Agenda

• What is a “Concept”
  – “New” for this Year

• Employee or Contractor

• Certificated or Classified

• Salary Schedules

• Base Pay Rate
Agenda

• Types of Pay
• Salary Computations
• Late Hires and Early Terminations
• Payroll Balancing
• Next “Concept” Class
  – September 23, 2014
    • Payroll Deductions/Withholdings
Employee or Contractor

• Biggest Challenge Facing all Companies
  – Employee Means Payroll Taxes
  – Independent Contractor Means No Payroll Taxes

• Companies Do Not Get to Choose
  – Laws to Determine Proper Classification
  – Three General Tests
  – See IRS Proper Worker Classification
Employee or Contractor

- Does the Business Retain the Right to Control…
  - The Worker
  - How the Services are Performed

  Right to Control Includes…
  - Instructions
    - Degree of Instruction
    - Evaluation System
  - Training
    - Detailed Methods
    - Periodic or Ongoing
Employee or Contractor

• Does the Business Have Financial Control Over Worker…
  – Investment
    • Significant but No Precise Dollar Amount
  – Expenses
    • Reimbursable
  – Opportunity to Make a Profit or Loss
  – Availability of Services
  – Method of Payment
Employee or Contractor

• How is the Business Relationship Viewed by Both
  • Written Contract (alone, not sufficient)
  • Employee Type Benefits
    – Paid Vacation, Holidays
  • Employment/Termination Method
    – Indefinite Status
  • Activity of Worker Key to the Business
    – Baker and the Bakery, or
    – Repairman for Bakery Oven
Employee or Contractor

• Take All Three Tests Into Account

• Still not Sure?
  – Form SS-8
    • No Fee
    • Six Months for Decision
    • But, IRS Makes the Decision
      – Worth It if the Same Type of Workers Need Hiring

• Misclassification of Workers
  – Assessment of Tax Liabilities
Certificated

• Certificated Service Requires Credential
  (Education Code 44830 (K-12))
  – Teaching Certification Required
  – Substitute Requirements
  – 39 Month Rehire
Classified Service includes all Positions not Requiring Certification Except:

(Education Code 45256 and 45103 (K-12))

- Volunteers
- Contractors employed on a temporary basis for a specific project
Board Members

- Board Members
  - Elected officials
  - Paid through Payroll
    - Subject to taxes
    - W2
    - No SUI
  - Not STRS
  - PERS elected to board prior to 7/1/1994
    (Gov. Code Section 20361)
Retirees

- Retirees
  - Same duties
    - Pay through payroll
    - Not Independent Contractors
  - Watch tax rules
    - Medicare applies when rehired, regardless of age
    - OASDI exempt unless working in a classification other than their regular retirement classification
Retirees

- STRS Post Retirement Employment
  - Earnings Limitation for FY14 = $40,173.
  - Must wait 6 months (180 days) before returning to work with a CalSTRS employer
  - Will reduce their retirement benefit dollar for dollar by an amount equal to their earnings
  - Can’t be hired in classified position (Ed Code 45134)
Retirees

- PERS Retirement Summary of Regulations
  - After January 1, 2013, retiree must wait 6 months (180 days) before they can return to work with a CalPERS employer
    - Limited by hours if skills needed (960 hours)
    - Limited by receipt of unemployment within previous 12 months (Form DPA 715)
Salary Schedules

• Usually developed outside of the payroll department in order to have true separation between functions/departments

• The placement of an employee on the salary schedule should also be done outside the payroll area
Base Pay Rate

• Determined by employee’s position and step on a board approved Salary Schedule

• Starting point for Salary Computations
Types of Pay

• Normal Pay
  – 10, 11, 12 month worked
  – Paid on a monthly, hourly or daily basis
  – Lump sum pay not normal pay

• Retroactive Pay
  – Watch contract language
  – Due to assignment changes
  – Must be compensated
  – Certificated - day to day recalculation
  – Classified – hourly or monthly recalculation
Types of Pay

• Deferred
  – 10 month employees paid over 11 or 12 months after they have worked

• Constructive Receipt Rules
  – Salary is taxable for federal and state at the times the employee had the opportunity to receive it, or during the months they actually worked
  – DNP – Net of Taxes
Types of Pay

• Additional Pay
  – Overtime, Stipends, Bonuses and Special Compensation
    • New definitions for PERS Special Comp
    • Many times based on Miscellaneous Salary Schedule
  – Generally Added to Base Rate or Base Pay
    • What was is not always what is now
  – Watch Tax Rules
    • Retirement plans asking for documentation
Types of Pay

• Overpayments
  – Check, cash or payroll deduction
  – Payroll deduction only if authorized by employee
    • Exception is Recovery of Unearned Vacation Days
  – If not authorized seek legal means
  – Remember to think about the tax implications
Types of Pay - Overtime

• Overtime
  – Exempt Employees
    • Fact Sheet 17A – White Collar Exemptions
  – “Non Exempt” Employees
  – Collective Bargaining Agreement
  – Watch Defined Work Week
  – Education Code Regulations
  – Federal Fair Labor Standards Act
Salary Computations - Certificated

• Paid based on an annual contract and a set number of “duty” days
• Tied to a salary schedule
• Not provided holiday and vacation pay under Education Code
  – District can always offer more but cannot offer less
• Changes in Assignment must be reported separately to STRS
Salary Computation - Certificated

Based on 12 month employee:
365 Days Per Year
-104 (Sat/Sun)
-13 Holidays as defined by Ed Code
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248 Workdays (varies per district)
Salary Computation - Classified

• Paid based on a monthly salary schedule
• Under Ed Code 45203 entitled to holiday/vacation pay

365 Days Per Year
-104 (Sat/Sun)
261 Work Days
Salary Computation - Classified

- Daily Rate Factors
  - 21.67 – Used by CalPERS
    - 5 days per week x 52 weeks = 260 works days
    - 260 / 12 months = 21.67 standard work days
  - 21.75
    - 365 days, less 104 weekend days (52 x 2) = 261
    - 261 / 12 months = 21.75 standard work days
  - 22.00
    - Real work days vary between 20, 21, 22 and 23
    - Average is closest to 22
Salary Compensation - Classified

- **Hourly Rate Factors**
  - **173.33 – Used by CalPERS**
    - 8 hours per day x 5 days = 40 hours per week
    - 40 hours per week x 52 weeks = 2080 hours
    - 2080 hours / 12 months = 173.33
  - **174.00**
    - 365 days, less 104 weekend days (52 x2) = 261
    - 261 days x 8 hours = 2088 hours per year
    - 2088 hours / 12 months = 174.00
Salary Computation - Overtime

• Determine Qualifying Hours
• Watch Multiple Assignment Rates
  – Averaged unless:
    • Different capacity than primary position
    • Occasional/Sporadic
  – Can always pay at the highest rate
• Must Maintain Records of Basis
• Based on Regular Rate x 1.5
Salary Compensation - Overtime

• Regular Rate Includes:
  – Longevity, Shift
  – Bilingual Stipends
  – Non-discretionary Bonus
  – Vacation, Sick Leave, Paid Absences

• Regular Rate Excludes:
  – Reimbursed Expenses
  – Uniform Allowances
  – Discretionary Bonus
Employees hired after the beginning of the school year must have a full time daily rate calculated

- This is the rate used to calculate all future pay
- Must be paid at the correct monthly rate to ensure accurate FTE and service credit for STRS
- Based on days served over the total days of required service
Late Hire - Certificated

Step 1 Base Rate Calculation
Full Time Contract September 1 to June 30
Annual Base from Salary Schedule: $28,000
FTE (1.0 x $28,000): $28,000
Base Contract Days: 185
Pay Periods: 10
Monthly Pay Rate: $28,000 / 10 months = $2,800
Daily Pay Rate: $28,000 / 185 days = $151.35
Late Hire - Certificated

Step 2 Late Hire Calculation

Full Time Daily Rate: $151.35
Full Time Monthly Rate: $2,800
Hire Date: October 6th — Work Days left 157
LH Contract Amount: $151.35 x 157 days = $23,761.95
Due November to June (8 Pay periods)
$2,800 x 8 = $22,400
Late Hire - Certificated

Step 3  1st Paycheck Adjustment

Actual Annual Contract    $23,761.95
Future Paychecks         -22,400.00
          Paycheck - October   $1,361.95
Termination - Certificated

• Certificated terminate – contract must be recalculated:
  – Full-time contract amount divided by Number of Full-time contract days x FTE x number of days worked minus Wages paid = Final compensation

Example:
$28,000 divided by 185 days = $151.35
$151.35 X 1.0 FTE x 157 days = $23,761.95
$23,761.95 - $22,400 = $1,361.95 Final compensation
Late Hire - Classified

- Better to Dock or Pay for Days Worked
- Determine Calculation Best for Employee
  - Begins 2nd-15th: deduct for the days not worked
  - Begins 16th - 31st: pay for the days worked
  - Be consistent in Treatment

Example

Classified New Hire Effective 03/11
- 21 working days/ 12 Month Employee/Monthly Salary $1,936
Late Hire - Classified

Method 1 – Days not Worked
$1,936 \times 12 \text{ months} = \frac{23,232}{2080} = \$11.17
11.17 \text{ hourly rate} \times 8 \text{ hours} = \$89.36 \text{ daily}
$89.36 \times 6 \text{ days not worked} = \$536.16
$1936 - \$536.16 = \$1,399.84 \text{ March (Better)}

Method 2 – Days Worked
$89.36 \times 15 \text{ days worked} = \$1,340.40 \text{ March}

***\$1,399.84 - \$1,340.40 = \$59.44 \text{ Difference}
Termination - Classified

• Classified terminate – need to determine actual days worked in the month.
• Entitled to lump sum compensation pay off for all earned and unused vacation
• Advanced sick leave used but not earned can be deducted from final pay
Next Payroll Concept Class

• Payroll Deductions/Withholdings
  • September 23, 2013
  • Madrone Room

Thank you for attending!