due to any significant change in the member's elements of compensation; or
- vii. any other factor that may be relevant to staff's determination.

SCERS may request additional information from the member, the employer, or both in order to assist its review, assessment and determination.

- b. If SCERS initially determines there is evidence that compensation or pay elements may have been paid or manipulated to enhance a member's retirement benefit, the member and the employer will be notified and given the opportunity to submit additional information to rebut the assessment within fifteen (15) days of the notice. SCERS staff will re-assess the determination within fifteen (15) days of receipt of any such additional information from the member or employer. The CEO may extend these timeframes upon request.
- c. Following any review, assessment or re-assessment, and final SCERS staff determination regarding payroll activity and associated pay elements to identify any items that may have been paid or manipulated to enhance a member's retirement benefit:
 - i. if staff concludes that compensation or pay elements were paid or manipulated to enhance a member's retirement benefit, notice will be provided to the member and the employer, and the member may appeal the determination to SCERS' Chief Benefits Officer as an Administrative Decision pursuant to SCERS' Administrative Appeals Policy; or
 - ii. if staff concludes that compensation or pay elements were not paid or manipulated to enhance a member's retirement benefit, notice will be provided to the member and the employer, and the compensation or pay elements will be included in the member's benefit calculation.
- d. To avoid delay in the payment of the member's retirement benefit, in all cases where review, assessment and determination of retirement-eligible compensation is undertaken pursuant to this policy, SCERS staff will calculate the retirement benefit without the compensation or pay element under scrutiny and place the member on retiree payroll as soon and so long as all other necessary documents are received by SCERS. Upon final resolution of the review, assessment and

determination procedure (including any administrative appeals and/or court actions), if benefit payments are adjusted to include compensation or pay elements that were initially excluded from the member's benefit calculation, the member will be made whole retroactively for any unpaid retirement benefits.

- e. Members retiring from a reciprocal retirement system shall also be subject to this review process. Staff shall review for and exclude impermissible pay elements even if paid by an employer of a reciprocal retirement system and accepted by such reciprocal system.

APPENDIX

Categories and descriptions of included and excluded compensation and pay elements.

AUTHORITY

California Government Code Sections 7522.32, 7522.34

California Government Code Sections 31541.2, 31542, 31461, 31462, 31462.1

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
05/21/2025	Board reviewed discussion draft
10/21/2020	Board approved amendments conforming to Board Order of September 16, 2020
10/17/2018	Board approved policy in revised format
2017 Calendar Year	<i>Member Handbook for Members Hired Before January 1, 2013</i> , Appendix A: Summary of Pension–Eligible Pay Elements
2017 Calendar Year	<i>Member Handbook for Members Hired Before January 1, 2013</i> , p. 41: Final Compensation Review
2015 Calendar Year	Updated Memo re “CalPEPRA and Final Compensation Review at SCERS”
08/19/2015	Board Materials for Agenda Item 17: Memo re “Proposed Amendment to the Final Compensation Review Process Mandated by CalPEPRA”
02/20/2013	Board Materials for Agenda Item 16: Memo re “Review of Final Compensation Pay Elements”
12/19/2012	Board Materials for Agenda Item 14: Memo re “Implementation of AB 340 and AB 197”

Final Compensation Policy: Appendix

Categories and descriptions of included and excluded compensation and pay elements

Category	Description	Included?
Base pay	Compensation for services worked within normal working hours.	Yes
Leave usage	Paid leave for authorized absence from work, including vacation, sick, compensating time off (CTO), holiday-in-lieu, management leave, and administrative time off.	Yes
Disability Pay - Leave Balance Integration	Compensation for leave balances that are integrated with state disability.	Yes
Workers' Compensation Benefits	Compensation for workers' compensation benefits that are integrated with existing leave balances. This also includes "4850 Time," which is paid for up to one year in lieu of temporary disability for Safety personnel in accordance with Labor Code Section 4850.	Yes
Overtime	Overtime compensation, allowances for services worked in excess of normal working hours, and the portion of differentials, allowances, or other incentives that include overtime, CTO-expired, and CTO-over-max.	No
7/12 Schedules (81st-84th hours)	Compensation paid for "7/12" work schedules (Seven, 12-hour shifts, or 84 hours, per bi-weekly period).	Yes, for Legacy Tiers and PEPRAs Safety Tiers (for those members in active fire protection or active law enforcement) Only
24-Hour Shift Schedules	Compensation paid for contractual overtime to firefighters who work 24-hour shift schedules.	Yes, for Safety Tiers Only

Differentials, Special Pays, and Other Allowances	Additional compensation applied uniformly across the class or group. This includes compensation for performing work considered to be out of or in addition to the class, shift differentials, possession of educational degrees or professional certifications, assignment differentials paid as a percentage of base pay or flat rate, longevity pay, auto allowances, and clothing and equipment allowances. Note: This does not include animal allowances paid as compensation for services outside of normal working hours.	Yes, for Legacy Tiers Only
Leave payouts - active employment	Leave balances that are paid out as compensation pursuant to labor agreement or employer policy. This includes vacation paid over the maximum accrual, vacation cash-in, holiday-in-lieu cash-in over the maximum accrual, and management leave cash-out. Note: Payouts cannot exceed the maximum permitted in a single calendar year (or fiscal year, as applicable) under labor agreement or employer policy, resulting from a designated final compensation period that straddles two calendar years (or fiscal years, as applicable).	Yes, for Legacy Tiers Only
Leave payouts - terminal pay	Accumulated leave balances converted to compensation and paid to an employee upon separation from employment. This includes vacation, holiday in lieu, CTO, and other leave payouts.	No
Standby Pay/On Call Pay	Compensation paid to employees assigned to remain on call or on "standby" outside of normal working hours if the need arises for emergency work.	No
One-time payments	Additional compensation provided in labor agreements or employer policy, applied uniformly to all members of the class, including bonuses, and recruitment and retention pay.	Yes, for Legacy Tiers Only
Insurance Subsidy/Health Waiver	Cash payment of the amount of the employer contribution towards health insurance over the premium amount. Note: This does not include the "insurance subsidy offset," an amount paid in January of each year to refund overpaid Social Security tax on an employee's health insurance subsidy from the prior year. The "insurance subsidy offset" is excluded.	Yes, for Legacy Tiers Only



FINAL COMPENSATION REVIEW POLICY

PURPOSE

This policy reviews the authorities and standards that Staff relies on to assess the final average salary of a retiring member and exclude any elements of compensation that are paid to enhance a member's retirement, as required by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

OBJECTIVE

This policy affirms the administrative process devised and applied by staff in response to Government Code § 31542, which PEPRA added to the County Employees Retirement Law of 1937. Section 31452 requires the Board to (1) establish procedures to assess the elements of compensation considered in individual retirement calculations and (2) disregard any element that is found to enhance the member's retirement benefit before finalizing the individual payment amount:

The board shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. If the board determines that compensation was paid to enhance a member's benefit, the member or the employer may present evidence that the compensation was not paid for that purpose. Upon receipt of sufficient evidence to the contrary, a board may reverse its determination that compensation was paid to enhance a member's retirement benefits.

[Government Code § 31542(a)]

POLICY

Members whose retirement effective dates occur on and after January 1, 2013 have their payroll activity reviewed when Final Compensation is calculated. Pursuant to Government Code sections 31542(a) and 31461(b), Staff shall review individual pay elements for compensation "paid to enhance a member's retirement benefit." . If Staff determines that any pay elements or elements have been paid to enhance the member's retirement benefit, then Staff recommends exclusion of the element(s) from Final Compensation and submits the matter to the Board of Retirement for final resolution. Members retiring from a reciprocal retirement system shall also be subject to this review process. Staff shall review for and exclude impermissible pay elements even if paid by an employer of a reciprocal retirement system and accepted by such reciprocal system.

APPLICATION

Retirement-Eligible Compensation

For those members who enrolled in a California public retirement system prior to January 1, 2013 (also known as legacy members), compensation can include base salary plus other differentials, allowances, incentives and other pay elements, depending on the member's job classification, grade or status, and possibly, the member's participation in a given bargaining unit.

As a general rule, a compensation element paid in cash in the normal course of regular employment is considered in the calculation of the legacy member's pension benefit. This includes payments received, while working, related to the cash-out of accrued vacation leave by members permitted to sell-back leave.

There are exceptions to this general rule, however, and some payments are not considered when calculating a pension, for example: (1) Payments for overtime; and (2) Payments made at and associated with the termination of employment ('terminal pay'). In addition, payments related to the cash-out of accrued leave in any year are limited to the amount of leave the member can accrue in one year.

For those members who enrolled in a California public retirement system on or after January 1, 2013 (also known as PEPRA or CalPEPRA members), compensation is generally limited to base salary.

A summary of the compensation or pay elements that are included in and excluded from Final Compensation is provided as appendices to this policy. The exclusions described in the appendices should be understood to also exclude any other compensation derived from or based on the same underlying activity. For example, the exclusion of standby pay should be understood to also exclude differential pay for standby time.

Final Compensation Standard of Review

The review process mandated by PEPRA and addressed by this policy focuses on why a pay element is provided – that is, whether it is provided for the purpose of enhancing the member's retirement benefit. If an otherwise eligible pay element meets that criterion, then it is still to be paid to the member, but not considered for pension purposes.

A situation where a pay element may be excluded under the PEPRA standard would be where the compensation was previously provided in-kind or paid to a third party on behalf of the member, but converted to a cash payment to the member in the final average salary period – for example, if a member previously had a car provided by the employer but shifted to a cash car allowance, or if the employer previously paid a health insurance company for health care coverage for the member but the member subsequently opted to receive a cash-back payment instead.

Other examples where the PEPRA standard may result in a pay element being excluded would be: (1) A one-time or ad hoc payment not given to similarly situated members in the same job classification or grade; or (2) Severance or separation pay received by the member

prior to the termination of employment.

Final Compensation Review Process

The Final Compensation review starts once SCERS receives a retirement application and occurs at the same time as many other tasks that are required to process the application.

All pay elements in the final average salary period undergo the required review. However, the scope of review corresponds to the degree to which compensation in the final average salary period exceeds the compensation prior to that period and/or the nature of the pay element(s) in question. A small increase in compensation in the final average salary period and/or common, widespread pay elements require less review. A larger increase in compensation or an unusual or isolated pay element requires more review.

In some cases, SCERS requires additional information to complete the assessment of a pay element. Depending on the item of concern, SCERS may request information from the employer, the member or both to reach a determination.

If SCERS determines there is evidence that a pay element may have been provided for the purpose of enhancing the applicant's retirement benefit, then the applicant and the employer are notified and given an opportunity to submit additional information to rebut that assessment. At all times, the applicant and the employer bear the burden of proving that a pay element was provided for permissible reasons and not for pension-enhancement, including the burden of providing documentary evidence. Take, for example, an applicant who previously accepted an in-kind benefit from an employer (e.g., a vehicle or health care coverage) and who opted in the final compensation period to accept a cash payment instead. Such an applicant must prove that a new, previously unavailable opportunity or other change in circumstances made the in-kind benefit unnecessary or otherwise inappropriate. As part of such proof, the member must provide comprehensive documentary evidence substantiating the claimed change in circumstances (including but not limited to an affidavit). SCERS reserves the right to consider any failure to provide such comprehensive evidence a failure to meet the burden of proof.

If it is still believed that the pay element is provided to enhance the applicant's retirement benefit, and the applicant chooses not to contest that decision, SCERS will exclude the pay element(s) in question and finalize the retirement benefit calculation. If the applicant chooses to contest the recommendation, then the matter will be presented to the SCERS Board for final determination on whether the pay element should be excluded from the calculation of the retirement benefit.

The SCERS Board will consider the matter in open session at the next scheduled SCERS Board Meeting. The retirement applicant and/or the employer will have an opportunity to submit additional written information, and the SCERS Board will make its determination on the written record.

If the SCERS Board determines that a pay element must be excluded from the Final Compensation used to calculate the retirement benefit, then the employer and the retirement applicant will be so notified, and will have an opportunity to seek review of the decision by a court of law.

Distribution of Initial Benefit Payment

The final compensation review process need not delay the first benefit payment. However, the amount of the first payment (and, if necessary, subsequent benefit payments) can be limited if the Final Compensation review process is not concluded (without issue) before the first payment is processed by SCERS.

The key factor in whether the amount of the first payment may be impacted by the Final Compensation review is the length of time between when the retirement application is submitted and the date of retirement. The earlier the retirement application is submitted relative to the retirement date, the more time there is to conduct the required Final Compensation review, and the greater the likelihood that the review will be completed by the time all the other necessary steps have been taken to issue the first benefit payment.

If there is insufficient time to complete the Final Compensation review prior to issuance of the first benefit payment, then a 'hold-back' amount based on the pay element(s) under review will be applied to the first benefit check, and if necessary, to subsequent benefit payments until a determination has been made regarding Final Compensation.

While the amount of a potential hold-back will vary, members should consider the possibility that initial (and possibly subsequent) benefit payments could be less than the benefit estimates they have received, and members should assess how the possibility of a reduced benefit could impact their decision to retire and/or the timing of submission of the retirement application relative to the date of retirement. SCERS will not review compensation elements and/or advise members whether particular pay elements might be excluded prior to the submission of a retirement application.

When necessary, benefit payments are adjusted after the review is completed. If all potential pay elements are included in Final Compensation, then subsequent benefit payments will reflect the higher benefit and include any retroactive amounts associated with the initial hold-back. If SCERS determines that a pay element must be excluded from Final Compensation, then the reduced benefit payment and the corresponding 'hold-back' will become permanent and final. If the retirement applicant or the employer elect to contest that decision in court, the benefit payments will continue to include the hold-back unless/until there is a final court ruling that the pay element be included in the retirement calculation.

BACKGROUND

With the enactment of PEPRA, the Legislature effected significant changes and reforms for governmental defined benefit plans in California. Included among these changes was a recognition that retirement boards have both the authority and the obligation to monitor a wider range of employer activities than they have in the past.

The Final Compensation process reviewed in this policy arose from an implementation memo from the former Chief Executive Officer (which the Board of Retirement discussed during their December 19, 2012 meeting) and was effected with the delivery of a subsequent memo regarding "Review of Final Compensation Pay Elements" (which the Board of

Retirement discussed and approved during their February 20, 2013 meeting). Since that time, the guidance available to members and participating employers of SCERS has expanded to include a publication regarding “CalPEPRA and Final Compensation Review at SCERS” (which was last updated during the 2015 calendar year) and a Member Handbook for legacy members (which was released during the 2017 calendar year). This policy affirms and provides a consolidated document of the longstanding practice reflected in those materials.

APPENDICES

- 1- Legacy Members (Entry Dates Before January 1, 2013)
- 2- PEPRA Members (Entry Dates After December 31, 2012)

RESPONSIBILITIES

Executive Owner: Chief Benefits Officer

POLICY HISTORY

Date	Description
10-21-2020	Board approved amendments conforming to Board Order of September 16, 2020
10-17-2018	Board approved policy in revised format
2017 Calendar Year	<i>Member Handbook for Members Hired Before January 1, 2013, Appendix A: Summary of Pension–Eligible Pay Elements</i>
2017 Calendar Year	<i>Member Handbook for Members Hired Before January 1, 2013, p. 41: Final Compensation Review</i>
2015 Calendar Year	Updated Memo re “CalPEPRA and Final Compensation Review at SCERS”
08-19-2015	Board Materials for Agenda Item 17: Memo re “Proposed Amendment to the Final Compensation Review Process Mandated by CalPEPRA”
02-20-2013	Board Materials for Agenda Item 16: Memo re “Review of Final Compensation Pay Elements”
12-19-2012	Board Materials for Agenda Item 14: Memo re “Implementation of AB 340 and AB 197”

APPENDIX 1 -
Legacy Members (Entry Dates Before January 1, 2013)

Earnings Type	Description	Included*	Excluded
Regular Earnings	Paid for hours worked	X	
One Time Bonus Payment	Payments normally made once a year as a result of bargaining	X	
Overtime - includes CTO Expired and CTO-over-max	Paid for hours worked in excess of normal work schedule; includes the portion of differentials, allowances, or other incentives that include overtime, CTO-expired, and CTO-over-max		X**
7/12 Work Shift	Paid for regular work schedule of 12 hours per day; 84 hours per bi-weekly pay period	X	
Extra-help wages	Paid to employees who are not regular (permanent) county employees		X
Holiday-in-lieu paid after 104.0 hours	Paid for hours over the maximum of 104.0	X	
Workers' Compensation Temporary Disability	Paid Workers' Compensation benefits integrated with existing leave balances for employees who have an accepted industrial injury and are temporarily disabled	X	
State Disability Integration	Paid State Disability benefits integrated with existing leave balances for employees who are temporarily disabled	X	
Shift Differential	Paid to employees working other than the day shift	X	
Standby Pay	Paid to employees assigned to remain on call outside of normal working hours worked by persons in the same grade or class of positions if the need arises for emergency work		X**
Food Allowance	Paid to employees hired or transferred into food service prior to July 1971 represented by Health Services Unit	X	
Terminal Pay – vacation, holiday in lieu, CTO, and leave payout	Accumulated leave balances paid to an employee upon separation from employment.		X
Special Pay Allowances	Additional pay for performing work considered to be out of or in addition to the class	X	
Incentive Pay Allowances	Additional pay for possession of educational degrees or required certificates	X	
Miscellaneous Allowances	Assignment differentials paid as a percentage of base pay	X	
Management Differential	Additional pay to managers in lieu of other benefits, i.e., tuition reimbursement	X	
Transcription Fees for court reporters	Paid to court reporters to transcribe their cases		X
Retirement Offset	Additional pay for certain employees in-lieu of the county paying ½ retirement contributions	X	
Leave Balance Usage (vacation, compensating time off (CTO), holiday in-lieu, sick leave, etc.)	Paid leave for authorized absence from work	X	

APPENDIX 1 -
Legacy Members (Entry Dates Before January 1, 2013)

Earnings Type	Description	Included*	Excluded
Vacation Cash-In	Vacation cash-in in excess of the maximum permitted in a single calendar year (or fiscal year, as applicable) under the member's labor agreement or employer policy, resulting from a designated final compensation period that straddles two calendar years (or fiscal years, as applicable)		X**
Payoff Beyond Maximum Accrual	Additional pay for vacation or holiday-in-lieu hours over the maximum accrual	X	
Mental Health Retention	Paid to employees who work at the mental health facility	X	
Disability Pay	Additional pay that, when combined with Workers' Compensation Disability Pay, equals 50% of an employee's bi-weekly pay	X	
4850 Time Pay	Paid for up to one year, tax free, in lieu of temporary disability for Safety personnel in accordance with Labor Code Section 4850	X	
Clothing Allowance	Paid to employees for the cost of maintaining a uniform	X	
Equipment Allowance	Paid to reimburse employees who are required to provide their own equipment; i.e., court reporters	X	
Animal Allowance	Paid to employees for the ordinary care and informal training of canines in overtime or outside of regularly scheduled hours		X**
Insurance Subsidy	Cash payment of the amount of the county contribution towards health insurance over the premium, less the cost of social security	X	
Fair Labor Standards Act Adjustment	Differential paid when the value of overtime per FLSA guidelines is greater than that negotiated		X***
Insurance Subsidy Offset	An amount paid in January of each year to refund the social security reduction of the health insurance subsidy to employees who were at social security maximum		X**
Auto Allowance	Payment for use of personal vehicle for county business	X	

* Compensation can be excluded if: (a) Board of Retirement determines compensation had been paid to enhance retirement benefits, (b) compensation had previously been provided in kind and converted to cash payment in the final compensation period; (c) any one-time or ad-hoc payment made to a member, but not to similarly situated members in the member's grade or class, and (d) any payment for unused leave balances that exceed what may be earned in each 12-month period during the final compensation period.

** Effective for all Legacy members who retired, or will retire, on and after January 1, 2013, pursuant to Government Code section 31461(b)(3) and *Alameda County Deputy Sheriff's Association, et al. v. Alameda County Employees' Retirement Association, et al.*, 9 Cal.5th 1032 (2020)

APPENDIX 1 -
Legacy Members (Entry Dates Before January 1, 2013)

Earnings Type	Description	Included*	Excluded
***	Per prior, written agreement, one exception has been established to the standard exclusion of the pay element reserved for FLSA adjustments. That exception is the additional "half rate" payable for 12 hours of contractual overtime to members who work 24-hour schedules.		

APPENDIX 2 -
PEPRA Members (Entry Dates After December 31, 2012)

Earnings Type	Description	Included*	Excluded
Regular Earnings	Paid for hours worked	X	
7/12 Work Shift	Paid for regular work schedule of 12 hours per day; 84 hours per bi-weekly pay period	X	
Workers' Compensation Temporary Disability	Paid Workers' Compensation benefits integrated with existing leave balances for employees who have an accepted industrial injury and are temporarily disabled	X	
State Disability Integration	Paid State Disability benefits integrated with existing leave balances for employees who are temporarily disabled	X	
Leave Balance Usage (vacation, compensating time off (CTO), holiday in-lieu, sick leave, etc.)	Paid leave for authorized absence from work	X	
Disability Pay	Additional pay that, when combined with Workers' Compensation Disability Pay, equals 50% of an employee's bi-weekly pay	X	
4850 Time Pay	Paid for up to one year, tax free, in lieu of temporary disability for Safety personnel in accordance with Labor Code Section 4850	X	
Animal Allowance	Paid to employees for the ordinary care and informal training of canines in overtime or outside of regularly scheduled hours		X**
One Time Bonus Payment	Payments normally made once a year as a result of bargaining		X
Overtime - includes CTO Expired and CTO-over-max	Paid for hours worked in excess of normal work schedule; includes the portion of differentials, allowances, or other incentives that include overtime, CTO-expired, and CTO-over-max		X
Extra-help wages	Paid to employees who are not regular (permanent) county employees		X
Holiday-in-lieu paid after 104.0 hours	Paid for hours over the maximum of 104.0		X
Shift Differential	Paid to employees working other than the day shift		X
Standby Pay	Paid to employees assigned to remain on call outside of normal working hours worked by persons in the same grade or class of positions if the need arises for emergency work		X
Food Allowance	Paid to employees hired or transferred into food service prior to July 1971 represented by Health Services Unit		X
Terminal Pay – vacation, holiday in lieu, CTO, and leave payout	Accumulated leave balances paid to an employee upon separation from employment.		X
Special Pay Allowances	Additional pay for performing work considered to be out of or in addition to the class		X
Incentive Pay Allowances	Additional pay for possession of educational degrees or required certificates		X

APPENDIX 2 -
PEPRA Members (Entry Dates After December 31, 2012)

Earnings Type	Description	Included*	Excluded
Miscellaneous Allowances	Assignment differentials paid as a percentage of base pay		X
Management Differential	Additional pay to managers in lieu of other benefits, i.e., tuition reimbursement		X
Transcription Fees for court reporters	Paid to court reporters to transcribe their cases		X
Retirement Offset	Additional pay for certain employees in-lieu of the county paying ½ retirement contributions		X
Vacation Cash-In	Vacation cash-in in excess of the maximum permitted in a single calendar year (or fiscal year, as applicable) under the member's labor agreement or employer policy, resulting from a designated final compensation period that straddles two calendar years (or fiscal years, as applicable)		X
Payoff Beyond Maximum Accrual	Additional pay for vacation or holiday-in-lieu hours over the maximum accrual		X
Mental Health Retention	Paid to employees who work at the mental health facility		X
Clothing Allowance	Paid to employees for the cost of maintaining a uniform		X
Equipment Allowance	Paid to reimburse employees who are required to provide their own equipment; i.e., court reporters		X
Insurance Subsidy	Cash payment of the amount of the county contribution towards health insurance over the premium, less the cost of social security		X
Fair Labor Standards Act Adjustment	Differential paid when the value of overtime per FLSA guidelines is greater than that negotiated		X***
Insurance Subsidy Offset	An amount paid in January of each year to refund the social security reduction of the health insurance subsidy to employees who were at social security maximum		X
Auto Allowance	Payment for use of personal vehicle for county business		X

* Compensation can be excluded if: (a) Board of Retirement determines compensation had been paid to enhance retirement benefits, (b) compensation had previously been provided in kind and converted to cash payment in the final compensation period; (c) any one-time or ad-hoc payment made to a member, but not to similarly situated members in the member's grade or class, and (d) any payment for unused leave balances that exceed what may be earned in each 12-month period during the final compensation period.

** Effective for all PEPRA members who retired, or will retire, on and after January 1, 2013, pursuant to Government Code section 31461(b)(3) and *Alameda County Deputy Sheriff's Association, et al. v. Alameda County Employees' Retirement Association, et al.*, 9 Cal.5th 1032 (2020)

*** Per prior, written agreement, one exception has been established to the standard exclusion of the pay element reserved for FLSA adjustments. That exception is the additional "half rate" payable for 12 hours of contractual overtime to members who work 24-hour schedules.