Circular Letter

TO: NON-CENTRAL STATE AGENCIES

SUBJECT: REVISED PAYROLL REPORTING DUE TO FURLOUGHS – NON-CENTRAL STATE AGENCIES

This Circular Letter rescinds and replaces in its entirety Circular Letter 200-059-09 dated September 29, 2009, regarding Proper Payroll Reporting Due To Furloughs for Non-Central State Agencies or agencies that do not report payroll through the State Controllers Office (SCO). This new Circular Letter was needed to clarify reporting instructions which may vary depending upon the reporting method used. If using the CalPERS Payroll Reporting System Version 1.0.30 you must report the retroactive salary adjustment, contribution code 15, using a supplemental payroll or wait for the next service period to report the contribution code 15. This will avoid the error of reporting a retroactive salary adjustment on a current service period. This error will not be a factor if your agency uses the Create Payroll File in ACES or the pre-list reporting method.

CalPERS is providing payroll reporting guidance to State agencies that report directly to CalPERS to ensure members subject to mandatory furloughs receive the proper service credit and retirement benefits. The Governor’s Executive Orders S-16-08 and S-13-09 state the Governor’s intent that the mandatory furloughs should not reduce any member’s retirement benefits.

December 2009 – June 2010 Reporting Instructions
Beginning with the December 2009 reporting period, all payroll reporting for members subject to furlough time should be reported differently to ensure employees receive the correct amount of service credit. Because of limitations on our payroll system, it is necessary that a two step process be followed for the payroll submissions.

First, you need to report a reduced payrate that is attributable to the furloughs. This reduced payrate will not be used for retirement, but will only be used by our system to generate unreduced service credit. Each furlough day is a reduction of 4.615% of pay. Three furlough days reduces payrate by 13.85%. This is the same for hourly and monthly payrates and also applies to part-time positions. To calculate the reduced payrate multiply the payrate by 13.85%, then subtract that amount from the payrate.
For example: payrate is $3,841.00; 3841.00 * 13.85% = $531.98.

$3,841.00 – 531.98 = $3,309.02. This is the reduced payrate.

You would do the same calculation for a reduced hourly payrate as well as any part-time position.

The second step is to report a retroactive salary adjustment to bring the payrate back up to the correct amount. If you are using the Create Payroll File in ACES, or the pre-list method to report your payroll, you can report the retroactive salary adjustments (contribution code 15) with your current payroll.

You may also report the retroactive salary adjustments (contribution code 15) on the Supplemental Payroll Reporting form (PERS-AESD-624) and submit it with your current payroll.

If you are using the CalPERS Payroll Reporting System, you must report the retroactive salary adjustment (contribution code 15) using a supplemental payroll or wait for the next service period to report the contribution code 15. For example, you can report the retroactive salary adjustments (contribution code 15) for service period 12-2009-0 with your payroll for service period 01-2010-0.

(See chart below and Example #1.)

<table>
<thead>
<tr>
<th>Step</th>
<th>Current Service Period</th>
<th>Action</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>On line 1 enter:</td>
<td>This step allows our system to calculate unreduced service credit. Contribution code 11 for current contribution.</td>
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<tr>
<td></td>
<td></td>
<td>• the reduced payrate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• actual earnings reduced by furloughs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• contribution code 11</td>
<td></td>
</tr>
</tbody>
</table>
|   | **Current Service Period via ACES or Prelist Method**<br>On line 2 enter a retroactive salary adjustment:  
  - the current service period  
  - the unreduced payrate  
  - $0.02 earnings  
  - contribution code 15 | This step adjusts the payrate back up to ensure final compensation is unreduced.  
|   | **Current Service Period via Supplemental Payroll Reporting Form**<br>On line 1 on the Supplemental Payroll Reporting Form (PERS-AESD-624) enter a retroactive salary adjustment:  
  - the current service period  
  - the unreduced payrate  
  - $0.02 earnings  
  - contribution code 15 | OR  
|   | **To Report Next Service Period via CalPERS Payroll Reporting System**<br>On line 1 enter:  
  - the current service period (e.g., 01-2010-0)  
  - the reduced payrate  
  - actual earnings reduced by furloughs  
  - contribution code 11 |  
|   | On Line 2 enter a retroactive salary adjustment with:  
  - the prior service period (e.g., 12-2009-0)  
  - the unreduced payrate  
  - $0.02 earnings  
  - contribution code 15 |  

Since mandatory furloughs began in February 2009, prior payroll must be corrected for affected members for the February through November 2009 time period. Continue to report in this manner until furloughs are no longer required.

California Public Employees' Retirement System  
[www.calpers.ca.gov](http://www.calpers.ca.gov)
**July 2009 – November 2009 Reporting Instructions**

To ensure proper service crediting for the 2009-2010 fiscal year, all employees subject to furloughs during these five months will need to be reversed out and resubmitted following the three step process outlined below and in Example #2.

<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
<th>Result</th>
</tr>
</thead>
</table>
| 1    | On line 1 enter the original transaction including:  
• the original service period  
• the payrate remains positive  
• earnings as a negative amount  
• contribution code 13  
• member contribution amount as a negative amount | This step removes the incorrect entry. |
| 2    | On line 2 enter the correct transaction using:  
• the original service period  
• reduced payrate  
• actual earnings as reduced by furloughs  
• contribution code 13 | This step allows our system to calculate unreduced service credit. Contribution code 13 for prior period earnings adjustment. |
| 3    | On line 3 enter:  
• the original service period  
• the unreduced payrate  
• $0.02 earnings for mandatory furlough  
The $.02 is required so the system can process and staff can distinguish between the mandatory furlough and the voluntary leave program.  
• Contribution code 15 | This step adjusts the payrate back up to ensure final compensation is unreduced. This code is for a retroactive salary adjustment. |

**February 2009 - June 2009 Reporting Instructions**

Service credit is accrued annually based on a fiscal year time timeframe. For the 2008-2009 fiscal year, full-time employees who worked full-time through June 2009 accrued a full year of service credit despite the furloughs. Therefore, the payroll reported for these individuals does not need to be corrected to ensure accurate service credit accrual. Despite the two day monthly furloughs imposed during this period, part-time members with a time base of greater than or equal to 87%, also accrued a full year of service credit. However, payroll reported for furloughed part-time employees whose time base was less than 87%, and payroll reported for any employees who separated between February 1 and June 30, 2009 resulted in reduced service credit. Therefore, their payroll should be reversed and resubmitted using the three step process outlined above so employees receive the same amount of service credit as they would have if they had not been furloughed.
Note: State employees were subject to two furlough days per month for the period February – June 2009. Therefore, the payrate would be reduced by 9.23% rather than the 13.85% adjustment for three furlough days.

We appreciate the difficulties these payroll reporting instructions may cause you; however, it is necessary to ensure your members’ service credit and retirement allowances remain unaffected by the furloughs. If you have any questions, please call our Employer Contact Center at 888 CalPERS (or 888-225-7377).

Lori McGartland, Chief
Employer Services Division

Attachment
Attachment

Example #1 – Reporting December 2009 – June 2010 (Monthly)

Current Service Period (File Service Period 12-2009-0)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>12 2009 0 01</td>
<td>01</td>
<td>3309.02</td>
<td>3309.02</td>
<td>0500</td>
<td>00</td>
<td>0.00</td>
<td>0.00</td>
<td>173</td>
<td>000</td>
<td>11</td>
<td>139.80</td>
<td></td>
</tr>
</tbody>
</table>

AND

Current Service Period via ACES or Pre-List (File Service Period 12-2009-0)

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<tr>
<th></th>
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<tbody>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>12 2009 0 01</td>
<td>01</td>
<td>3841.00</td>
<td>0.02</td>
<td>0500</td>
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<td>0.00</td>
<td>173</td>
<td>000</td>
<td>15</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

OR

Current Service Period via the Supplemental Payroll Reporting Form (PERS-AESD-624) (File Service Period 12-2009-0)

<table>
<thead>
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<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>12 2009 0 01</td>
<td>01</td>
<td>3841.00</td>
<td>0.02</td>
<td>0500</td>
<td>00</td>
<td>0.00</td>
<td>0.00</td>
<td>173</td>
<td>000</td>
<td>15</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

OR
Next Service Period (File Service Period 01-2010-0) via CalPERS Payroll Reporting System

<table>
<thead>
<tr>
<th>SSN</th>
<th>Mbr Name</th>
<th>Coverage Group</th>
<th>Service Period</th>
<th>Pay Code</th>
<th>Payrate</th>
<th>Earnings Rate</th>
<th>Rate</th>
<th>Member Paid Contrib Code</th>
<th>Amt</th>
<th>Survivor Contrib Amount</th>
<th>Work Schd Code</th>
<th>Unit Code</th>
<th>Tax-Deferred Mbr Contrib Code</th>
<th>Amt</th>
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</thead>
<tbody>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>01 2010</td>
<td>01</td>
<td>3309.02</td>
<td>3309.02</td>
<td>0500</td>
<td></td>
<td>0.00</td>
<td></td>
<td>173</td>
<td>000</td>
<td>11</td>
<td>139.80</td>
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<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
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<td>12 2009</td>
<td>01</td>
<td>3841.00</td>
<td>0.02</td>
<td>0500</td>
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<td>0.00</td>
<td></td>
<td>173</td>
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<td>15</td>
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</table>

Example #2 – To Correct July 2009 – November 2009 Reporting (Monthly)

<table>
<thead>
<tr>
<th>SSN</th>
<th>Mbr Name</th>
<th>Coverage Group</th>
<th>Service Period</th>
<th>Pay Code</th>
<th>Payrate</th>
<th>Earnings Rate</th>
<th>Rate</th>
<th>Member Paid Contribution Code</th>
<th>Amt</th>
<th>Survivor Contrib Amount</th>
<th>Work Schd Code</th>
<th>Unit Code</th>
<th>Tax-Deferred Mbr Contrib Code</th>
<th>Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>07 2009</td>
<td>01</td>
<td>3841.00</td>
<td>(3309.02)</td>
<td>0500</td>
<td></td>
<td>0.00</td>
<td></td>
<td>173</td>
<td>000</td>
<td>13</td>
<td>(139.80)</td>
</tr>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
<td>10006</td>
<td>07 2009</td>
<td>01</td>
<td>3309.02</td>
<td>3309.02</td>
<td>0500</td>
<td></td>
<td>0.00</td>
<td></td>
<td>173</td>
<td>000</td>
<td>13</td>
<td>139.80</td>
</tr>
<tr>
<td>555-55-5555</td>
<td>Jones J D</td>
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<td>07 2009</td>
<td>01</td>
<td>3841.00</td>
<td>0.02</td>
<td>0500</td>
<td></td>
<td>0.00</td>
<td></td>
<td>173</td>
<td>000</td>
<td>15</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Please note: If reporting hourly use a Pay Code 04, if reporting monthly use Pay Code 01.