# Payroll Reporting Procedures

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The information provided in this publication is for your convenience and reference as a general guide only and cannot be relied upon as an authoritative source for the law, practices, or policies of CalPERS. While CalPERS tries to include only accurate, timely and complete information in its publications, summaries, guidelines and other advisory printed materials, sometimes information provided in printed materials may be or become inaccurate, untimely, incomplete, unclear or misleading. In all instances, the law then in effect, not this publication, controls the application of the Public Employees’ Retirement Law. It is the reader’s responsibility to independently verify the accuracy of the information contained in this publication before engaging in a course of action.
PAYROLL REPORTING

As a CalPERS contracting agency, you must submit specific information about each employee to CalPERS in the form of a payroll report. Government Code sections 20120-20124 require payroll to be submitted by contracting agencies.

ACCURATELY REPORTING PAYROLL
CalPERS retirement benefits are funded by contributions paid by contracting employers, member contributions, and earnings from CalPERS investments.

It is your responsibility to ensure your employees are enrolled and reported accurately and timely. It is important that member contributions and payroll be reported accurately and on a timely basis to ensure correct payment of benefits.

Eligible employees must be enrolled into CalPERS membership within 90 days of hire. If not, your agency will be responsible for:
- Employee and employer retirement contributions for the time in violation
- A $500 administrative fee per person

ISSUES RESULTING FROM INACCURATE PAYROLL REPORTING
CalPERS needs timely and accurate payroll information in order to correctly calculate your employees’ service credit and final compensation for retirement benefits. If you report incorrect pay rates and earnings for your employees, you may cause:
- Service credit accrual discrepancies
- Service credit inaccuracies
- Delays in member retirement processing
- Inaccurate retirement estimates
- Incorrect payment of benefits
- A $200 delinquency fee for late payroll reporting

*Items required when reporting Retired Annuitants.

TRANSACTION TYPE
Each payroll record will have one of the following transaction types to describe the type of contribution, deduction, or adjustment being reported:
- Earned Period Reporting – Current earned period contribution/deduction payroll record.
- Prior Period Adjustment – Adjustment to prior period payroll record.
- Earned Period No Contribution and No Service – Earned period payroll record for a Retiree and Local Alternate Retirement Plan member.
- Prior Period No Contribution and No Service – Prior period payroll record for a retiree and Local Alternate Retirement Plan member.
- Retroactive Salary Adjustment – A retroactive salary adjustment is to capture a salary increase covering multiple periods.
- Retroactive Special Compensation Adjustment – Retroactive special compensation adjustment record is to report or correct special compensation for multiple prior periods.

APPOINTMENT
Information about each of the employee’s appointments, including the CalPERS ID, appointment date, and associated member category compensation is required. Detailed information about appointments is outlined in
the Appointment Overview section of the Membership chapter.

**PAY RATE TYPE**
Denotes the pay rate type for paying employees either an hourly, daily, or monthly amount.

**PAY RATE**
“Pay Rate” is the normal full-time rate of pay or base pay of the member, paid in cash to similarly situated members of the same group or class of employment for services rendered on a full time basis during normal working hours. It can be an hourly, daily, or monthly rate.

**NOTE:** When submitting a payroll report, always use the member’s full-time pay rate.

The pay rate must be a positive numeric value. CalPERS requires that pay rates be reported with two places after the decimal. For example:
- An hourly rate of $8.70 and one-half would be reported as 8.70.
- A daily rate of $60.00 would be reported as 60.00.

For further information on reporting pay rates, see “Pay Rate and Earnings Relationship” later in this chapter.

**REPORTABLE EARNINGS**
Employees’ earnings represent compensation they earned during normal working hours. When you report earnings, you must identify the pay period in which employees earn the compensation, regardless of when you pay the compensation or report it to CalPERS. This is true for both pay rate and special compensation payroll entries.

In addition, earnings generate service credit and are crucial to the retirement calculation. If earnings are incorrectly reported on payroll reports, then CalPERS will have to make adjustments to ensure that your employees receive the correct retirement allowance.

**SCHEDULED FULL-TIME HOURS PER WEEK**
Denotes the number of hours an employee is scheduled to work per week and is required for all pay rate types. CalPERS considers full-time employment to range from 34 to 60 hours per week. However, for classified school members, G.C. 20636.1 requires full-time employment up to 40 hours per week. See the Pay rate and Earnings Relationship section later in this chapter for more information.

**SCHEDULED FULL-TIME DAYS PER WEEK**
Denotes the number of days an employee is scheduled to work per week and is required for the daily pay rate type.

**TOTAL HOURS WORKED**
Denotes the total number of hours that an employee works during the specified earned period. This information is required only if the employee is a retired annuitant.

**SPECIAL COMPENSATION**
There are over 100 types of special compensation that fall within one of the five following special compensation categories:
- Educational pay
- Incentive pay
- Premium pay
- Special assignment pay
- Statutory items

You will add or delete each special compensation type and amount to an employee’s payroll record. In addition, an employee’s payroll record may contain multiple categories and types of special compensation. Each special compensation item should be separated into its own line item. Do not combine special compensation.

**NOTE:** If a special compensation type is selected that does not exist in your MOU or contract with CalPERS, the record will have a ‘valid with exceptions’ status as a warning of a potential problem in my|CalPERS.

**CONTRIBUTION AMOUNTS**
Employee contributions are a percentage of your employees’ earnings that are reported to CalPERS to fund their retirement benefits. This percentage is based on the group or class of employees, the retirement benefit formula and other options in your contract. You must report and submit employee contributions to CalPERS on behalf of each employee.
PUBLIC EMPLOYEES’ PENSION REFORM ACT OF 2013 (PEPRA) - ELIMINATION OF OFF-SETS

Prior to PEPRA, local public agency and California State University (CSU) employers did not collect CalPERS employee contributions on the first one-third of a member’s payroll up to $400 and $513 per month respectively. This resulted in local public agency and CSU employee’s with coordinated service (paid Social Security taxes) to experience a one-time adjustment of $133.33 to the final compensation factor used to calculate their pension.

PEPRA eliminates the contribution and off-set adjustments to the final compensation factor for all employees of local public agencies and CSU enrolled in any of the new PEPRA formulas. For more information, see Circular Letter 200-024-13.

EMPLOYER CONTRIBUTION TYPES

Information about the following two employer contribution types may be contained within a payroll record:

- Tax Deferred Employer Paid Member: Tax deferred and paid by the employer for the specified earned period.
- Tax Deferred Employer Paid Additional Contributions: Additional contributions that are tax deferred and paid by the employer (this program is discontinued and is not available to new members, i.e., this type of contribution is only applicable to members who have participated in the program continuously prior to July 1, 1983).

MEMBER CONTRIBUTION TYPES

A payroll record may contain information about the following types of member contributions for the specified earned period:

- Taxed Member Paid: Taxed and paid by the employee for the specified earned period.
- Tax Deferred Member Paid: Tax deferred and paid by the employee for the specified earned period.
- Survivor Contribution: Paid by the employee into a 1959 survivor account during the specified earned period.
- Taxed Member Paid Additional Contribution: Additional contributions that are taxed paid by the employee (this program is discontinued and is not available to new members, i.e., this type of contribution is only applicable to members who have participated in the program continuously prior to July 1, 1983).

SURVIVOR CONTRIBUTION TYPE

“Survivor Contribution” is the amount of contribution a member pays for the 1959 Survivor Benefit. Members covered by the 1959 Survivor Benefit contribute the amounts on the table following based on the reporting frequency. Please note that the survivor contribution index levels change each fiscal year.

<table>
<thead>
<tr>
<th>Reporting Frequency</th>
<th>Contribution Each Service Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Index Level</td>
</tr>
<tr>
<td>Monthly</td>
<td>$3.35</td>
</tr>
<tr>
<td>Semi-Monthly</td>
<td>$1.68</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>$1.55</td>
</tr>
<tr>
<td>Quadri-weekly</td>
<td>$3.09</td>
</tr>
</tbody>
</table>

The 1959 Survivor Benefit provides for a survivor benefit upon death of the member before retirement. In most cases, a member does not have both 1959 Survivor Benefit coverage and Social Security coverage with a single employer. Contact the CalPERS Customer Contact Center if you have questions.

The full amount of survivor contribution is due for a service period even if only one day’s earnings are reported. Make only one deduction each service period. The contribution is not due on retroactive salary adjustments or special compensation entries. When the member is covered, the survivor contribution should always be shown as a 3-digit numeric value. It may be positive or negative depending on the circumstances.

If a member does not receive any compensation for a service period because of an official leave of absence, no contribution is due for that service period. Entries adjusting the survivor contributions should be included as part of the current entries or prior period earnings adjustment entries. The survivor contribution is not credited to the member’s account and is not refundable.
**PAYROLL SCHEDULE TYPES**
You can report payroll on the following four types of payroll schedules:

- Monthly
- Semi-monthly
- Bi-weekly
- Quadri-weekly

**PAYROLL REPORT TYPES**

- Payroll - Earned Period is the normal payroll report submitted by your agency for each earned period according to your payroll schedule.
- Payroll - Adjustment report is an adjustment file that contains corrections for posted Earned Period payroll reports reported in error or omitted. The payroll adjustment date reflects the date the file is uploaded in myCalPERS or manually created in myCalPERS.

**PAYROLL REPORTING DEADLINES**
Adhering to the following schedule allows for timely processing of Payroll Earned Period and Adjustment Reports and provides for proper service, contributions, and interest to be credited to the member accounts:

- June 30 – All Adjustment Reports must be created and posted in myCalPERS by June 30, to utilize the current fiscal year employer rate. Payroll transactions for all prior periods, retroactive salary, and retroactive special compensation adjustments posted after June 30, will be subject to the next fiscal year’s employer rate. All payroll adjustments

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### NUMBER OF PAYROLL

<table>
<thead>
<tr>
<th>Frequency</th>
<th># of Payroll Periods/Year</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>12</td>
<td>Monthly</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>24</td>
<td>First half of month (1st through 15th)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Second half of the month (16th through the end of the month)</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>26</td>
<td>First report in the month (ending on the 1st through the 14th)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Second report in the month (ending on the 15th through the 28th)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Third report in the month (occurs whenever service period ending dates are 29, 30, or 31)</td>
</tr>
<tr>
<td>Quadri-weekly</td>
<td>13</td>
<td>First report in the month (ending on the 1st through the 28th)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Second report in the month (occurs whenever the service period ending dates are 29, 30 or 31)</td>
</tr>
</tbody>
</table>

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**NOTE:** Changes in the frequency in which payroll reports are submitted must be approved by CalPERS in advance. If you have questions regarding changing payroll frequencies, contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

**NOTE:** If you use different time periods to report employees’ earnings and contributions, you may have more than one type of payroll schedule (e.g., when you have optional members that are reported differently than your regular employees or divisions that report payroll differently).
received in June will accrue service credit and interest in the fiscal year they belong to.

July 30 – All payroll reports for the last complete earned period with an ending date in June must be created and posted in myCalPERS by the original due date, on or before July 30, whichever is earlier. All payroll reports for June received in July will accrue service credit and interest.

NOTE: All payroll records posted after July 31 will be billed to the next fiscal year receivable regardless of the report date.

SELECTING AN EARNED PERIOD

Each payroll report is submitted in association with an earned period that is identified by the begin date and end date of the employer’s payroll schedule (i.e., the earned period must be selected for each payroll and SIP report submitted to myCalPERS).

The earned period of each payroll report record is populated with the earned period from the payroll report. However, these dates should be adjusted if the member did not work for the full earned period or if they are reporting an adjustment transaction (i.e., the record period begin and end dates should be modified to reflect a mid-period appointment or separation). The following examples illustrate this:

FIRST DAY ON PAYROLL IN THE MIDDLE OF A PAY PERIOD

The participant’s appointment must be entered in myCalPERS before payroll can be reported. The begin date of the payroll record should be listed as the participant’s start date, not the first day in the earned period.

For example: Your agency has a bi-weekly pay schedule; the earned period is March 3 to March 16. The participant’s appointment date is March 8. The payroll record should be keyed with a start date of March 8 and an end date of March 16.

LAST DAY ON PAYROLL BEFORE THE END OF THE PAY PERIOD

The participant’s permanent separation date should be entered in their appointment history before the payroll is submitted. The permanent separation date must be reported as the day after the last day an employee works for your agency, which is often the day after the last day on payroll.

For example: Your agency has a bi-weekly pay schedule; the earned period is March 3 to March 16. The participant’s last day on pay is March 7 and the separation date is March 8. The payroll record should be keyed with a start date of March 3 and an end date of March 7.

If you copy a prior posted payroll report, the participant record will need to be updated to reflect the correct earned period end date.

NOTE: The first day after the last day payroll is earned is the earliest the permanent separation date or retirement date may be. For more information on this, refer to the Appointment Overview section in the Membership chapter.

TRANSMITTING PAYROLL INFORMATION

There are four options for transmitting payroll information via myCalPERS:

• Copy forward a previously posted payroll report as an alternative to uploading a file with new payroll records, you can copy a previously posted payroll report, make modifications to the copied records, and then submit the report for the current earned period. This method is the most commonly used and is best when earnings are the same (or very similar) across earned periods.

NOTE: When an adjustment record or a retired annuitant record has been submitted to correct a previous payroll report record, the adjustment record will not be copied forward when you copy the original payroll record.

• Uploading a new payroll report can be selected and a file can be uploaded that is located on your local system to the myCalPERS system.

• File Transfer Protocol (FTP), which is a myCalPERS reporting method. The employer will create an XML file containing enrollment and payroll contributions data and have a scheduled process that will FTP the file to CalPERS.

• Manually entering payroll records can create a payroll report by manually entering the necessary information for each payroll record within the report. This method is used primarily by a new agency.
For more information on the four options for transmitting payroll information visit the Technical Toolkit for Employers on the CalPERS Website at [www.calpers.ca.gov](http://www.calpers.ca.gov) by selecting myCalPERS for Employers then Technical Resources for file reporters.

**PROCESSING - PAYROLL REPORT STATUSES**

There are four statuses when processing payroll reports via myCalPERS.

- **PENDING RELEASE**
  This is a new report that needs to be validated.

- **PROCESSING**
  If no errors are found, the Status will change from “Processing” to “Posted”. If even one error is found, the Status will change from “Processing” to “Suspended”. You will need to correct the error(s), and then select the Process Report button to resubmit the report.

- **SUSPENDED**
  The report may be suspended if there are errors detected, however, when this occurs, you may accept valid records only (recommended) and correct the errors at a later time.

- **POSTED**
  The file has been processed and all records have posted to the member account.

**PAYROLL RECORD STATUSES**

A payroll record will be in one of the following statuses:

- **PENDING VALIDATION**
  The payroll record status prior to the record being validated.

- **VALID**
  When a payroll transaction is valid, it has nothing technically wrong with any of its elements. Valid transactions can be posted immediately. However, please validate what is being posted to the member’s account.

- **VALID BUT HELD**
  The record has been validated with warnings; you must correct error records for the same participant prior to this record posting. For example, if an error record for the same earned period exists, then valid payroll transactions for the same earned period will be in a valid but held status. Once you correct the error transaction to reflect a valid status, then the held records will become valid and post.

- **VALID WITH EXCEPTIONS**
  The record has been validated with warnings; you must validate this transaction before it can be posted. For example, if a pay rate is extremely high, the payroll transaction will be in an exception status. Once you manually validate the transaction to be correct, it can then be posted. If you validate the exception to be incorrect, then it can be corrected and posted.

- **ERROR**
  The record has been validated and contains an error. You must correct an error status before the transaction can post. myCalPERS will indicate which element of the payroll has an error.

- **POSTED**
  The record has been validated, is free of errors, and has posted to the employee’s account. To make any changes, you must submit an adjustment report.

**MY CALPERS MEMBER SELF-SERVICES**

On July 30, 2012, CalPERS launched an enhanced version of myCalPERS for members to access their real-time account information. This enhancement allows members to see the information submitted on their behalf by their employers, including appointment, payroll, and service credit information.

Therefore, it is critical to stay current with information reported to CalPERS on behalf of your employees. Employer accuracy and promptness will alleviate future concerns or questions members may have with their CalPERS account and the information provided by your agency.
NOTE: Failure to correct and post payroll in a timely manner will result in incorrect service credit accrual and/or incorrect or delayed benefits that may be payable to these members. Also, note that the data submitted on the payroll reports, whether correct or incorrect, is used by CalPERS actuaries to determine your agency’s contribution rate. Inaccurate or incomplete data may inadvertently cause your agency’s contribution rate to be incorrect.

RETIRED ANNUITANTS
Retired Annuitants (RA) working for your agency must be reported to CalPERS. Only after the appointment is updated for the RA, payroll with a transaction type of Earned Period No Contribution No Service must be submitted for them.

At this time, RA records are not included in files that are submitted via the copy forward method. Therefore, you will need to add each RA record to the file if using this method.

myCalPERS will track their hours as their agency posts their records. A letter will be sent to the RA and the agency when the RA reaches 800 and 900 hours.

The following items are required when reporting Retired Annuitants:

- Transaction Type
- Appointment
- Pay Rate Type
- Pay Rate
- Reportable Earnings
- Scheduled Full Time Hours per Week
- Scheduled Full Time Days per Week
- Total Hours Worked
REPORTING DEADLINES, EXTENSIONS, WAIVERS, AND PENALTIES

REPORTING DEADLINES

MISSING/LATE EARNED PERIOD REPORTS
Effective July 1, 2012, Earned Period Reports must be submitted by each Business Partner on or before 30 calendar days after the end of the previous service period. If a Business Partner fails to submit their Earned Period Reports on time, CalPERS will assess an administrative fee of $200.00 for every Earned Period Report that is delinquent. The $200.00 administrative fee will be assessed every additional 30 calendar days until the late or missing Earned Period Report is submitted. Adjustment reports will not be subject to this part of administrative fees.

PAYROLL REPORTING EXTENSIONS AND WAIVERS

CalPERS may, for good cause, grant an extension of time for the payment of contributions and/or the posting of each Earned Period Report. This is provided that the Business Partner sends a payroll schedule extension request for each Earned Period Report via myCalPERS Payroll Schedule page at least 10 working days before the due date. Each payroll extension request must be for one Earned Period Report at a time. An extension request covering multiple Earned Period Reports will be rejected.

CalPERS may waive assessed fees upon satisfactory proof of conditions existing beyond the Business Partner’s control. Normally, CalPERS does not consider internal procedures or payment processes used by a Business Partner as acceptable justification for incomplete or erroneous reporting and/or underpayment of contributions. Requests to waive assessed fees should be submitted via myCalPERS Fee Details page.

The Fee List will list all assessed fees and can be viewed from the Billing and Payment Summary page and the Payroll Schedule page in myCalPERS. Extensions and Fee Waivers are submitted from the Billing and Payment Summary page and Payroll Schedule page in myCalPERS.

ADMINISTRATIVE AND DELINQUENCY CHARGES

INCOMPLETE EARNED PERIOD AND ADJUSTMENT REPORTS
Each Business Partner has 60 calendar days from the date the myCalPERS system gives an error message on the payroll record to correct and post the suspended payroll file. Any payroll error(s) remaining in the staging area uncorrected after 60 calendar days will generate a $200.00 administrative fee until all errors are corrected and posted. For each 30 day period after that, if the same error(s) continue to remain in the staging area and are not corrected, an additional $200.00 administrative fee will be assessed.

UNDERPAYMENT OF CONTRIBUTIONS
Member and employer contributions must be received by CalPERS Headquarters within 15 calendar days after the end date of the service period to which they refer. The remaining balance or 100% of contributions are due 30 calendar days after the end date of the service period.

WITHIN THE FISCAL YEAR
Employers are required to remit all contributions due to CalPERS on or before 15 calendar days from the end date of the pay period to which they refer (e.g., contributions for pay period ending April 30th are due no later than May 15th).

If an employer pays less than 90% of the total contributions due, CalPERS will invoice the employer for the full amount of all unpaid contributions for the pay period.

If the employer does not pay the entire amount of the outstanding balance within 30 calendar days of the invoice date, interest will be assessed on 100% of the outstanding amount from the original due date of the contributions until paid. Interest will be charged at 10% per annum pursuant to Government Code Section 20572(b) of the Public Employees’ Retirement Law. The 10% interest will continue to accrue until that specific account receivable is paid in full.
**AT THE END OF THE FISCAL YEAR**

If the total contributions paid by an employer are less than 99% of the total contributions due at the end of the fiscal year (i.e., June 30th), CalPERS will invoice the employer for the full amount of the unpaid contributions for the year. If the employer does not pay the entire amount of the outstanding balance within 30 calendar days of the invoice date, interest will be assessed on 100% of the outstanding amount from the original due date of the contributions until paid. Interest will be charged at 10% per annum. The 10% interest will continue to accrue until that specific account receivable is paid in full.

**EMPLOYER DELINQUENCY NOTIFICATION**

When delinquent contributions are identified, employers will generally be notified by CalPERS through the employer’s preferred communication method or by mail, if no preference has been selected. Employers may also access this information through updates to the Employer’s Billing and Payment Summary section of myCalPERS.

The new procedures are intended to help ensure the timely payment of contributions necessary to help preserve the integrity and soundness of the System.

Please note, in addition to the interest charges set forth above, CalPERS has other rights and remedies when contributions are not made in a timely manner. CalPERS reserves the right to collect any and all additional amounts that may be asserted under applicable law including, without limitation, costs of collection, attorneys’ fees and penalties for repeated delinquencies. Furthermore, failure to provide a delinquency notice or myCalPERS notation or any discrepancy between a delinquency notice or myCalPERS notation and applicable law does not affect the rights of CalPERS to collect all monies, which it is entitled to be paid under applicable law.
Basic Contribution Calculation

This section defines the basic method of calculating a member's normal contributions. It does not apply to receivables or additional contributions. The method of calculating the member's normal contributions varies depending upon the member's contribution rate, provisions of the employer contract and whether or not the member has Social Security coverage. However, the following basic instructions apply to all members:

1. In myCalPERS, locate the member category within the Retirement Contract – Rate Summary panel that applies to the member.

2. One of the following will apply (depending upon participant retirement enrollments):
   a. Without Social Security modification
   b. With Social Security modification

NOTE: If the Member Contribution rate indicates 0%, report a zero contribution amount and stop here.

3. If (a) applies, multiply the reported member earnings by the percentage rate indicated in the Retirement Contract – Rate Summary panel.

   If (b) applies, modify the member total earnings for each earned period (regular earnings using the Old Age and Survivors Disability Insurance (OASDI) Modification Chart below). Multiply the modified earnings by the percentage rate indicated in the Retirement Contract – Rate Summary panel.

   NOTE: Employees working in two or more units will have a Social Security modification factor applied only once for the total normal earnings in the service period.

### OASDI Modification Chart for Public Agencies and Schools (Modification Amount $400.00)

<table>
<thead>
<tr>
<th>Reporting frequency</th>
<th>If earnings are less than</th>
<th>If earnings are more than or equal to</th>
<th>Miscellaneous members and safety members reported under modified formulas</th>
</tr>
</thead>
<tbody>
<tr>
<td>MONTHLY</td>
<td>$400.00</td>
<td>XXX.XX</td>
<td>EARNINGS X 0.66667 X RATE</td>
</tr>
<tr>
<td></td>
<td>XXX.XX</td>
<td>$400.00</td>
<td>EARNINGS MINUS $133.33 X RATE</td>
</tr>
<tr>
<td>SEMI-MONTHLY</td>
<td>$200.00</td>
<td>XXX.XX</td>
<td>EARNINGS X 0.66667 X RATE</td>
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<td>XXX.XX</td>
<td>$200.00</td>
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<td>BI-WEEKLY</td>
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<td>EARNINGS X 0.66667 X RATE</td>
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<td>$184.62</td>
<td>EARNINGS MINUS $61.54 X RATE</td>
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<td>$369.23</td>
<td>XXX.XX</td>
<td>EARNINGS X 0.6667 X RATE</td>
</tr>
<tr>
<td></td>
<td>XXX.XX</td>
<td>$369.23</td>
<td>EARNINGS MINUS $123.07 X RATE</td>
</tr>
</tbody>
</table>

NOTE: CSUC Auxiliary Organizations that contract for the same contribution rate and modification factors as State Miscellaneous members will calculate contributions according to the formula applicable (G.C. section 20680).

NOTE: Do not apply the full OASDI modification factor more than once per pay period. If total earnings (regular pay rate and special compensation) are less than earnings on the OASDI modification chart, all earnings will be modified by 0.66667 to calculate member contributions.
Pay rate is the amount of compensation a member is paid for a unit of time (i.e., hour, day or month) and must be listed on a publicly available pay schedule (CCR 570.5). The pay rate should remain in compliance with all applicable statutes. In addition, the pay rate should remain stable throughout a fiscal year except for pay raises, demotions, or changes of position. If a member works in more than one position or receives a raise in the middle of a pay period, report amounts earned under each pay rate separately.

An hourly pay rate is that rate of compensation to which an employee is entitled under an employment agreement which provides for compensation for each hour of regular time worked by the employee.

A daily pay rate for both a full-time and a part-time employee is that amount of compensation to which a full-time employee is entitled when the employee’s services are performed under an employment agreement which provides for a daily rate of compensation.

A monthly pay rate for both a full-time and a part-time employee is that amount of compensation to which a full-time employee is entitled, when the employee’s services are performed under an employment agreement which provides for a monthly rate of compensation.

CalPERS considers full-time employment to range from 34 to 60 hours per week. Employers generally have the ability to determine what constitutes full-time for an employee provided that the employee works between 34 and 60 hours per week. However, G.C. section 20636.1 specifies that for all non-certificated school members full-time is up to 40 hours per week. This means that all hours up to 40 per week must be reported to CalPERS for non-certificated school members at the straight time rate.

**Impact on Final Benefits**
Reporting correct pay rates for your active members is essential in calculating correct member benefits at retirement. The three critical elements used in calculating retirement benefits are:

1. service credit
2. benefit factor
3. final compensation

Service credit is derived from the pay rate and earnings reported to CalPERS.

**Service Credit Accrual**
The amount of service credit a member accrues during the fiscal year will depend on the number of days, hours or months they work and are reported to CalPERS.
FULL-TIME SERVICE CREDIT
Service credit is one of the three critical elements that are used to calculate a member’s retirement allowance. CalPERS limits the amount of service credit a member can earn to 1,000 year per fiscal year (July 1 – June 30).

G.C. section 20962 explains what constitutes a full year of service credit for monthly, hourly, or daily employees while G.C. section 20966 speaks to partial service credit calculations.

G.C. SECTION 20962 - EXPLAINS WHAT CONSTITUTES 1 YEAR OF SERVICE CREDIT
1. Daily Employee = 215 days to earn 1 year of service credit
2. Hourly Employee = 1,720 hours to earn 1 year of service credit
3. Monthly Employee = 10,000 months to earn 1 year of service credit

G.C. SECTION 20966 - PARTIAL SERVICE CREDIT CALCULATIONS
The following partial service credit calculations are illustrative examples of the ratio used to calculate service credit for part-time employees:

1. Daily: Employee works 185 days during the fiscal year
   - 185 days ÷ 215 days = 0.860 years of service credit
2. Hourly: Employee works 1295 hours during the fiscal year
   - 1295 hours ÷ 1720 hours = 0.753 years of service credit
3. Monthly: Employee works 7,200 months during the fiscal year
   - 7,200 months ÷ 10,000 months = 0.720 years of service credit
If a member does not meet the full-time markers established under G.C. section 20962, then they will not earn a full year of CalPERS service credit.

The pay rate and earnings relationship which drives service credit accrual is illustrated in the table below.

<table>
<thead>
<tr>
<th>EARNINGS DIVIDED BY PAY RATE EQUALS SERVICE CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example:</td>
</tr>
<tr>
<td>1. Member Earnings</td>
</tr>
<tr>
<td>Monthly Pay Rate</td>
</tr>
<tr>
<td>= $1,200.00</td>
</tr>
<tr>
<td>$1,200.00</td>
</tr>
<tr>
<td>= 0.100 years of service credit</td>
</tr>
<tr>
<td>2. Member Earnings</td>
</tr>
<tr>
<td>Monthly Pay Rate</td>
</tr>
<tr>
<td>= $600.00</td>
</tr>
<tr>
<td>$1,200.00</td>
</tr>
<tr>
<td>= 0.050 years of service credit</td>
</tr>
<tr>
<td>3. Member Earnings</td>
</tr>
<tr>
<td>Hourly Pay Rate</td>
</tr>
<tr>
<td>= $600.00</td>
</tr>
<tr>
<td>$7.500</td>
</tr>
<tr>
<td>= 80 hours worked divided by 1720 = 0.047 years of service credit</td>
</tr>
<tr>
<td>4. Member Earnings</td>
</tr>
<tr>
<td>Daily Pay Rate</td>
</tr>
<tr>
<td>= $600.00</td>
</tr>
<tr>
<td>$30.000</td>
</tr>
<tr>
<td>= 20 days worked divided by 215 = 0.093 years of service credit</td>
</tr>
</tbody>
</table>
**REPORTING EQUAL PAYMENTS**

In accordance with G.C. sections 20630 and 20633 employers shall identify the pay period in which the compensation was earned by the employee regardless of when it is reported in myCalPERS or paid.

Some employers make equal salary payments to their employees throughout the year. Employers may report equal payments during the member’s appointment period provided the member renders services within the pay period reported to CalPERS.

Salary withheld during the year to pay members during the time they are off should be reported as earned. In order to comply with G.C. section 20630, equal payments cannot be reported outside the appointment period during a time when the member does not render service.

**SCHOOL MEMBER PAY RATES**

Report school members to CalPERS using the actual rate of pay at which they are hired (i.e., hourly, daily, or monthly). Do not convert an hourly or daily pay rate to a monthly equivalent, as this could result in incorrect final benefits for the member. If a contract employee is working outside the timeframe of the contract (e.g., summer session), use the salary schedule for the position worked.

**REDUCED WORKTIME PROGRAM FOR CLASSIFIED/CERTIFICATED SCHOOL MEMBERS**

Certain classified and certificated school district members may enter into a reduced work time program without loss of retirement credit, if the governing board of a school district or community college district elects to establish regulations to implement such a program (Education Code sections 44922, 45139, 87483, 88038, 89516 and G.C. sections 20900 and 20905).

The minimum requirements for such a program are:

1. Eligible employees must be at least 55 years old;
2. The employee must have 10 years full-time classified service and the immediately preceding five years must be without a break;
3. Transfer to reduced work time is optional to the employee and termination from the program requires employee and employer consent;
4. Salary shall be a pro-rata share of the active salary and no benefit entitlements shall be lost, including health, survivor benefits, disability benefits and retirement;
5. The minimum part-time employment level must be 50% of the employee’s previous full-time employment; and
6. The part-time program shall not exceed five years nor extend beyond the end of the school year during which the employee reaches age 70.

The employer, not CalPERS, is required to verify the eligibility of the employee and to maintain the necessary records to identify the employees involved in the program.

No notice is required to be sent to CalPERS. The employer should report employees under the reduced worktime program as if they had worked full time (i.e. report the pay rate and earnings the employee would receive if she/he works full-time). The employee will also pay member contributions based on the full-time earnings reported. This will result in full service credit and benefits based on full salary levels. The employer and member contributions on the full-time pay will automatically pay for the cost of the program.

**PROPER REPORTING OF OVERTIME PAY RATES FOR SCHOOL MEMBERS**

G.C. section 20636.1 requires all services rendered up to 40 hours per week be reported for non-certificated school members.

G.C. section 20635.1 indicates that overtime compensation is excluded from reporting. Schools commonly have employees who have a regular work week that is less than 40 hours per week, these employees may or may not be paid at a straight-time, hourly rate for those hours. For any services rendered in excess of their regular work week, they receive an overtime rate of pay. In order to comply with G.C. section 20636.1, schools must report this employee to CalPERS for the hours worked over their normal work week, up to 40 hours per week. Even though the member is being paid an overtime rate, any hours worked between the regular work week and 40 hours per week are required to be reported to CalPERS at the straight time hourly rate that corresponds with the salary schedule for that classification. All earnings for services rendered in excess of 40 hours per
Pay Rate and Earnings Relationship

Examples of proper and improper reporting follow. These examples are for an employee being paid $15 per hour for hours up to 35 hours per week (35 hours x 4 weeks = 140 hours). The employee is being paid $22.50 per hour for hours from 36 to 40 per week (5 hours x 4 weeks = 20 hours). The $22.50 per hour pay rate should not be reported to CalPERS.

All pay rates and earnings should reflect the straight time rate of $15 per hour. In the correct example below, reporting to CalPERS may be consolidated on one line reflecting a $15 hourly pay rate and total earnings of $2,400.

Incorrect data is shaded below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Pay Rate</th>
<th>Member Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept (Reg hrs.)</td>
<td>$15.00</td>
<td>$2,100.00</td>
</tr>
<tr>
<td>Sept (OT hrs.)</td>
<td>$15.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>Incorrect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept (Reg hrs.)</td>
<td>$15.00</td>
<td>$2,100.00</td>
</tr>
<tr>
<td>Sept (OT hrs.)</td>
<td>$22.50</td>
<td>$450.00</td>
</tr>
</tbody>
</table>

FURLOUGH REPORTING

A furlough plan represents any time period during which members are directed to be absent from work without pay on the day or days designated by their employer or by a memorandum of understanding by the parties for purposes of achieving budgetary savings. A reduction in pay or pay cut imposed by an employer without any corresponding days off does not constitute a furlough. The result of a furlough is a reduction in earnings.

LOCAL SAFETY & SCHOOL MEMBER FURLough LEGISLATION

Furlough legislation, which added G.C. section 20962.2 to the PERL, protects local safety and school members who have their retirement benefits reduced due to furlough. The employer will need to report the full pay rate and the reduced earnings resulting from the furlough days. The member may see a reduction in service credit depending on the nature of the furlough program.

If a member is reported as working less than 10 full months, 215 days, or 1720 hours in a fiscal year, the service credit earned will be less than one year. A member would begin to see less than a full year of service if they are working 12 months and less than 144 hours per month.

Implementation of G.C. section 20962.2 does not change the manner in which an employer reports payroll to CalPERS. Employers should continue to report the member’s normal pay rate and the furlough reduced earnings to CalPERS. Due to the variety and complexity of the furlough plans being administered among employers, CalPERS has determined that the most efficient approach to implement this legislation is through an annual adjustment process, in which CalPERS will request employers to furnish specific furlough information.

NOTE: This provision in the PERL has no sunset date; therefore, future furloughs which impact local safety or school members will be covered.

Circular Letter 200-005-11 has more detailed information about Furlough Legislation and can be found on the CalPERS Website.

SERVICE PURCHASE OPTION

There is no provision in the PERL which allows members to purchase furlough time.

For more information, call the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).
PAYMENT OF CONTRIBUTIONS USING ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Fund Transfer (EFT) is a method of instructing financial institutions to electronically transfer money from one account to another, eliminating the use of paper checks. Transfers are initiated by using the online payment service at www.calpers.ca.gov.

CalPERS is now offering EFT payment services for all receivables. With EFT payments, you may expect to benefit from a reduction of manual paper processing and the associated errors. You will also reduce costs associated with check processing, reconciliation, and postage, as well as assuring the date your payment is received.

NOTE: Beginning with the July 2011 payroll reporting period, the AESB 626 will no longer be used to submit contributions to CalPERS. To submit contributions follow the directions as indicated per Circular Letter 200-026-11. Be advised that if sending via EFT, your agency must send one EFT for each rate plan (formerly known as Coverage Group).

HOW FUNDS ARE TRANSFERRED

Funds are transferred through an Automated Clearing House (ACH). The Automated Clearing House is a partnership of financial institutions established to exchange funds electronically between participants.

CalPERS offers two electronic payment services you can use to make and manage your receivables, EFT debit method — online through myCalPERS or EFT credit method initiated through your financial institution.

Electronic payment services let you transfer funds from your agency’s checking account directly to our bank — safely, securely, and easily.

- Save time and money — no postage costs and no worries about lost or stolen checks.
- Control your payments — schedule in advance the exact date and time your payments are dispersed.
- Eliminate any penalties or assessments due to missed payment deadlines.
- Any location, at any time — all you need is Internet access.

EFT-DEBIT METHOD PAYMENT SERVICE

myCalPERS offers real time access, tracking of your payment transactions, control and flexibility.

- Security - all payment information is encrypted using “Verisign” technology.
- Accuracy - review, modify, or cancel a payment any time before settlement.
- Convenience - payment history is just a click away. Payment amount, settlement date and time, and more can be reviewed, sorted, printed, and used for validation or accounting reports.
- No Cost - CalPERS pays the cost for you to report an ACH debit transaction.

EFT-DEBIT METHOD ENROLLMENT

The ACH debit method allows you to transfer funds by authorizing CalPERS to electronically debit a bank account you control for the amount you report via the CalPERS Website to the CalPERS Data Collector.

CalPERS does not have access to your bank account without your authorization by the ACH Debit process for each payment. Funds can only be transferred to CalPERS for the specific purpose and dollar amounts you request and initiate. The information you are requested to provide will identify you, the purpose of the payment, and the amount. If you authorize a payment before 3:00 PM Pacific Time, it will be withdrawn from your bank account and deposited into a CalPERS account the following banking day. Two banking days from your settlement date, payment identification is downloaded into the CalPERS accounting system crediting your agency with a payment.
Please make allowance for this time period when reviewing the date your payment is due and determining your settlement date.

Example: If your payment is due Monday, March 10th, you must have a settlement date by Thursday, March 6th. Then, the payment will be credited in the CalPERS accounting system on Monday, March 10th. Please remember to calculate additional time for bank holidays.

**EFT-CREDIT METHOD PAYMENT SERVICE**

This payment option is for agencies unable to utilize the EFT debit method. For ACH Credit payments, you instruct your financial institution to debit your account and credit the State’s bank account. For this type of transaction you must ensure your financial institution has the ability to send ACH credit transactions in the required format (CalPERS Credit File Specifications). There are normal set-up and transaction fees for which you are responsible. There may also be special hardware and software requirements. Contact your financial institution for requirement details.

**EFT-CREDIT METHOD ENROLLMENT**

An *Enrollment Authorization* form must be completed and signed for each employer transferring funds to CalPERS. If you are transferring funds on behalf of other employers you must obtain a separate authorization for each entity.

To obtain a copy of the *Enrollment Authorization* form, please visit the [Forms & Publications Center](http://www.calpers.ca.gov) on the CalPERS Website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Following your registration for the EFT Credit Method, CalPERS will provide you the ACH file specifications for your financial institution. Please do not attempt to transfer funds until you have received the file specifications.

For more information, visit the CalPERS Website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or contact a CalPERS representative by calling 888 CalPERS (or 888-225-7377).