

COMPENSATION EARNABLE

October 2008

WHAT IS COMPENSATION EARNABLE

Compensation earnable is the average monthly pay, excluding overtime, received by the retiring employee for either a consecutive 12-month or 36-month period depending on your measuring period.

Average monthly pay is your base salary and may also include premium pay items and cash out items as long as they were both earned and cashable during the measuring period chosen by the member.

PREMIUM PAY ITEMS INCLUDED*

- Bilingual Premium Pay
- Educational Incentive (POST) Pay
- Aircraft Rescue Firefighting
- Paramedic Pay
- Motorcycle Bonus
- Emergency Dispatch Pay
- Field Training Officer Bonus
- Shift Differential Pay
- Confined Space Pay
- Longevity Incentive
- Automobile Allowance (if paid in cash)
- Uniform Allowance
- Uniform Maintenance Allowance
- Additional Compensation for Scheduled Meal Period

*Items substantially similar to the ones listed above may also be includable as a premium pay item.



CASH OUT ITEMS INCLUDED

Payoffs of Vacation/Annual Leave hours to the extent each such hour was earned during the measuring period and permitted to be cashed out during the measuring period under the member's applicable MOU regardless of when actually cashed out. The maximum that may be included is the maximum earned and cashable during a single fiscal year, for each year of the measuring period.

Payoffs of Sick Leave hours to the extent each such hour was earned during the measuring period and permitted to be cashed out during the measuring period under the member's applicable MOU regardless of when actually cashed out. The maximum that may be included is the maximum earned and cashable during a single fiscal year, for each year of the measuring period.

Payoffs of Compensatory Time attributable to Holiday Comp Time hours to the extent each such hour was earned during the measuring period and permitted to be cashed out during the measuring period per the member's applicable MOU regardless of when actually cashed out. The maximum that may be included is the maximum earned and cashable during a single fiscal year, for each year of the measuring period.

ITEMS EXCLUDED FROM COMP EARNABLE

True Overtime – which is overtime that results from working in excess of the time required to be worked as a condition of employment and ordinarily worked by others in the same grade or classification.

Employer Contributions to Deferred Compensation Plan.

Employer Pick-up of Employee Contributions to Retirement System.

Payoffs of Vacation, Sick Leave or Annual Leave to the extent it was not both earned or cashable under the Member's MOU during each year of the member's measuring period.

Payoffs of Comp Time resulting from incidental overtime.

Flexible Benefits ("Cafeteria Plan") provided in-kind.

Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring on and after January 1, 1991.

Terminal ("Final") Pay to the extent not earned or cashable under the Member's MOU during the member's measuring period.

Expense Reimbursements (food, lodging, board, fuel, etc.)

Fees, Licenses, Memberships provided to the member by the employer.

HOW IS COMP EARNABLE CALCULATED?

The first step in calculating comp earnable is that the member chooses a measuring period. Some members have a one-year measuring period and some have a three-year measuring period. Whether you qualify for a one-year or a three-year measuring period depends on your bargaining unit and your benefit formula.

A one-year measuring period is 12 consecutive months and a three-year measuring period is 36 consecutive months. Once the measuring period is chosen,

OCERS reviews your pay records to determine what your base pay was and whether there are any premium pay or cash out items that qualify for inclusion in comp earnable.

PREMIUM PAY ITEMS

OCERS first determines whether a pay item is one of the items listed in the "Premium Pay Items Included" section on page 1, or is substantially similar to one of the listed items. Then, OCERS confirms that the item was paid during your measuring period. If both of these conditions are met, the item is included.

CASH OUT ITEMS

OCERS first determines whether a cash out item is one of the items listed in the "Cash Out Items Included" section on page 1. Then, OCERS confirms that the item was both earned and cashable during your selected measuring period by consulting the applicable MOU.

For a 12-month measuring period, earned means that the item must have been earned in the 12 months chosen by the member. For a 36-month measuring period, OCERS takes each of the three 12-month periods separately and determines which hours the member could have earned and could have taken out in cash in each of those periods. The member's MOU will be consulted to determine how many earned hours a member can cash out during each 12-month section of a measuring period.

If a member with a 12-month measuring period chooses a period that spans two fiscal years, the member will only be allowed to include what could be earned and cashed out during a 12-month period, regardless of whether the member actually cashed out twice during the measuring period. Thus, if an employee is only allowed to cash out 80 hours of leave earned per year, OCERS limits the amount includable in comp earnable to payments received for 6.67 hours per month. This limitation precludes a spiking effect whenever the chosen final compensation period happens to straddle two fiscal or calendar years and yields a true one-year average. This is in compli-

ance with a court judgment settling the *Ventura* litigation in Orange County.

FREQUENTLY ASKED QUESTIONS

Q: Must I actually take the cash out of leave in order for it to be included in my comp earnable?

A: No. It may be included in comp earnable even if you did not cash out the leave during service, just as long as the necessary balances are available at the end of your measuring period. If your measuring period is 12 months, you would need to have either taken the cash out during this 12-month period or have the balances available at the end of the 12-month period. If your measuring period is 36-months, you would need to have either taken the cash out once for each of the three 12 month periods or have the balances available at the end of each of the three 12 month periods.

Q: My measuring period straddles two fiscal years and I am able to cash out two periods of leave per my MOU (one on each side of the fiscal year). Will both cash outs qualify as comp earnable?

A: No. The employer limits the number of earned hours that may be cashed out per year; as a result OCERS will prorate the amount of leave that may be included up to 6.67 hours per month. Therefore, if your measuring period is a 12-month period, you would be eligible for 80 hours of leave to be included ($6.67 \times 12 = 80$). *

* Example based upon an 80 hour allowable cash out per year. If the allowable cash out is less than 80, the 6.67 is reduced to provide credit for no more than the applicable MOU will allow to be cashed in a year.

Q: How is it determined which of my Comp Time hours will qualify to be included in comp earnable?

A: The only Comp Time that can be included is Holiday Comp Time. You



receive Holiday Comp Time by either having a paid holiday occur on your normal day off or by working on the holiday. The overtime earned by working the holiday is excluded; however, the hours of comp time credited for working your regular shift is includable. For example, if you regularly work 8 hour days and you worked 11 hours on a holiday, you could only get credit for 8 hours of holiday comp. Finally, the 2 hours of "Spring Comp" may also be includable. Your MOU will be reviewed to determine what, if any, restrictions may apply.

EXAMPLES

Sam Sample – Retiring Feb. 28, 2005

Sam Sample is a Deputy Sheriff (safety member) who was hired Feb. 28, 1975. He is in Plan A (formerly Tier 1). In addition to his base salary he receives the following premium pays per his MOU: P.O.S.T Pay, On-Call Pay, Bilingual Pay, and Night Shift Differential pay.

His consecutive 12-Month Measuring Period is Feb. 28, 2004 to Feb. 27, 2005

Available Balances at Retirement:

Vacation = 480 hours
Sick= 416 hours
Holiday Comp Time Earned = 98 hours*

*This example assumes the employee worked all 12 holidays within his 12-month measuring period and received 8 hours of holiday comp time each holiday.

Per MOU: Member may earn 256 hours of vacation per 12-month period, 96 hours of sick leave per 12-month period, and 2 hours of holiday comp time per 12-month period plus he will receive holiday comp for any holiday which falls on his regularly scheduled day off or if he is required to work the holiday.

Member may cash or have the ability to cash 40 hours of vacation per 12-month period, may cash up to 1/3 of

his sick leave if member does not drop below a 320-hour sick leave balance per 12-month period, and may cash out any holiday comp hours received per 12-month period.

Mr. Sample will have the following cash out items included in his measuring period:

*Please note that these items must be both **EARNED AND CASHABLE** during the 12-month measuring period.

Year 1 = Feb. 28, 2004 to Feb. 27, 2005:

Vacation Pay – 40 hours per 12-month period of time (Max Cashable)
Sick Pay – 96 hours per 12-month period of time (Max Earnable)
Holiday Comp Time – 98 hours (2 hours for holiday spring, plus 96 hours holiday comp time = Max Earned and Cashable)

In addition, Mr. Sample will have the following premium pay items included to his base salary for his 12-month measuring period:

P.O.S.T Pay
On-Call Pay
Night Shift Differential Pay

Sally Sample – Retiring Feb. 28, 2005

Sally Sample is a general member who was hired Feb. 28, 1984. She receives bilingual pay for all hours paid per her MOU. She is in Plan B (formerly Tier 2).

Her consecutive 36-Month Measuring Period is Feb. 28, 2002 to Feb. 27, 2005.

Available Balances at Retirement:

Vacation = 480 hours
Holiday Comp Time Earned = 14 hours*

*This example assumes the employee received credit for only the 2 hours of spring holiday comp time each year of the measuring period and 8 hours of holiday comp time due to one holiday falling on her regularly scheduled day off. She did not work any other holidays.

Per MOU: Member may earn 160 hours of vacation per 12-month period of time and 2 hours of holiday comp time per 12-month period of time plus she will receive holiday comp for any holiday which falls on her regularly scheduled day off or if she is required to work the holiday.

Member may cash or has the ability to cash 40 hours of vacation per 12-month period and may cash out any holiday comp hours received per 12-month period.

Ms. Sample will have the following cash out items included in her measuring period:

*Please note that these items must be both **EARNED AND CASHABLE** during the 36-month measuring period.

Year 1= Feb. 28, 2002 to Feb. 27, 2003:

Vacation Pay – 40 hours per 12-month period of time (Max Cashable)
Holiday Comp Time – 2 hours for holiday spring (Max Earned and Cashable)

Year 2= Feb. 28, 2003 to Feb. 27, 2004:

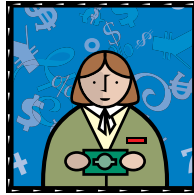
Vacation Pay – 40 hours per 12-month period of time (Max Cashable)
Holiday Comp Time – 2 hours for holiday spring (Max Earned and Cashable)

Year 3= Feb. 28, 2004 to Feb. 27, 2005:

Vacation Pay – 40 hours per 12-month period of time (Max Cashable)
Holiday Comp Time – 10 hours (2 hours for holiday spring plus 8 hour holiday comp time for 2/12/05 holiday = Max Earned and Cashable)

In addition, Ms. Sample will have the following premium pay item included to her base salary for each year of her 36-month measuring period if paid, as stated in her MOU:

Bilingual Pay



ATTENTION OCERS MEMBERS!

Compensation Earnable is a complicated topic. In light of recent miscommunications, OCERS felt it appropriate to prepare this brochure for our members clarifying what elements go into a member's compensation earnable, complete with examples and frequently asked questions. Keep in mind that this brochure contains a general explanation of what constitutes compensation earnable, and that OCERS calculates each member's compensation earnable based upon that member's individual pay records.

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