

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES
DBUG MEETING: April 23, 2020

UPDATES:

CalPERS and the Impact of COVID-19 (see Circular Letters 200-015-20 and 200-021-20):

1. Governor Newsome's Executive Order N-25-20 suspends the 960 hours per fiscal year restrictions and 180-day break in service requirement during the state of emergency to ensure adequate staffing. All other post retirement employment restrictions still apply. LEAs must notify the director of the California Department of Human Resources of any individual employed pursuant to these waivers. Notification should be sent to: CAStateofEmergency@calhr.ca.gov. Keep a copy of the sent email in the retiree's file.

Continue to report earnings in the usual manner for your retirees. You should keep track of the hours worked under the order separately from their regular worked hours.

Please find attached FAQ Circular Letter 200-016-20 for additional information regarding the impact of COVID-19 closures to schools.

2. FFCRA (Families First Coronavirus Response Act) became law on March 18, allowing eligible employees between April 1 and December 31, 2020 to be paid emergency sick leave and/or emergency family and medical leave. Paid sick leave covered by the FFCRA should be reported to CalPERS in the same manner as other sick leave, with the member's regular full-time base pay rate.
3. We have had a few LEAs that are compensating their employees an additional amount of pay when they are physically reporting to work during the Shelter-in-Place order. CalPERS has determined the additional compensation is not creditable for reasons that the full-time and part-time employees are already receiving their full pay.

CalSTRS and the Impact of COVID-19:

As you are well aware, Sonoma County Schools have suspended direct instruction classes with students and have gone to distance learning, therefore, leave that is paid, should have no impact on employees' service credit.

REMINDERS:

CalSTRS Post Retirement Earnings Limit and Restrictions (see attached Employer Directive 2020-02):

The 2020-2021 fiscal year postretirement earnings limit for retired CalSTRS members performing retired member activities is \$47,713. Pay close attention when hiring a CalSTRS retiree to how you classify them. With the implementation of AB 5, a CalSTRS retiree performing retired member activities as described in Ed Code 22119.5 likely would be classified as an employee, not an independent contractor.

CalPERS GASB 68 Reports (Circular Letter 200-013-20):

See Circular Letter 200-013-20 for steps to access the GASB 68 Schools Accounting Valuation Report from CalPERS website.

Retroactive Pay Notification Updated:

The Retroactive Pay Notification form has been updated to remind LEAs that Retro Pay is creditable for PERS/STRS when it includes terminated employees employed during the stated time-frame. Retro Pay is NOT creditable for PERS/STRS when it is only for active employees.

HR/Payroll Year-End Workshop, May 7th:

The HR/Payroll Year-End Workshop is scheduled for May 7th beginning at 9am (zoom). This session is for Escape HR/Payroll users to review year-end processes and setup for the new fiscal year.



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Payroll

Circular Letter

March 19, 2020

Circular Letter: 200-016-20

Distribution: IV, V, VI, X, XII, XVI

To: All CalPERS Employers

Subject: COVID-19 Impacts to CalPERS Reporting-Frequently Asked Questions (FAQs)

Purpose

The purpose of this Circular Letter is to provide answers to frequently asked questions CalPERS has received regarding the impact of COVID-19 closures to schools and public agencies. These FAQs will provide guidance with reporting member data and contributions to CalPERS while facing the challenges of this pandemic together.

Q: Will CalPERS grant extensions for submitting and posting regular earned period payroll reports due to potential closures caused by COVID-19?

If a public agency or school's closure impacts the timely submission of their regular earned period payroll reports to CalPERS, the late reporting penalty and interest will automatically generate. However, it's understandable timely reporting may not be feasible. If the employer is aware in advance the report may be late, CalPERS encourages them to submit an extension request for all impacted earned periods. To submit an extension request, log in to myCalPERS. Select the **Reporting** global navigation tab, and then select the **Payroll Schedule** local navigation link. Within the **Payroll Schedule Options** panel, employers can request an extension for existing payroll or request an exemption for a non-reportable payroll earned period. If the system does not provide an extension request option for a select earned period, employers will then be required to request a waiver of penalties through the waiver request and dispute process.

Q: If contributions, payroll, or retired annuitant data is reported late during the COVID-19 pandemic, will CalPERS consider waiving fees and/or interest?

CalPERS is committed to working with employers on a case-by-case basis to determine if late reporting penalties and interest should be waived through the established dispute process. This includes all fees related to late reported payroll, retired annuitant fees, State Social Security fees, as well as interest on unpaid contributions and unfunded actuarial liability contributions.

Q: If a membership enrollment is reported late during the COVID-19 pandemic, will CalPERS consider waiving administrative cost and penalties?

CalPERS will still apply Government Code section 20283 for late membership enrollments. The employer will be billed for **both** member and employer contributions and a \$500 administrative cost will be assessed when membership enrollments are reported 90 days or later.

Q: If we put a full-time, eligible member on paid administrative leave because their work-site is shut down due to COVID-19, is their pay still considered reportable compensation?

Pursuant to Government Code section 20630, a member's compensation should be reported for items such as vacation, sick leave, compensatory time off, or leave of absence. If a member is on a paid administrative leave, earnings should continue to be reported as normal as it can be considered either compensatory time off or a paid leave of absence.

Q: If an employee is collecting unemployment insurance during the COVID-19 pandemic, is their time considered pensionable compensation or compensation earnable?

If your employees are granted compensatory time off or posting leave credits such as vacation or sick, that time is still reportable to CalPERS. Current law does not allow for unemployment insurance to be considered as compensation earnable or pensionable compensation and is **not** reportable to CalPERS.

Q: Can an employer make an advance estimated payment on contributions?

CalPERS **will** accept an advanced estimated payment for a future period. Once payroll is due for the future period, the employer can make up the difference between the estimated payment and what is truly due. CalPERS will waive any administrative fee and/or interest when the receivable is paid in full.

Q: Will CalPERS be reviewing the 960-hour limitation for contractors, retired annuitants, and others in response to the current situation with Coronavirus?

On March 4, 2020, Governor's Executive Order N-25-20 was issued, which lifts the work hour limitations and wait period requirements for retired annuitants. View the Circular Letter: [Governor's Executive Order N-25-20](#). There are no changes with the requirements for independent contractors.

Q: Do the exceptions in [Circular Letter: 200-015-20](#) "Governors Executive Order N-25-20" apply to existing retired annuitants, who are already working, or only those who were hired specifically to assist with the state of emergency?

The exceptions outlined in the Circular Letter **only** apply to retirees working to ensure adequate state staffing to expedite emergency response and recovery. It can apply to existing retired annuitants if they are redirected for this purpose.

Q: Should employers notify CalPERS of retired annuitants hired and/or redirected to fulfill duties related to CL 200-015-20?

All CalPERS-covered employers need to email this information to California Department of Human Resources (CalHR) at CAStateofEmergency@calhr.ca.gov. CalHR has a notification process in place to share this information with CalPERS.

CalPERS will continue to monitor the impact of COVID-19 with our stakeholders and will communicate additional information as it is made available. We are committed to serving and collaborating with our stakeholders during these challenging and uncertain times. Thank you for your partnership, commitment, and support.

Questions

If you have any questions or concerns, contact the CalPERS Customer Contact Center at **888-CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief
Employer Account Manager Division



California State Teachers' Retirement System
Executive Office
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March 3, 2020

TO: All County Superintendents of Schools
District Superintendents of Schools
Charter School Administrators
Community College Districts
Other Employing Agencies

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2020–02
Supersedes Employer Directive 2019–01
Postretirement Earnings Limit and Disability Allowance Earnings Limit for the
2019–20 and 2020–21 Fiscal Years, and Disability Retirement Earnings Limit for
the 2020 Calendar Year

PURPOSE

This employer directive is intended to inform and remind employers of:

- The application of the earnings limit for retired CalSTRS members.
- The annual postretirement earnings limit for the 2019–20 fiscal year.
- The annual postretirement earnings limit for the 2020–21 fiscal year.
- The postretirement separation-from-service requirement for retired CalSTRS members and retired CalSTRS participants during the first 180 calendar days from their retirement date with CalSTRS.
- Requirements for requesting an exemption from the separation-from-service requirement.
- Restriction on hiring retired CalSTRS members and retired CalSTRS participants in classified positions.
- Retirement incentive restrictions.
- Requirements for employer communication regarding the earnings limits and, if applicable, the retirement incentive restrictions when hiring retired CalSTRS members. Also, the employer requirements regarding maintaining accurate records and reporting postretirement earnings to CalSTRS.
- The CalSTRS postretirement excess earnings notification process.
- The disability retirement earnings limit for the 2020 calendar year.
- The disability allowance earnings limit for the 2019–20 and 2020–21 fiscal years.

SCOPE

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs retired members of the Defined Benefit (DB) Program (referred to in this directive as “retired CalSTRS members”) or retired participants of the Cash Balance (CB) Benefit Program (referred to in this directive as “retired CalSTRS participants”) to perform retired member or retired participant activities or that employs CalSTRS members receiving either a Disability Allowance or Disability Retirement benefit in any capacity.

DISCUSSION

Application of Postretirement Earnings Limits

Sections 24214 and 24214.5 of the Education Code impose limitations on retired CalSTRS members who return to work and perform retired member activities. Section 22164.5 of the Education Code defines “retired member activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor within the California public school system.

Section 26812 of the Education Code imposes limitations on retired CalSTRS participants who return to work and perform retired participant activities. Section 26135.7 of the Education Code defines “retired participant activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor within the California public school system.

The annualized rate of pay for retired member activities or retired participant activities may not be less than the minimum, nor can it exceed the maximum, paid by the employer to other employees performing comparable duties.

Notable differences between reportable compensation in active membership and postretirement employment include:

- Education Code section 22164.5, subdivisions (a)(2) and (3).
- Education Code section 24214, subdivision (f)(2).
- Education Code section 24214.5, subdivision (a)(2).
- Education Code section 26135.7, subdivisions (a)(2) and (3).
- Education Code section 26812, subdivision (d)(2).

Retired CalSTRS members and retired CalSTRS participants employed by a third party are excluded from the postretirement earnings limits and related provisions provided they meet all the following criteria:

- The retired CalSTRS member or retired CalSTRS participant is employed by a third-party employer that does not participate in a California public pension system;
- The activities performed by the retired CalSTRS member or retired CalSTRS participant are not normally performed by employees of an employer; and
- The retired CalSTRS member or retired CalSTRS participant performs an assignment of 24 months or less.

Employer reporting of retired CalSTRS members and retired CalSTRS participants who are employed by a third party under the narrow conditions above is not required. CalSTRS has not identified any example of service that would meet these criteria.

Annual Postretirement Earnings Limit for the 2019–20 and 2020–21 Fiscal Years

The postretirement earnings limit for retired CalSTRS members for the 2019–20 *fiscal* year is \$46,451.

The postretirement earnings limit for retired CalSTRS members for the 2020–21 *fiscal* year is \$47,713.

Pursuant to Education Code section 24214, the limit is adjusted annually by CalSTRS and is equal to one-half of the median final compensation amount for all members who retired for service during the fiscal year ending in the previous calendar year.

If a retired CalSTRS member earns compensation for performing retired member activities in excess of the annual postretirement earnings limit, Education Code section 24214(g) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member has repaid the amount of compensation that was earned in excess of the annual earnings limit. The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the annual allowance payable for the fiscal year in which the excess compensation was earned after any reductions due to the separation-from-service requirement.

There is no annual earnings limit for retired CalSTRS participants.

Separation-From-Service Requirement

Pursuant to Education Code section 24214.5, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS members, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars (\$0).

If a retired CalSTRS member earns compensation for performing retired member activities during the 180-calendar day separation-from-service period, Education Code section 24214.5(h) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member

has repaid the amount of compensation that was earned during the separation-from-service period. The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the allowance payable during the first 180 calendar days after the most recent retirement date.

This restriction is in addition to the annual postretirement earnings limit. Any amount the retired CalSTRS member receives during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.

Pursuant to Education Code section 26812, the 180-calendar day separation-from-service requirement applies to Cash Balance Benefit Program annuitants, regardless of age.

Pursuant to Education Code section 26806, if a retired CalSTRS participant receives a lump-sum retirement benefit, the benefit is not payable until 180 calendar days after the date employment was terminated. If a participant electing a lump-sum benefit performs creditable service during the 180-calendar day separation-from-service period, the retirement application will be automatically canceled.

Exemption to the Separation-From-Service Requirement

There is a narrow exemption from the 180-calendar day separation-from-service requirement for a retired CalSTRS member or retired CalSTRS participant under certain circumstances. To qualify for this exemption, the retired CalSTRS member or retired CalSTRS participant must be at or above normal retirement age at the time the compensation is earned (age 60 for CalSTRS 2% at 60 members and participants not subject to the California Public Employees' Pension Reform Act of 2013 [PEPRA], and age 62 for CalSTRS 2% at 62 members and participants subject to PEPRA). In addition, the employer must appoint the retired CalSTRS member or retired CalSTRS participant to a critically needed position that has been approved by the governing body of the employer in a public meeting as reflected in a resolution. The resolution for the appointment must be adopted before the retired CalSTRS member or retired CalSTRS participant begins performing retired member or retired participant activities under the exemption. The resolution approving the appointment may not be placed on a consent calendar.

The resolution must express the intent to seek an exemption from the 180-calendar day separation-from-service requirement and include the following specific information and findings:

- The nature of the employment.
- A finding that the appointment is needed to fill a critically needed position before the 180-calendar day separation-from-service requirement is fulfilled.
- A finding that the member or participant did not receive a retirement incentive or any financial inducement to retire from any public employer.
- A finding that the termination of employment of the retired CalSTRS member or retired CalSTRS participant with the employer is not the basis for the need to acquire the services of the member or participant.

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When applying for the separation-from-service requirement exemption, the superintendent, the county superintendent of schools or the chief executive officer of a community college must complete the *Request for Separation-from-Service Requirement Exemption* (SR-1897) form, which is available in “Reference Items” on the Secure Employer Website. CalSTRS must receive this form and the aforementioned resolution indicating the above information to substantiate the eligibility of the retired CalSTRS member or retired CalSTRS participant for the exemption before the member or participant begins performing service under the exemption. CalSTRS must notify the employer and the retired CalSTRS member or retired CalSTRS participant within 30 days of receiving the resolution and all required documentation whether the activities performed will be subject to or exempt from the 180-calendar day separation-from-service requirement.

If the separation-from-service requirement exemption is approved, the retired CalSTRS member will only be exempt from the separation-from-service requirement. Any earnings during the 180-calendar day period will still be subject to the annual postretirement earnings limit for a retired CalSTRS member.

Education Code sections 24214.5 and 26812 clarify what constitutes a “financial inducement to retire” that would prohibit a retired CalSTRS member or retired CalSTRS participant from being eligible for an exemption from the separation-from-service requirement.

Classified Position Restrictions

Education Code section 45134 precludes retired CalSTRS members and retired CalSTRS participants from employment in classified positions in the California public school system, except for as an aide in certain circumstances.

Retired CalPERS Postretirement Employment Restrictions

If the employee is a CalSTRS and CalPERS member, ask the employee to contact CalPERS at 888-225-7377 to determine the impact that returning to work would have on the CalPERS benefit.

Retirement Incentive Restrictions

Members who retired with a CalSTRS retirement incentive under Education Code section 22714 will lose the increased service credit attributable to the retirement incentive if they return to employment in any job, including substitute teaching, within five years of receiving the incentive with the school district, community college district or county office of education that granted the retirement incentive.

Employer Requirements for Notification of Postretirement Earnings Limits and Employment Restrictions, and Required Reporting of Postretirement Earnings

Upon retaining the services of a retired CalSTRS member, Education Code section 22461 requires employers to notify the member of the earnings limitations, and the employment restrictions for those who receive retirement incentives, regardless of whether the retired CalSTRS member performs the services as an employee of the employer, an employee of a third party or an independent contractor. Employers must also report the retired member’s earnings to

CalSTRS each month. All postretirement earnings must be reported with Member Code 2 and Assignment Code 61.

CalSTRS Postretirement Excess Earnings Notification Process

CalSTRS sends an *Initial Postretirement Earnings Letter* to the retired CalSTRS member when postretirement earnings are initially reported by the employer. The *Initial Postretirement Earnings Letter* informs the member of the current earnings limit and describes what occurs if the limit is exceeded. When the employer reports postretirement earnings equal to one-half of the annual postretirement earnings limit, CalSTRS sends a second letter, the *Postretirement Earnings Mid-Limit Letter*, notifying the member of the dollar amount reported to date and reminding the member of the consequences of exceeding the earnings limit.

When a retired CalSTRS member or retired CalSTRS participant violates the 180-calendar day separation-from-service requirement or a retired CalSTRS member exceeds the annual postretirement earnings limit, CalSTRS sends a letter notifying the member or participant that the excess earnings will be withheld from the applicable monthly retirement benefit. CalSTRS gives at least a 30-day notice before commencing collection. If the earnings were reported to CalSTRS in error, the employer is responsible for correcting the previous reporting and notifying CalSTRS that corrected contribution lines were submitted.

Application and Amount of the 2020 Disability Retirement Earnings Limit

The disability retirement earnings limit for the 2020 *calendar* year is \$32,400. The limit applies to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector. The limit is adjusted annually by the Teachers' Retirement Board, if necessary, by the amount of change in the California Consumer Price Index.

Application and Amount of the 2019–20 and 2020–21 Disability Allowance Earnings Limit

The disability allowance earnings limit for the 2019–20 and 2020–21 *fiscal* years is calculated individually for each member based on the member's indexed final compensation amount. Members receiving a disability allowance benefit are also subject to individual monthly and continuous six-month earnings limits based on the member's indexed final compensation. The various limits apply to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector.

SUMMARY OF REQUIRED ACTIONS

In accordance with Education Code section 22461, upon retaining the services of a retired CalSTRS member either as an employee of an employer, an employee of a third party or an independent contractor within the California public school system, the employer is required to:

- Notify the retired CalSTRS member of all earnings limits and the retirement incentive employment restrictions, if applicable.
- Maintain accurate records of the retired CalSTRS member's earnings.
- Report those earnings to the retired CalSTRS member and to CalSTRS monthly, using Member Code 2 and Assignment Code 61, regardless of the method of payment or the fund from which the payments were made.

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To learn more about postretirement earnings limitations, visit [CalSTRS.com/general-information/working-after-retirement](https://www.calstrs.com/general-information/working-after-retirement). If you have questions regarding the postretirement earnings limit, contact us by email at postretirement@calstrs.com or leave a voicemail at 916-414-5967.

**Sonoma County Office of Education
IT and Business Services Division**

Procedure for Retroactive Pay Notification Form

The purpose of the Retroactive Pay Notification form is to notify the County Office of Education of when LEAs are planning for a retroactive pay adjustment including one-time bonus/off-schedule. We realize retroactive pay adjustments most commonly happen only once a year and that there can be turnover in payroll staffing. Therefore, we would like to provide you and staff the support and guidance necessary to navigate the retroactive pay process.

Receiving the information requested in a timely manner allows our IT and Business Services divisions the opportunity to review the signed agreement(s) and new salary schedule(s) so that we may better serve the LEA.

Please complete the attached Retroactive Pay Notification form and email to helpdesk@scoe.org and IT will work with you.

**Sonoma County Office of Education
IT and Business Services Division**



5340 Skylane Boulevard
Santa Rosa, CA 95403-8246
(707) 524-2600 ■ www.scoe.org

Retroactive Pay Notification Form

LEA Retro Information	
LEA Name:	
Contact Name:	
Contact Phone/Email:	
Date of Retro Pay:	
Escape HR/Payroll Fields	
Retro Period Coverage Dates (Earnings From/Thru)	
From: _____	Thru: _____
Bargaining Unit/Group*:	
Salary Schedule(s):	
Addon(s) to Include**:	

**Please submit separate form for each bargaining unit or group.*

***Consider including addons for docks, positive and negative adjustments, and vacation and longevity pay unless otherwise specified in agreement.*

Check all that Apply:

- Classified
 Certificated
 Certificated RWL
 Management
 Other: _____

Retro Payroll Features (check all that apply):

- On Salary Schedule
 Active Employees Only (NOT Creditable for all)
 One-Time Bonus
 Include Terminated (Creditable for all)

Required Attachments:

- Copy of Signed Agreement (submit signed letter detailing terms if no bargained agreement)
 New Salary Schedule(s)

LEA Authorized Signature

Date

Email completed form to helpdesk@scoe.org