Circular Letter

TO: STATE AGENCIES, CONTRACTING EMPLOYERS, CALPERS-AFFILIATED EMPLOYEE AND RETIREE ASSOCIATIONS, AGRICULTURAL DISTRICTS, STATE COLLEGES AND UNIVERSITIES, COUNTY SUPERINTENDENTS OF SCHOOLS, AND INDIVIDUAL SCHOOL DISTRICTS

SUBJECT: REPORTING COMPENSATION AS EARNED

The California Government Code requires that employers identify the pay period in which compensation was earned, regardless of when it is paid or reported to the California Public Employees’ Retirement System (CalPERS). This is true whether the compensation being reported is the member’s base pay or special compensation. The Government Code also specifies that the payrate reported is the monthly rate of pay or the base pay of the member paid pursuant to publicly available pay schedules. Payrate cannot include special compensation.

CalPERS is finding that employers are reporting special compensation on a prospective basis, that is before it has actually been earned. Effective immediately all compensation reported to CalPERS is to be reported as earned. Special compensation must be reported separately as earned, without lump sums or prospective payments and is not to be included in payrate. The CalPERS’ Procedures Manual and Web site are being updated to clarify these requirements.

CalPERS relies on the information reported by employers to provide services such as retirement estimates, benefit payments and for setting the employer contribution rates. Failure to properly report information to CalPERS can result in inflated benefit payments which would cause an adjustment to the retiree’s benefits plus the need to recover the benefit overpayment. Please make sure that all information reported is complete, accurate and timely.

The California Government Code sections, in pertinent part, are attached. If you have questions please call our Employer Contact Center toll free at 888 CalPERS (or 888-225-7377).

Lori McGartland, Acting Chief
Actuarial and Employer Services Division

Attachment