

# Pay Rate Reporting for Classified School Members

January 6, 2025

Circular Letter: 200-003-25

Topic: Payroll

To: All CalPERS School Employers

## Purpose

The purpose of this Circular Letter is to inform school employers on compliant pay rate reporting for classified school members and increase awareness of how misreported pay rates cause inaccurate service credit accrual and inaccurate retirement benefits. This information is also intended to ensure pay rate reporting for classified school members complies with the Public Employees' Retirement Law (PERL), specifically Government (Gov.) Code section 20636.1 and California Code of Regulations (CCR) section 574, and service credit accrual under Gov. Code sections 20962 (full time) and 20966 (part time).

This Circular Letter supersedes and replaces the information related to Payrate Reporting for Classified School Members in 200-014-24 published on March 8, 2024.

## Defining Pay Rate for Classified School Members

Pursuant to Gov. Code section 20636.1(b), 'Payrate' is the normal monthly rate of pay<sup>1</sup> 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.

Clarified in CCR section 574(c) for classified members, full time means 40 hours per week; payments for services rendered, not to exceed 40 hours per week, shall be reported as compensation earnable or pensionable compensation for all months of the year in which work is performed. The number of work days in a year includes days and hours during which the member is excused from work and compensated for holidays, sick leave, vacation, compensatory time off, and leave of absence. Further clarified in CCR section 574(c)(1)(A-C) are the exact calculation methods used to determine the hourly, daily, and monthly full-time pay rates for classified members:

### Hourly

Hourly Pay Rate = Annual Base Salary ÷ Work Days per Year ÷ Work Hours per Day

### Daily

Daily Pay Rate = Hourly Pay Rate × 8 (full-time hours in a day)

### Monthly

Monthly Pay Rate = Hourly Pay Rate × 2,080 (full-time hours per year) ÷ 12 (full-time months per year)

## Pay Rate Reporting Errors for Classified School Members

Pay rate reported as earnings for classified school members is a common payroll reporting error. When the pay rate is not based on 40 hours per week, 2,080 hours per year<sup>2</sup>, or 173.3333 hours per month<sup>3</sup>, the result is inaccurate service credit accrual and miscalculated final compensation.

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

## Example

In the scenario below, the hourly FTE pay rate 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 the Hourly FTE Pay Rate

To calculate the hourly FTE pay rate, the appropriate method is:

- **Formula:** Annual base salary ÷ work days per year ÷ hours in a work day = hourly FTE pay rate
- **Example:** \$50,000.00 ÷ 215 ÷ 7.5 = \$31.01

## Calculating the Daily FTE Pay Rate

To calculate the daily FTE pay rate, the appropriate method is:

- **Formula:** Annual base salary ÷ work days per year ÷ hours in a work day × 8 = daily FTE pay rate
- **Example:** \$50,000.00 ÷ 215 ÷ 7.5 × 8 = \$248.06

## Calculating the Monthly FTE Pay Rate

To calculate the monthly FTE pay rate, the appropriate method is:

- **Formula:** 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 pay rate
- **Example:** \$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 has added information on the Compliance in Compensation Reporting webpage. Under Audit Compliance & Resolution, is a section titled **Calculate Full-Time Equivalent (FTE) Pay Rate for Classified School Members**. School employers can use this resource for information related to FTE pay rates, using the examples provided to calculate hourly, daily, and monthly FTE pay rates. Also included on this webpage is a Full-Time Equivalent Pay Rate Calculator (Classified School Members). School employers can use the calculator to verify their hourly, daily, or monthly FTE pay rate 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 pay rate 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 below). Final compensation is the highest 12- or

36-month average of pay rate and special compensation. When pay rates are not based on the FTE, the pay rate 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 pay rate compliance and reporting can be emailed to the Employer Account Management Division – Audit Compliance and Resolution Unit at [MOU\\_Review@calpers.ca.gov](mailto:MOU_Review@calpers.ca.gov).

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

Brad Hanson, Division Chief

Employer Account Management Division

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<sup>1</sup> Monthly rate of pay is based on full-time employment of 40 hours per week.

<sup>2</sup> 40 hours per week × 52 weeks per year = 2,080 hours per year.

<sup>3</sup> 40 hours per week × 52 weeks per year ÷ 12 months per year = 173.3333 hours per month.