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Circular Letter No.: 200-014-16  
Distribution: IV, V, VI, X, XII, XVI

## Circular Letter

April 6, 2016

**TO: ALL CALPERS COVERED EMPLOYERS**

**SUBJECT: REQUIREMENTS TO VERIFY MONTHLY PAY RATES OVER \$20,000 AND TO IDENTIFY ALL SPECIAL COMPENSATION FOR CLASSIC MEMBERS**

The purpose of this Circular Letter is to provide information regarding a new myCalPERS system enhancement which requires:

- Monthly pay rates over \$20,000 be verified when reporting payroll
- All special compensation must be identified for classic and Public Employees' Pension Reform Act (PEPRA) members.

Both compensation earnable and pensionable compensation have two components, pay rate and special compensation. System enhancements have been added for each of these items changing the way they are reported to CalPERS. Please refer to the following to see how these system enhancements effect reporting.

### **Related Government Codes**

Compensation earnable is applicable for classic members and is defined in the Public Employees' Retirement Law (PERL) under Government Code (GC) Sections 20636, 20636.1, and California Code of Regulations (CCR) Section 571. Pensionable compensation is applicable for new Public Employees' Pension Reform Act (PEPRA) members (typically those members hired on or after January 1, 2013), and must meet the requirements defined by GC Section 7522.34(a). More information regarding compensation enhancement (or special compensation) requirements for new PEPRA members can be found in Circular Letter: 200-062-12, dated December 27, 2012.

GC Section 20160 requires CalPERS to ensure the correction of any errors made by a Business Partner or by the system. Once an error is discovered, CalPERS must take action to correct errors and omissions and may only pay those benefits authorized under the PERL.

**Reporting Pay rates over \$20,000**

Beginning with pay rate, effective June 18, 2016, CalPERS will require that all pay rates reported over \$20,000 per month be verified by the contracting agency (Business Partners) in my|CalPERS. In addition, all pay rates reported over \$30,000 per month will require verification by both CalPERS and the Business Partner prior to the payroll records being posted.

<b>Pay rate reported over \$20,000 per month</b>		<b>Pay rate reported over \$30,000 per month</b>
Generates a new payroll error (CRB00249)		Generates a new payroll error (CRB00250)
Once the error is triggered, a new panel will display at the bottom of the payroll record.		Pay rates over \$30,000 per month will require verification from both CalPERS and the Business Partner before the payroll error can be cleared.
To clear this error the reported pay rate must be corrected, if reported in error, or verified if correctly reported by the Business Partner.		A CalPERS representative will contact the Business Partner to confirm that the reported pay rate is in compliance with the PERL.
<b>If Reported in error</b>	<b>If pay rate is correct</b>	Once the pay rate is verified by both CalPERS and the Business Partner, the Business Partner will then have the ability to resubmit the record  Once a pay rate has been verified, it will not need to be verified again until the pay rate has increased by 5%.
Fix pay rate amount and if pay rate is less than \$20,000 per month the error will be removed.	Select the verification box and press the "Save and Continue" button to resubmit the record.	

**Note:** *If a pay rate was reported in error, the Business Partner can correct the record to the appropriate pay rate and resubmit the payroll record.*

**Reporting Special Compensation**

The second mentioned component, special compensation, or payments made in addition to base pay, must be reported separately from pay rate.

Current Reporting of Special Compensation		Changes to Reporting of Special Compensation	
PEPRA Members	Classic Members	PEPRA Members	Classic Members
Business Partners are required to identify the category and type of special compensation reported for new PEPRA members.	my CalPERS system provides the option to select “Unknown” for the category and type of special compensation fields.	None	Effective June 18, 2016 the option to select “Unknown” for the category and type of special compensation fields will create an exception on your payroll report.
	Effective June 18, 2016 this option will create an exception in your payroll report.		Effective December 3, 2016 the option to select “Unknown” for the category and type of special compensation fields will no longer be available and if posted will create an error.

**Note:** *When, or if, a Business Partner does not identify the reported special compensation, it can delay the processing of the member’s retirement.*

**Potential Impact of Incorrect Reporting**

Any unsubstantiated compensation will not be used in a member’s retirement calculation until all issues regarding that reported item of compensation have been resolved.

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**CalPERS Assistance**

Prior to the implementation of these enhancements, training and work aids will be made available. The CalPERS website contains additional information such as the Public Agency and Schools Reference Guide and provides access to an electronic copy of the PERL.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

RENEE OSTRANDER

Division Chief

Employer Account Management Division