

Employer Information Circular



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CHANGES TO CREDITABLE COMPENSATION INCREASE THE IMPACT OF REPORTING ERRORS ON BENEFITS AND ACCOUNT BALANCES FOR CalSTRS MEMBERS

Chapter 1021, Statutes of 2000 (Assembly Bill 2700) effective July 1, 2002, resulted in changes to creditable compensation and revised reporting procedures for employers. The purpose of this circular is to notify employers of the common reporting errors that relate to these changes, the potential impact of these errors on a member's account and/or monthly retirement allowance, and how California State Teachers' Retirement System (CalSTRS) and employer payroll and personnel staff can work together to ensure that accurate data is consistently appended to the member's accounts.

Members performing summer school and intersession service, or duties in addition to their normal full-time or part-time assignment, or holding multiple part-time positions can have more than one year of service credit reported to CalSTRS. These members, however, will be credited with no more than one year of service credit in a school year. At the end of the school year or when a monthly benefit is payable, the CalSTRS automated process retains 1.000 of service credit in the member's Defined Benefit (DB) account at the highest pay rates based on the creditable service reported by the employers. The contributions on the excess service are then credited to the member's Defined Benefit Supplement (DBS) account. Accurate employer reporting of pay codes, pay rates and earnings is critical to this automated process in that incorrect data has a direct effect on the member's account balances and the benefits received by members and their beneficiaries. The additional DBS contributions will also be included on the member's annual Statement of Account. Therefore, receiving accurate data will minimize inquiries to employers from CalSTRS members regarding discrepancies found on their annual Statement of Account.

In addition, special compensation reporting errors can affect a member's compensation earnable for final compensation or DBS account balance and, therefore, the benefit ultimately paid from their DB and DBS accounts.

The attached table contains the most common reporting errors identified since the implementation of Chapter 1021 on July 1, 2002. Please continue to refer to the CalSTRS Employers' Creditable Compensation Guide and County and District Procedure Manual. These are both available in the employer section of the CalSTRS web site at www.calstrs.ca.gov.

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Under separate cover, CalSTRS reporting representatives will provide county office payroll staff with edit reports and special listings of members that appear to have reporting errors related to Chapter 1021. CalSTRS reporting representatives will work with their county payroll staff individually to develop strategies to correct and prevent identified reporting problems. We recognize that employers are especially constrained by budget cutbacks and declining resources and we will work with you to make the corrections efficiently. Our goal is to have the most critical data corrected before the June retiree's benefits are finalized or the year-end Annual Statement of Account is issued.

Please make every effort to submit all corrections with your June 2003 report due July 30, 2003. If corrections cannot be submitted with the June report, the County Office of Education payroll supervisors should notify CalSTRS reporting supervisors, Sharon Whittington and Rose Lopez at (916) 229-3815 and (916) 229-3823, respectively.

Working Together

There has been a renewed interest to enhance our employer training efforts due to recent program complexities, which include changes to creditable compensation and community college minimum standards. Currently, CalSTRS Membership Division staff are providing on-site employer training workshops to discuss these changes and answer your specific questions. We recognize that additional workshops may be needed to discuss issues arising from CalSTRS reporting requirements. If you are interested in sponsoring a workshop in your area, please contact your reporting technician.

Please continue to direct your specific creditable compensation questions to the AB 2700 Response Team at: ab2700responseteam@calstrs.ca.gov.



**MOST COMMON REPORTING ERRORS IDENTIFIED
SINCE THE IMPLEMENTATION OF AB 2700 ON JULY 1, 2002**

REPORTING PROBLEM/ ERROR	EXAMPLE	SOLUTION	MAY ADVERSELY IMPACT DB COMPENSATION EARNABLE	AFFECTS DBS BALANCE INCLUDED ON ANNUAL STATEMENT OF ACCOUNT
Additional assignments misreported	Pay for additional assignments included with salary. For example, compensation earned for a 7 th period is included in the FTE pay rate of the original contract when 6 periods is the full-time requirement	Report the 7 th period as an additional assignment	No	Yes
	Additional assignments reported with contribution code 6	Report additional assignments with pay rate based on the hourly/daily rate for that assignment and the member's annual FTE and report with contribution code 1 or 3 as appropriate		
Inconsistent pay codes reported	Reporting a 10 pay contract with pay code 1 instead of 3	Report pay codes consistent with the contract	Yes	Yes
	Reporting a member hourly or daily pay rate with an annual pay code 0	Report member hourly or daily service using the annualized FTE pay rate with a pay code 0		
Special compensation misreported	Special compensation (bonus or allowance) reported with a contribution code 6 but the earnings do not equal the pay rate	Report special compensation with earnings and pay rate equal, pay code 0 and contribution code 6	Yes	No
	Special compensation (bonus or allowance) reported with a contribution code 1 or 3	Report special compensation with earnings and pay rate equal, pay code 0 and contribution code 6		

REPORTING PROBLEM/ ERROR	EXAMPLE	SOLUTION	MAY ADVERSELY IMPACT DB COMPENSATION EARNABLE	AFFECTS DBS BALANCE INCLUDED ON ANNUAL STATEMENT OF ACCOUNT
Obsolete reporting codes used for service performed after July 1, 2002	Summer school and intersession reported with assignment codes 59 and 49.	Report summer school and intersession as an additional part-time assignment	Depends on whether service is creditable or non-creditable	Depends on whether service is creditable or non-creditable
	Additional service and non-creditable service reported as overtime (contribution code 9)	Report additional assignments with a pay rate based on the hourly/daily rate for that assignment and the member's annual FTE and report with contribution code 1 or 3 as appropriate Do not report non-creditable service		
Unable to match Contribution Code 5 or 2 to previously reported service	Retroactive adjustment (contribution code 5) for part-time service (assignment code 55) misreported with assignment code 54	Ensure that all fields match (i.e., date, pay rates, pay codes and Assignment Codes)	Yes	Yes
Retirement incentives or limited term enhancements (LTE) reported to DB instead of to DBS	Reporting a signing bonus or retirement incentive using Assignment Code 55 and Contribution Code 6	Report using Assignment Code 71 and Contribution Code 6	Yes	Yes
Reporting bonuses for Reduced Workload Program (RWP) participants incorrectly	Reporting a bonus that <u>pertains</u> to the RWP position with the earnings equal to the pay rate	Earnings should be reduced based on the RWP contractual agreement using assignment code 36	Yes	No
Reporting Reduced Workload Program (RWP) participants to the Cash Balance Plan instead of to the Defined Benefit Program	Reporting additional compensation for RWP participants using non-member code 02	RWP participants are considered full-time for employment basis and all additional compensation should be reported using member code 01	Yes	Yes