



Board of Administration

July 16, 2024

Item Name: Proposed Amendment to Regulation: Definition and Reporting of Full-Time Employment

Program: Employer Account Management Division

Item Type: Action

Recommendation

Approve the submission of the final rulemaking package amending Section 574 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations to the Office of Administrative Law. This proposed amendment describes how a classified school member's full-time payrate shall be reported to the California Public Employees' Retirement System (CalPERS).

Executive Summary

CalPERS drafted this proposed amended regulation to explicitly define how school employers determine and report a classified school member's hourly, daily, and monthly full-time equivalent (FTE) payrates to CalPERS in accordance with Government Code (GC) section 20636.1 (Attachment 1). The proposed amended regulation provides clarity and uniformity for CalPERS, its classified school members, and school employers in reporting a classified school member's full-time payrate to CalPERS. During the 45-day public comment period, CalPERS received two comments from school employers. CalPERS is not proposing any changes to the proposed amended regulation.

Strategic Plan

This agenda item supports the 2022-27 CalPERS Strategic Plan, Member Experience Goal through the objective of delivering accurate benefits to our members and their beneficiaries.

Background

On March 19, 2024, the Board of Administration (Board) approved the proposed regulatory action to describe how a classified school member's full-time payrate shall be reported to CalPERS in accordance with GC section 20636.1. The Notice of Proposed Regulatory Action was published in the California Regulatory Notice Register (File Number Z- 2024-0405-02) on April 22, 2024. The 45-day comment period commenced on April 22, 2024, and closed on June 6, 2024. CalPERS received public comments from two submitters.

CalPERS has worked with members of its school stakeholder communities to provide training and awareness on how to determine and report a classified school member's FTE payrates in

accordance with GC section 20636.1 and consistent with the proposed amended regulation. CalPERS has received support for this proposed amendment.

GC section 20636.1 defines full-time employment for classified school members as “40 hours per week,” and further states that “payments for all 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.”

Since GC section 20636.1 explicitly defines full-time employment for classified school members as 40 hours per week, the full-time payrate reported to CalPERS must be based on a 40-hour work week regardless of whether the classified school member works 40 hours per week.

The proposed regulatory amendments provide that a school employer must determine and report a classified school member’s hourly, daily, or monthly FTE payrate for purposes of reporting full-time payrates to CalPERS and describe the manner in which the hourly, daily, and monthly FTE payrates are determined.

GC section 20630 states that compensation includes payment for time worked during normal working hours and paid time off, including but not limited to holidays, sick leave, and vacation. Payrates reported to CalPERS should therefore account not only for time worked, but also any paid leave. Considering there are 52 weeks in a year and compensation includes time worked as well as paid leave, full-time employment of 40 hours per week is equivalent to 2,080 hours per year¹ and 173.3333 hours per month².

To determine a classified school member’s FTE payrate, the number of work days per year and the number of hours in a work day are to include days and hours during which the member is excused from work as set forth in GC section 20630. Overtime and compensation based on overtime are to be excluded. The classified school member’s FTE payrates shall be calculated to the nearest cent and determined as follows:

- Hourly FTE payrate: Divide the classified school member’s annual base salary by the number of work days per year, and then divide that result by the number of hours in a work day.
- Daily FTE payrate: Divide the classified school member’s annual base salary by the number of work days per year, then divide that result by the number of hours in a work day, and then multiply that result by 8.
- Monthly FTE payrate: Divide the classified school member’s annual base salary by the number of work days per year, then divide that result by the number of hours in a work day, and then multiply that result by the result of multiplying 52 (number of weeks in a year) by 40 (full-time work hours in a week) divided by 12 (number of months in a year).

Payrates reported to CalPERS must be based on 40 hours per week. Reporting monthly earnings as payrate, when the monthly earnings are not based on 40 hours per week, results in noncompliant payrates. To ensure school employers report correct payrates to CalPERS, they need to determine the hourly, daily, or monthly FTE payrate.

¹ 40 hours per week x 52 weeks per year = 2,080 hours per year.

² 40 hours per week x 52 weeks per year ÷ 12 months per year = 173.3333 hours per month.

Analysis

CalPERS received and reviewed two public comments. Please see Attachment 2 for a summary of the public comments, CalPERS' proposed responses to the comments, and copies of the actual public comments received. CalPERS is not proposing any changes to the proposed amended regulation. The proposed amended regulation is consistent with the intent of GC section 20636.1 to standardize reporting among school employers and eliminate classified school members potentially being treated inequitably because of employer discretion in reporting. The proposed amended regulation ensures school employers report correct payrates to CalPERS and makes no changes to contribution requirements or reporting requirements for school members' earnings.

Budget and Fiscal Impacts

There are no budget or fiscal impact to CalPERS.

Benefits and Risks

This proposed amendment to Section 574 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations will standardize how FTE payrates are determined to ensure school employers report accurate full-time payrates to CalPERS as defined by GC section 20636.1. Adoption of the proposed amended regulation would provide clarity and uniformity for CalPERS, its classified school members, and school employers in reporting a classified school member's full-time payrate to CalPERS.

Attachments

Attachment 1 – Text of Proposed Regulation

Attachment 2 – Summary of Public Comments Received During the 45-day Comment Period, Proposed Responses, and Copies of Public Comments Received

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