PAYROLL USERS GROUP

Tuesday, August 29, 2017
9:00 AM
City Centre, 1B

AGENDA

1. Late Start Summer Deferred

2. Late Start Payroll Calculations

3. CSEA Reset

4. Mass Vol Ded change for SISC

5. Bonus Coding

6. Coaching Stipends

7. CalSTRS Excess Contributions

   - Imported for Payroll

   - Lump Amount to Districts

8. Permissive Elections / Retirement System Election Forms*

9. Classified Salary Schedules Publicly Available*

10. Pay Rate Errors

11. Early PAY – Vol Deds Being Paid to 457 Plans, etc.

12. QSS ALL DAY Trainings

   Position Control – September 27, 2017

   Absence Tracking – September 28, 2017

Next PUG Meeting: November 28, 2017

Agenda items with an asterisk * have a handout associated with them.

Permissive Membership

ES 0350 rev 02/17

CALSTRS

PERMISSIVE MEMBERSHIP ELECTION AND ACKNOWLEDGEMENT OF RECEIPT OF CALSTRS DEFINED BENEFIT PROGRAM MEMBERSHIP INFORMATION

Employees who are employed to perform creditable service, but who are excluded from mandatory membership pursuant to Education Code sections 22601.5, 22602, or 22604, are eligible to permissively elect membership in the California State Teachers' Retirement System (CalSTRS) Defined Benefit Program pursuant to Education Code section 22515. This form enables eligible employees to make this election or decline to make this election. This form must be received by CalSTRS within 30 days of the date on which the employee signs and dates the form. Contributions may not be submitted to the system until CalSTRS has received the completed election form. If the employee elects membership in the CalSTRS Defined Benefit Program, the membership date shall be the first day of the pay period following the date on which the employee signs and dates this form.

Section 1: Employee Information, Election and Certification (to be completed by employee)

NAME (LAST, FIRST, MIDDLE INITIAL)

CLIENT ID OR SOCIAL SECURITY NUMBER

MAILING ADDRESS

HOME TELEPHONE

CITY, STATE and ZIP CODE

GENDER (circle one)

MALE   FEMALE

E-MAIL ADDRESS

BIRTH DATE (MM/DD/YYYY)

☐ I elect membership in CalSTRS Defined Benefit Program

    I understand this membership election is irrevocable and applies to all future employment to perform creditable service with the same or another employer, and may be canceled only by terminating all such employment and receiving a refund of my accumulated retirement contributions from CalSTRS.

☐ I decline membership in CalSTRS Defined Benefit Program at this time

    I understand I can elect membership in the Defined Benefit Program at any time while I am employed to perform creditable service.

I certify I have received information from my employer concerning the CalSTRS Defined Benefit Program and understand the criteria for membership in the program.

I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering or receiving a benefit administered by CalSTRS and it may result in up to one year in jail and/or a fine of up to $5,000 pursuant to Education Code section 22010.

EMPLOYEE SIGNATURE

DATE

Section 2: Employer Certification (to be completed by employer)

I certify that the above-named part-time or substitute employee has been provided with CalSTRS Defined Benefit Program membership criteria as required pursuant to Education Code section 22455.5, and if applicable, informed of his or her right to elect into membership in the CalSTRS Defined Benefit Program.

OFFICIAL'S SIGNATURE

DATE

OFFICIAL'S NAME

TITLE

COUNTY (or other employing agency)

DISTRICT

EMPLOYEE #	* MEMBERSHIP DATE (MM/DD/YYYY)	ASSIGNMENT (circle one)
		Part-Time Substitute

* Effective January 1, 2017, permissive membership in the Defined Benefit Program shall become effective as of the first day of the pay period following the employee's election.

ES0350

Retirement System Election – Information and Instructions

The following instructions are to assist you and your employer in completing the *Retirement System Election* form (ES372). Please read the instructions and information for retirement system coverage before completing the form. Please type or print legibly in dark ink.

INFORMATION

A member of the CalSTRS Defined Benefit Program who becomes employed by a school district, a community college district, a county superintendent of schools, limited state departments, or the California Community Colleges Board of Governors to perform service that requires membership in a different public retirement system, may elect to receive credit under the CalSTRS Defined Benefit Program for such service by completing a *Retirement System Election* form (ES372) within 60 days after the hire date *requiring* membership in the other system, and CalSTRS must receive the completed form within 30 days of the signature date. If the CalSTRS member does not elect to continue as a member of CalSTRS, all service subject to coverage by the other public retirement system will be reported to that retirement system. (Education Code sections 22508, 22508.5 and 22509)

A member of CalPERS who is employed by a school employer, Board of Governors of California Community Colleges, or State Department of Education or has at least five years of CalPERS credited service and who accepts employment to perform creditable service that requires membership by the CalSTRS Defined Benefit Program, may elect to receive credit under CalPERS for such service by submitting a *Retirement System Election* form (ES372) to CalPERS, within 60 days after the hire date of employment requiring membership in the other system. If the CalPERS member does not elect to continue as a member of CalPERS, all CalSTRS creditable service will be reported to CalSTRS. (Government Code section 20309).

Education Code section 22509 requires that within 10 working days of hire, an employer must provide all employees who have the right to make this election with the information regarding their election rights and must make available written information about the retirement systems to assist the employee in making an election.

SECTION 1: MEMBER INFORMATION AND ELECTION

Section 1 must be completed by the employee with assistance from the employer. Please complete all entries in Section 1.

EMPLOYEE NAME and SOCIAL SECURITY NUMBER – Enter employee's full name, and full Social Security Number.

RETIREMENT SYSTEM COVERAGE:
If you are a member of CalSTRS and have accepted employment to perform service that requires membership in a different public retirement system, mark the box next to the coverage you elect.

If you are a member of CalPERS and have accepted employment to perform service that requires membership in CalSTRS, mark the box next to the coverage you elect.

EMPLOYEE SIGNATURE – Sign and date the form. By signing this document, you certify that you have received information from your employer regarding your right to the Retirement System Election. You also certify that you understand this election is irrevocable, and that it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS which may result in up to one year in jail and a fine of up to $5,000. (Education Code section 22010)

Submit the signed and dated *Retirement System Election* form (ES372) to your employer. Retain a copy for your records.

For general membership information, contact CalSTRS by calling 800-228-5453, or write to CalSTRS at P.O. Box 15275, MS 17, Sacramento, CA 95851-0275.

SECTION 2: EMPLOYER CERTIFICATION

Section 2 must be completed by the employer and the County Office of Education. Please complete the employer certification only after the employee has completed Section 1. Employees must qualify for membership before they can retirement system elect.

EMPLOYER:

POSITION HIRE DATE – Enter the date the employee was hired in the position.

POSITION EFFECTIVE DATE – Enter the first date that service was/will be performed by the employee in the new position.

POSITION TITLE – Enter employee's new position title and check the box next to the applicable position type.

CO/DIST CODE/STATE DEPARTMENT – Enter the appropriate county and district codes. Example: Kern County, Edison Elementary would be 15-012, and CA Department of Education would be 59-174.

EMPLOYER CERTIFICATION – Print school or state official's name, title and phone number, and sign and date the form.

Submit the completed form to the County Office of Education.

If you represent a state department, submit the form directly to CalSTRS and send a copy to the other public retirement system.

COUNTY OFFICE OF EDUCATION:
Print the County official's name, title and phone number, and sign and date the form.

Retain a copy for your and the employee's files.

SUBMIT THE FORM:

The *Retirement System Election* form (ES372) must be submitted to the retirement system elected by the employee and a copy submitted to the retirement system that would normally cover the service. For additional requirements, please see the Information section.

Mail completed forms to:

CalSTRS	CalPERS
P.O. Box 15275, MS 17	P.O. Box 942709
Sacramento, CA 95851-0275	Sacramento, CA 94229-2709

CalSTRS also accepts the form via fax, at 916-414-5476, or by secure messaging via the Secure Employer Website (SEW)

Retirement System Election

ES 0372 rev 02/17

CALSTRS.

RETIREMENT SYSTEM ELECTION AND ACKNOWLEDGEMENT OF RECEIPT OF RETIREMENT SYSTEM INFORMATION

PLEASE READ THE ATTACHED INFORMATION AND INSTRUCTIONS BEFORE COMPLETING THIS FORM. PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.

SECTION 1: MEMBER INFORMATION AND ELECTION (to be completed by employee)

NAME (LAST, FIRST, MIDDLE INITIAL)   FULL SOCIAL SECURITY NUMBER

A member of **CalSTRS** who becomes employed in a new position by the same or a different school district, a community college district, a county superintendent of schools, limited state employment or the Board of Governors of the California Community Colleges, as defined in Education Code sections 22508 and 22508.5, to perform service that *requires* membership in a different public retirement system will have that service credited with that other public retirement system unless he/she files a written election (within 60 days after the date of hire) to have that service covered by CalSTRS, pursuant to Education Code section 22508(a) or 22508.5(a).

I am a member of CalSTRS who has accepted employment to perform service that *requires* membership in a different public retirement system and am eligible to elect to continue retirement system coverage under CalSTRS.

I elect coverage in: (please choose one)

☐ CA State Teachers' Retirement System (CalSTRS)

☐ CA Public Employee's Retirement System (CalPERS) *

☐ A Different Public Retirement System identified here:

OR

A member of **CalPERS** who is employed by a school employer, Board of Governors of Community College Districts or State Department of Education or who has at least five years of CalPERS credited service, as defined in Government Code section 20309, and who subsequently becomes employed to perform creditable service that requires membership in CalSTRS, will have that service credited with CalSTRS unless he/she files a written election (within 60 days after the date of hire) to have the service credited with CalPERS, pursuant to Government Code section 20309.

I am a member of CalPERS who has accepted employment to perform service that *requires* membership in CalSTRS Defined Benefit Program, and am eligible to elect to continue coverage under CalPERS.

I elect coverage in: (please choose one)

☐ CA State Teachers' Retirement System (CalSTRS)

☐ CA Public Employee's Retirement System (CalPERS) *

With my signature below, I certify that I have received information from my employer regarding my eligibility to elect membership for this position as described on this form. I fully understand that this election is irrevocable. I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering or receiving a benefit administered by CalSTRS and it may result in up to one year in jail and/or a fine of up to $5,000 pursuant to Education Code section 22010.

EMPLOYEE SIGNATURE   DATE

SECTION 2: EMPLOYER CERTIFICATION (to be completed by employer and County Office of Education)

With my signature below, I certify that I have provided information to the above employee regarding his/her eligibility to elect membership for this position, pursuant to Education Code section 22509. I certify the employee meets the qualifications to make a retirement system election, pursuant to Education Code sections 22508 or 22508.5, or Government Code section 20309.

EMPLOYEE POSITION INFORMATION:

POSITION HIRE DATE	POSITION EFFECTIVE DATE	POSITION TITLE	
SELECT ONE:	☐Credentialed	☐Classified	☐State Service

EMPLOYER INFORMATION:

CO/DIST/STATE DEPT NAME		CALSTRS REPORT UNIT CODE
SCHOOL/STATE OFFICIAL'S NAME	TITLE	PHONE NUMBER
SIGNATURE OF SCHOOL/STATE OFFICIAL		DATE
COUNTY OFFICIAL'S NAME	TITLE	PHONE NUMBER
SIGNATURE OF COUNTY OFFICIAL		*CalPERS Employer Code:

ES0372

August 17, 2016

CALPERS AUDIT FINDINGS HIGHLIGHT NEED TO MAKE CLASSIFIED SALARY SCHEDULES PUBLICLY AVAILABLE

In July of this year, the California Public Employees Retirement System issued guidance in the form of Circular Letter 200-025-16 relating to audit procedures, highlighting the common finding that districts routinely fail to observe legal requirements concerning the posting of pay schedules. A copy of the Circular is attached.[1]

Specifically, CalPERS regulations contain requirements relating to pay schedules which must be observed for the pay to be considered "compensation earnable" counting toward the defined retirement benefit. The Government Code defines compensation earnable to include the employee's pay rate "pursuant to publicly available pay schedules."

Title 2, California Code of Regulations, section 570.5 (adopted in 2011) provides that the pay rate is limited to amounts listed on a pay schedule that meets all of the following requirements:

(1)   Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;

(2)   Identifies the position title for every employee position;

(3)   Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;

(4)   Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;

(5)   Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's Internet website;

(6)   Indicates an effective date and date of any revisions;

(7)   Is retained by the employer and available for public inspection for not less than five years; and

(8)   Does not reference another document in lieu of disclosing the pay rate.

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[1] The Circular highlights other common compliance review findings in addition to the issues around pay schedules, such as failure to observe requirements relating to retired annuitants and incorrect reporting of unused sick leave. See also, CalPERS Circular Letter 200-050-12 (Oct. 25, 2012).

When these requirements are not met, CalPERS may establish the pay rate using any information it deems relevant. In one recent case, the California Court of Appeal upheld CalPERS' significant reduction of benefits where the pay rate did not appear on a publicly available pay schedule.

In *Tanner v. California Public Employees' Retirement System* (2016) 248 Cal.App.4th 743, a city official entered into a written employment agreement with the City of Vallejo with a base salary of $216,000 along with other compensation (auto allowance, deferred compensation contributions, etc.) totaling $89,844. The City submitted the agreement to CalPERS, with CalPERS responding that the law would not permit the additional compensation to be converted to base salary for retirement purposes. The City drafted a new contract for a base salary of $305,844, without the elements of additional compensation, "to comply with [CalPERS] regulations without changing the total cost of the original employment agreement." When the official retired, CalPERS informed him that it would compute his retirement benefit based on the original base salary of $216,000.

The California Court of Appeal concluded that the higher base salary did not qualify as the pay rate because it was not paid pursuant to a publicly available pay schedule. The court did not accept the argument that the employment agreement or a cost analysis document were the equivalent of a pay schedule, even though both documents were publicly available. The Court defined a schedule to mean a "written or printed list, catalog or inventory" and concluded that the employment agreement and cost analysis did not isolate the pay rate, but rather contained significant additional information, making it hard for the public to locate the base salary among the other figures and information. The court opined that the Legislature's purpose in enacting the anti-spiking legislation in question was to ensure that pay rates would be stable, predictable and publicly noticed by the governing body.[2]

We recommend that districts review their practices to ensure that classified pay schedules (for unit members as well as supervisory/confidential/management employees) reflect the actual pay rates for people in the job classification and are properly available for public inspection – whether by posting the information at the district office, making it immediately accessible for public inspection during business hours, or by posting it on the district website. CalPERS will not accept a reference to the base salary in an employment contract or budgetary documents as sufficient to comply with Regulation 570.5.

If you have any questions concerning this or related issues, do not hesitate to contact our office.

— Grant Herndon

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Education Law Updates are intended to alert clients to developments in legislation, opinions of courts and administrative bodies and related matters. They are not intended as legal advice in any specific situation. Please consult legal counsel as to how the issue presented may affect your particular circumstances.

[2] The *Tanner* court cited a 2007 decision in *Prentice v. Board of Administration, CalPERS* (2007) 157 Cal.App.4th 983, in which a city employee was given a 10.49 percent raise which resulted in a pay rate higher than the salary range for the position. The court found that although the pay raise was included in the city budget, it was never incorporated into a published pay schedule and differed from the raise given to other employees in the classification, with the result that it was not included in the computation of the retirement benefit.

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

Circular Letter: 200-025-16
Distribution: IV, V, VI, X, XII, XVI

Circular Letter

July 12, 2016

TO: **ALL CALPERS EMPLOYERS**

SUBJECT: **ADMINISTRATION OF CALPERS EMPLOYER COMPLIANCE REVIEWS**

The purpose of this Circular Letter is to provide information on the CalPERS compliance review process, finding resolution, and the most common findings.

Employer as Defined by Government Code Section 20030:
The state, university, school employer, and any contracting agency employing an employee.

Background:
CalPERS Office of Audit Services (OFAS) has conducted employer (agency) compliance reviews since 1991 to determine whether agencies comply with applicable sections of the California Government Code (GC), California Public Employees' Pension Reform Act of 2013, California Code of Regulations (CCR), and CalPERS contracts. OFAS performs these reviews to provide assurance to both CalPERS and contracting agencies of compliance with the Public Employees' Retirement Law and agencies' retirement contracts with CalPERS.

Authority to Review:
CalPERS' authority to review agencies for compliance is stipulated in each agency's contract and in GC sections 20222.5, 22797, 7522.34(c)(11,12), 7522.72(g), and 7522.74(g).

Selection of Agencies to Review:
CalPERS may select agencies to review based on the following factors:
- Annual risk assessments
- Direction from CalPERS management
- Anonymous tips
- Requests from the CalPERS Board
- Agency requests
- Other indications of non-compliance

Scope of Reviews:
The scope of the compliance review is defined in the beginning of each review and identifies the specific compliance areas to be examined.

Compliance Review Process – What to Expect:
1. Initial contact: OFAS auditor informs the agency staff of an upcoming review via telephone call.
2. Engagement letter: Within a few days of the initial contact, OFAS provides an engagement letter officially notifying the agency of the review, and detailing information expected to be available for the review.
3. Entrance conference: After sending the engagement letter, the auditor schedules an in-person or conference call meeting with OFAS and agency management to discuss the review objectives, process, and timeframes. The auditor asks questions about the agency and answers any agency questions about the review.
4. Planning: In this phase, the auditor gathers relevant information about the agency to prepare for review.
5. Fieldwork: The auditor interviews agency staff members to understand the agency's business processes and reviews selected records. The auditor then tests various transactions/records to achieve the review objectives.
6. Post-Fieldwork: The auditor may contact agency staff to seek further clarification, obtain additional information/documentation, or provide updates on audit findings.
7. Exit conference: At the completion of the review, the auditor summarizes the issues identified during the review. This is an opportunity for the agency to provide additional documentation or clarification that may have an impact on the compliance report.
8. Quality review: OFAS management performs a quality review to ensure all the issues identified during the review are supported. If issues are revised or added during this phase, the auditor contacts the agency to provide clarification and to explain those changes.

Examples of information required to be provided either before or during the on-site visit:
- Memorandum of Understanding, employment contracts, salary agreements
- Governing body meeting minutes
- Resolutions related to employee benefits
- Publicly available pay schedules
- Roster of employees who are CalPERS members, temporary/part-time employees, temporary agency employees, independent contractors, and retired annuitants
- IRS forms, 1099-Misc
- Audited financial statements and management letters
- Payroll registers
- Health benefit enrollment documents such as birth and marriage certificates and divorce decrees

The compliance review program varies based on the type of assignment, and can include, but is not limited to, the following compliance areas:
- Pay schedule
- Salary and compensation
- Contributions
- Excluded and optional positions
- Temporary and/or part-time employees
- Retired annuitants
- Employees of affiliated entities
- Retiring member unused sick leave certifications
- Health benefits
- Accuracy of data reported in my|CalPERS
- Processes related to disability retirement determinations

Reporting of Findings:
OFAS prepares a formal draft report, taking into account any revisions resulting from the exit conference and quality review. The draft report is considered confidential and provides the agency an opportunity to respond in writing prior to issuance of the final report. Once OFAS issues the draft report, the agency has 15 days to provide a written response.

The final report includes the agency's response and is issued to the agency's governing body and staff as well as relevant CalPERS divisions. The final report is publicly available and posted on www.calpers.ca.gov.

Compliance Review Follow-up and Finding Resolution:
In accordance with the International Standards for the Professional Practice of Internal Auditing Standards, OFAS has a follow-up process to monitor findings and ensure management actions have been implemented effectively. The appropriate CalPERS division will contact the agency after the final report has been issued to ensure resolution of the findings.

Common Compliance Review Findings:
- Pay schedule does not meet all of the California GC and/or CCR requirements.
- Special compensation is not reported in accordance with the GC and CCR.
- Non-reportable compensation is reported or included in pay rate and earnings.
- Payroll information, such as number of work week hours, is incorrectly reported.
- Earnings and pay rates are reported incorrectly or exceed the maximum listed on a publicly available pay schedule.
- Retroactive adjustments are reported incorrectly.
- Retirement contributions are paid or reported incorrectly.
- Part-time employees or temporary agency staff deemed to be agency employees are not enrolled into membership when eligible.
- Eligible employees are not enrolled into CalPERS membership as required.
- Member reciprocal self-certification is not maintained by the agency.

- Elected officials as defined by retirement law are not offered optional membership.
- Unused sick leave is not reported or reported incorrectly.
- Retired annuitant employment does not comply with all legal requirements, such as the requirements for bona fide separation, the limit of 960 hours allowed per fiscal year, or payrate exceeding the maximum rate on the agency's pay schedule.
- Retired annuitant information is not reported as required.

Additional Resources:

For additional information regarding **Common Membership Findings found in CalPERS Public Employer Reviews**, refer to Circular Letter: **200-065-14**, October 27, 2014.

For additional information regarding **Common Misreported Items of Compensation**, refer to Circular Letter: **200-064-14**, October 27, 2014.

Log in to your my|CalPERS account and select the Education Tab for Business Rules and my|CalPERS Employer Training, including Student Guides. You can attend training at our Regional Offices or through Online Classes.

For more information on these topics, please refer to the 'Public Agency & Schools Reference Guide' or the 'State Reference Guide' which are located on the CalPERS website.

If you have questions that are not addressed within the resources provided, please call our CalPERS Customer Contact Center at **888 CalPERS** or **(888-225-7377)**.

Beliz Chappuie, Chief
Office of Audit Services

Renee Ostrander, Chief
Employer Account Management Division

CALPERS RETIREES

We are now able to code CalPERS retirees so that they will automatically load onto the PERS retirement report. Please begin coding their paylines with a STAT DED of TFPR. Districts who don't pay into OASDI will use the TMPR.

AC-P-C will be 00-4-7 for current month and 00-4-8 for prior month. Most retirees are paid on the mid month payrolls so they would be coded with 00-4-8.

CalPERS retirees also need to have appointments set up in MyCalPERS as a retired annuitant.

Please begin using this coding with the September mid month pay rolls.