

## OCERS Board Policy Pay Item Review Policy

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### Purpose and Background

1. The purpose of this policy is to set forth a procedure for the submittal and approval of pay items by OCERS participating employers to assist OCERS in properly and timely determining whether elements of compensation are appropriately treated as Compensation Earnable (for Legacy Members) or Pensionable Compensation (for PEPRAs members).

### Policy Objectives

2. The objectives of this policy are to comply with the requirements of the County Employees Retirement Law (CERL; California Government Code Title 3, Part 3, Chapters 3 & 3.9), as amended by the Public Employees Pension Reform Act (PEPRA; California Government Code sections 7522 - 7522.74) and to ensure OCERS' effective assessment and determination of whether an element of compensation is properly categorized for purposes of collecting contributions and including in the calculation of final average salary.

### Policy Guidelines

3. OCERS shall not accept any new pay items from employers for processing contributions and reporting compensation until each pay item has been reviewed by OCERS staff and approved by the CEO or their designee for inclusion as, or exclusion from, Compensation Earnable for Legacy members and Pensionable Compensation for PEPRAs members. OCERS staff, under the direction of the CEO and with the assistance of the General Counsel, is responsible for implementing this Policy. OCERS staff will analyze each pay item to determine whether each meets the definition of Compensation Earnable or Pensionable Compensation. Unless appealed, the CEO's determination shall be final.
4. Employers are responsible for notifying OCERS of new or modified pay items for sufficient review and approval before implementing the items. Failure to do so may result in OCERS imposing costs on the employer per Government Code sections 31580.1 and 31542.5.
5. OCERS staff will review employer pay item listings for compliance with this Policy. When reviewing compensation items, OCERS will audit pay items to determine whether each meets the applicable statutory definitions and Board Policies.
6. After concluding the foregoing assessment, OCERS staff shall send written notification to the employer of the staff's determination, including the specific supporting facts, circumstances, reasoning, and analyses.
7. The employer shall have 30 calendar days from the date of staff's final notice of determination to appeal the staff determination to the Board of Retirement (Board). If the employer accepts staff's determination or does not file a timely appeal, the matter shall be deemed concluded, the staff determination shall be final, and the employer shall comply with the determination.
8. Upon receipt of a timely request for appeal to the Board of staff's determination, staff shall place the matter on a future Board agenda and prepare a written report to the Board making a recommendation to the Board on the pay items in question. Staff shall provide the employer with advance notice of the Board meeting and a copy of staff's report and all materials to be considered

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by the Board. Likewise, the employer shall provide OCERS with all materials it intends to submit to the Board.

9. The Board shall consider all written materials submitted and any arguments presented by the employer. The Board shall then decide whether the pay item qualifies as Compensation Earnable, Pensionable Compensation, or both. The decision shall be final, and the employer shall comply with the Board's determination.

### Policy Review

10. The Board shall review this policy at least every three (3) years to ensure it remains relevant and appropriate.

### Policy History

11. The Board adopted this policy on March 18, 2019, and revised it on June 20, 2022, and December 9, 2024.

### Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



Steve Delaney  
Secretary of the Board

**12/9/2024**

Date