![CalPERS logo]

Payrate Reporting for Classified School Members

March 8, 2024

Circular Letter: 200-014-24

Topic: Payroll

To: All CalPERS School Employers

Purpose

The purpose of this Circular Letter is to inform school employers on compliant payrate reporting for classified school members and increase awareness of how misreported payrates cause inaccurate service credit accrual and inaccurate retirement benefits. This information is also intended to ensure payrate reporting for classified school members complies with the Public Employees' Retirement Law (PERL), specifically Government (Gov.) Code section 20636.1, and service credit accrual under Gov. Code sections 20962 (full time) and 20966 (part time).

Defining Payrate for Classified School Members

Pursuant to Gov. Code section 20636.1(b), 'Payrate' is the normal monthly rate of pay[1] or base pay of the member for services rendered on a full-time basis, pursuant to publicly available pay schedules.

For classified school members, full-time employment is 40 hours per week, and payments for services rendered, not to exceed 40 hours per week, shall be reported as compensation earnable for all months of the year in which work is performed.

Payrate Reporting Errors for Classified School Members

Payrate reported as earnings for classified school members is a common payroll reporting error. When the payrate is not based on 40 hours per week, 2,080 hours per year[2], or 173.3333 hours per month[3], the result is inaccurate service credit accrual and miscalculated

final compensation.

Calculating Full-Time Equivalent Payrates

School employers can report monthly, daily, or hourly payrates. To calculate the full-time equivalent (FTE) for monthly and daily payrates, begin with the hourly FTE payrate calculation.

In the scenario below, the hourly FTE payrate is the base form of pay, as it measures how much a member earns on an hourly basis.

The following is an example of a classified school member's information:

- 215 work days per year
- 7.5 hours in a work day
- 10 work months per year
- $50,000.00 annual base salary

Calculating Hourly FTE Payrate

To calculate the hourly FTE payrate, the appropriate method is:

- Annual base salary ÷ work days per year ÷ hours in a work day = hourly FTE payrate
- Using the example of a classified school member's information:
  - $50,000.00 ÷ 215 ÷ 7.5 = $31.01

Calculating Daily FTE Payrate

To calculate the daily FTE payrate, the appropriate method is:

- Annual base salary ÷ work days per year ÷ hours in a work day × 8 = daily FTE payrate
- Using the example of a classified school member's information:
  - $50,000.00 ÷ 215 ÷ 7.5 × 8 = $248.06

Calculating Monthly FTE Payrate

To calculate the monthly FTE payrate, the appropriate method is:

- Annual base salary ÷ work days per year ÷ hours in a work day × (40 hours per week × 52 weeks per year ÷ 12 months per year) = monthly FTE payrate

- Using the example of a classified school member's information:
    - $50,000.00 ÷ 215 ÷ 7.5 × (40 × 52 ÷ 12) = $5,374.68

Note: monthly earnings remain at $5,000.

Compliance in Compensation Reporting Webpage

We provide tools for employers to accurately report compensation. The Employer Account Management Division (EAMD) has added information on the Compliance in Compensation Reporting webpage. Under Audit Compliance & Resolution, there is a section titled **Calculate Full-Time Equivalent (FTE) Payrate for Classified School Members**. School employers can use this resource for information related to FTE payrates, and use the examples provided to calculate hourly, daily, and monthly FTE payrates. Also included on this webpage is a FTE Payrate Calculator; school employers can use the calculator to verify their hourly, daily, or monthly FTE payrate by inputting the classified school member's:

- Monthly Earnings

- Months Worked Per Year

- Hours Worked Per Day

- Days Worked Per Year

Impacts on Service Credit

Accurate reporting of payrate and earnings will result in correct accrual of service credit. Although a member may be considered full time by school employers for working all 215 days over 10 months, for our purposes, full-time service credit accrual in a fiscal year is a minimum of 1,720 hours (Gov. Code section 20962). In the example above, the classified school member works 1,612.5 hours (215 days multiplied by 7.5 hours) in a fiscal year. Therefore, the member does not accrue full-time service credit.

Impacts on Final Compensation

Final Compensation is one of three factors used to calculate retirement allowance, see Basic Retirement Calculation below. Final Compensation is the highest 12- or 36-month average of payrate and special compensation. When payrates are not based on the FTE, the payrate used for the final compensation calculation is lowered, while the service credit is inflated.

Basic Retirement Calculation

Service Credit × Benefit Factor × Final Compensation = **Highest Pension Benefit** (Unmodified Allowance)

where:

Service Credit
Is the number of years of CalPERS service

Benefit Factor
Is the percentage of pay based on your age

Final Compensation
Is your highest monthly average salary for a defined period

Highest Pension Benefit
Also called Unmodified Allowance. Is your highest possible monthly benefit after you retire from CalPERS

Questions

Questions related to FTE payrate compliance and reporting can be emailed to the Employer Account Management Division – Audit Compliance and Resolution Unit at MOU_Review@calpers.ca.gov.

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

Brad Hanson, Interim Chief
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[1]Monthly rate of pay is based on full-time employment at 40 hours per week.

[2]40 hours per week × 52 weeks per year = 2,080 hours per year.

[3]40 hours per week × 52 weeks per year ÷ 12 months per year = 173.3333 hours per month.

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