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Circular Letter

TO: NON-CENTRAL STATE AGENCIES

SUBJECT: PROPER PAYROLL REPORTING DUE TO FURLOUGHS

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.

September 2009 – June 2010 Reporting Instructions

Beginning with the September 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. To calculate the reduced payrate multiply the payrate by 13.85%, then subtract that amount from the payrate.

For example: payrate is \$3841.00; $3841.00 * 13.85\% = \$531.98$.

$\$3,841.00 - 531.98 = \3309.02 . This is the reduced payrate.

You would do the same calculation for a reduced hourly payrate.

The second step is to report an adjustment to bring the payrate back up to the correct amount. (See chart below and example #1.)

Step	Action	Result
1	On line 1 enter: - the reduced payrate - actual earnings reduced by furloughs - contribution code 11	This step allows our system to calculate unreduced service credit. Contribution code 11 for current contribution.
2	On line 2 enter a retroactive salary adjustment with: - the unreduced payrate \$0.02 earnings - contribution code 15	This step adjusts the payrate back up to ensure final compensation is unreduced.

Since mandatory furloughs began in February 2009, prior payroll must be corrected for affected members for the February through August 2009 time period.

July 2009 – August 2009 Reporting Instructions

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

Step	Action	Result
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 September 2009 – June 2010

	SSN	Mbr Name			Coverage Group	Service Period			Pay Code	Payrate	Earnings	Rate	Member Paid Contrib		Survivor Contrib Amount	Work Schd Code	Unit Code	Tax-Deferred Mbr Contrib	
		Last	FI	MI		Mo	YR	Type					Code	Amt.				Code	Amt
Line 1	555-55-5555	Jones	J	D	10006	09	2009	0	01	3309.02	3309.02	0500	00	0.00	0.00	173	000	11	139.80
Line 2	555-55-5555	Jones	J	D	10006	09	2009	0	01	3841.00	0.02	0500	00	0.00	0.00	173	000	15	0.00

Example #2 – To Correct July 2009 – August 2009 Reporting

	SSN	Mbr Name			Coverage Group	Service Period			Pay Code	Payrate	Earnings	Rate	Member Paid Contribution		Survivor Contrib Amount	Work Schd Code	Unit Code	Tax-Deferred Mbr Contrib	
		Last	FI	MI		Mo	YR	Type					Code	Amt.				Code	Amt
Line 1	555-55-5555	Jones	J	D	10006	07	2009	0	01	3841.00	(3309.02)	0500	00	0.00	0.00	173	000	13	(139.80)
Line 2	555-55-5555	Jones	J	D	10006	07	2009	0	01	3309.02	3309.02	0500	00	0.00	0.00	173	000	13	139.80
Line 3	555-55-5555	Jones	J	D	10006	07	2009	0	01	3841.00	0.02	0500	00	0.00	0.00	173	000	15	0.00