

**ADMINISTRATION OF SPECIAL ALLOWANCES**  
**INITIATED BY**  
**KCERA PLAN SPONSORS**  
*(also known as "Special Pays Policy")*

**PURPOSE**

- I. This policy establishes a procedure for the Kern County Employees' Retirement Association ("KCERA") to assess and review newly created special allowances (referred to as "Special Pay(s)") for inclusion in or exclusion from "compensation earnable" or "pensionable compensation" (as defined by California Government Code sections 31461 and 7522.34 respectfully).

Amendment(s) to Special Pays previously considered by KCERA's Board of Retirement ("Board") will be considered via recommended amendment(s) to the relevant Board Resolution and not via this Policy.

**BACKGROUND**

- II. The California Public Employees' Pension Reform Act of 2013 became effective January 1, 2013. Among other things, the new law altered the way the Board must calculate a "Legacy" member's "compensation earnable" and established how a "New" member's retirement allowance will be calculated. The terms reference in this Policy are described below:

A. **LEGACY MEMBER**

- Generally, the term describes members who became members of KCERA for the first time before January 1, 2013.

B. **NEW MEMBER (PEPRA MEMBER)**

- Generally, the term describes members who became members of KCERA for the first time on or after January 1, 2013.

C. **COMPENSATION EARNABLE**

- Applicable to Legacy members.
- Retirement pays are calculated under the provisions of the California Employees' Retirement Law of 1937 ("CERL") (Cal. Gov. Code section 31461).

D. PENSIONABLE COMPENSATION

- Applicable to New Members (also referred to as “PEPRA” members).
- Retirement pays are calculated under the provisions of the California Public Employees' Pension Reform Act of 2013 (“PEPRA.”) (Cal. Gov. Code section 7522.34).

E. SPECIAL ALLOWANCES (Special Pay(s))

- Refers to types or items of compensation made to members of KCERA during employment with a KCERA plan sponsor.

**IMPLEMENTATION BY KCERA**

III. The Chief Executive Officer of KCERA, with assistance from legal counsel, is responsible for implementing the determination(s) of KCERA’s Board of Retirement (“Board”) related to Special Pays considered included in or excluded from “compensation earnable” or “pensionable compensation.”

A. NEWLY CREATED SPECIAL PAYS

The Chief Executive Officer is authorized to examine new Special Pays submitted by KCERA’s plan sponsors and determine whether the proposed Special Pay should be classified as pensionable.

1. If a new Special Pay is substantially similar to a Special Pay previously considered and approved by the Board, the Chief Executive Officer is authorized to notify the plan sponsor of the classification without obtaining prior approval from the Board. All newly created Special Pays classified by the Chief Executive Officer will be reported to the Board on the consent agenda of the Regular Board meeting following the classification
2. If a new Special Pay requested by a plan sponsor is unusual, unique, or does not resemble a Special Pay previously approved by the Board, the Chief Executive Officer will present the Special Pay to the Board to determine whether it should be classified as pensionable or not.
3. In all cases, the Chief Executive Officer will keep the Board informed of significant Special Pay issues and challenges.

**PLAN SPONSOR REPORTING REQUIREMENTS**

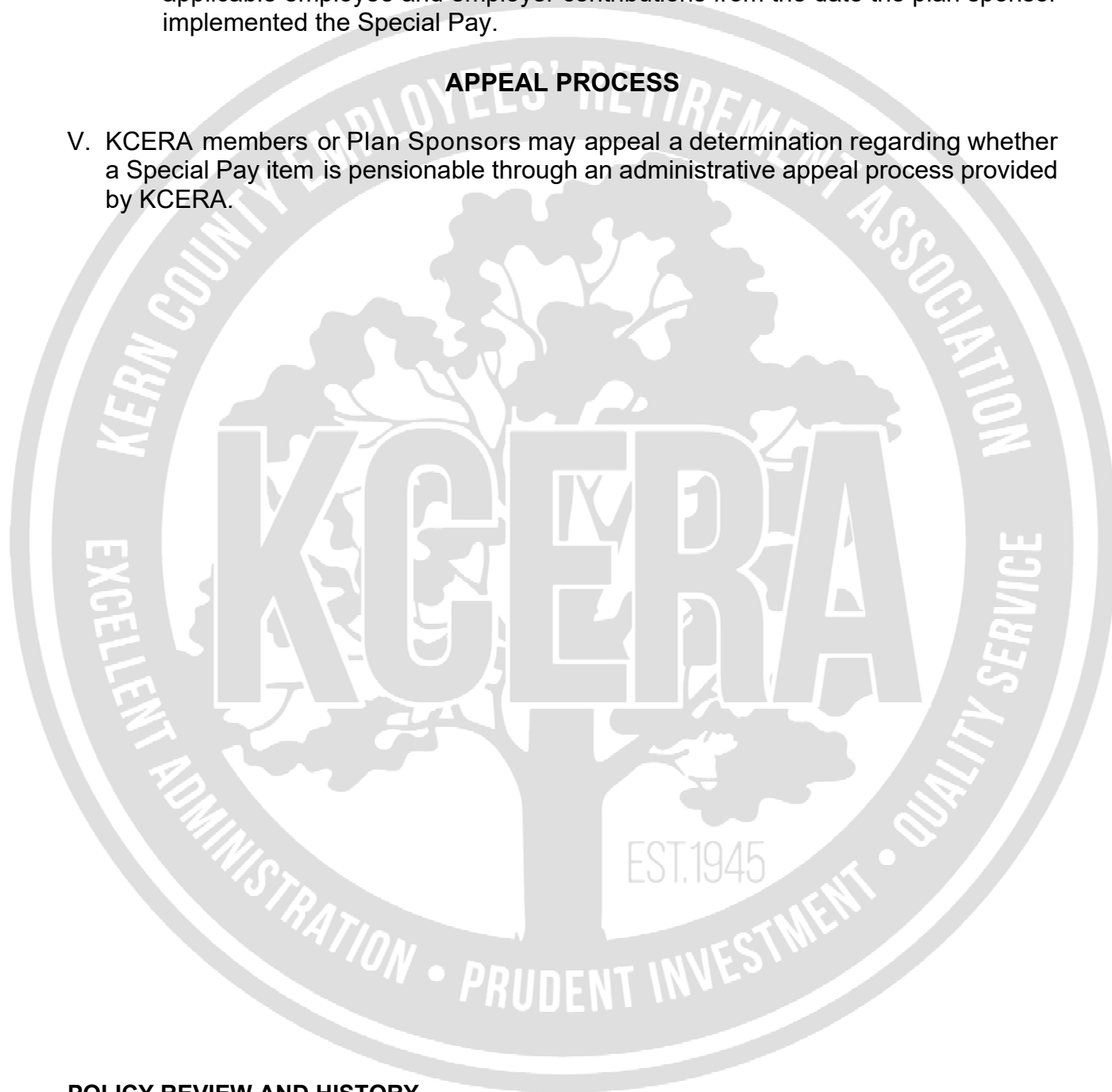
IV.

1. Before a Plan Sponsor begins utilizing a new Special Pay, it must complete and submit the Special Pay Code Request form to KCERA for review. KCERA staff will review the form for completeness, including documentation of eligibility for and job duties associated with the newly created Special Pay.

2. If KCERA staff is unable to classify the Special Pay before it is implemented by the plan sponsor or the plan sponsor institutes the Special Pay before submitting the Special Pay Request form to KCERA, the Special Pay will be designated as “non-pensionable” until KCERA is able to report the classification to the plan sponsor. If the Special Pay is later classified as pensionable, KCERA will collect applicable employee and employer contributions from the date the plan sponsor implemented the Special Pay.

### **APPEAL PROCESS**

- V. KCERA members or Plan Sponsors may appeal a determination regarding whether a Special Pay item is pensionable through an administrative appeal process provided by KCERA.



### **POLICY REVIEW AND HISTORY**

- 1) This policy shall be reviewed at least every five (5) years.
- 2) This policy was:
  - a) Adopted by the Board on December 12, 2018.
  - b) Amended June 8, 2022.