Common Reporting Scenarios for Employers

This document provides information on how to calculate and report to CalSTRS when an employee receives a pay rate adjustment due to an updated collective bargaining unit agreement, when you have a late start employee and when the employment contract terminates prior to the completion of the contract.

Questions? Contact EmployerHelp@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review.

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Retroactive Pay Rate Adjustment

Description

When an employee receives a pay rate adjustment due to an updated collective bargaining or collective employment agreement, employers adjust the previously reported data using Contribution Code (CC) 5. This allows you to apply the new pay rate to the previously reported earnings in one transaction and avoid penalty assessments for the adjustment. The adjustment must be reported within 90 days from the date of the updated collective bargaining or employment agreement.

If a pay rate change is needed due to misreporting or a reason other than an updated collective bargaining or employment agreement, you may not use Contribution Code 5. In this case, you must reverse the previously reported data and re-report the new information. Backing out and re-reporting the individual service periods on the same file will ensure you are assessed penalties correctly.

Reporting retroactive payrate adjustments for members on the Reduced Workload Program have additional steps. For more information see the Reduced Workload Program Job Aid on employersupport.CalSTRS.com.

Retroactive Pay Rate Adjustment Formula

The retro pay rate adjustment formula is as follows:

(New Pay Rate – Old Pay Rate) x (Sum of Earnings for Period ÷ Old Pay Rate) = Earnings

Calculating a Retroactive Pay Rate Adjustment

Follow the steps below to calculate a retroactive pay rate adjustment:

Step 1:

Identify the old annualized pay rate and the new annualized pay rate. Convert monthly figures to annual figures if needed.

Step 2:

Subtract the old annualized pay rate from the new annualized pay rate. This is the pay rate adjustment.

Step 3:

Total the earnings reported at the old annualized pay rate. This is the old earnings.

Step 4:

Divide the old earnings by the old annualized pay rate. This is the old service credit factor.

Step 5:

Multiply the pay rate adjustment by the old service credit factor. This is the retroactive earnings that should be reported at the new annualized pay rate.

Verifying a Retroactive Pay Rate Adjustment

Follow the steps below to verify a retroactive pay rate adjustment calculation:

Step 1:

Total the old earnings with the retroactive earnings. This is the new earnings.

Step 2:

Divide the new earnings by the new annualized pay rate. This is the new service credit factor.

Step 3:

Ensure the old service credit factor and the new service credit factor match.

Reporting a Retroactive Pay Rate Adjustment

Report the retroactive pay rate as follows:

Pay Rate:

Report new annualized pay rate with Pay Code 0 or new monthly pay rate with respective Pay Code.

Earnings:

Report retroactive earnings.

Contribution Code:

Report with Contribution Code 5.

Service Period:

Report the first day through last day of old earnings.

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	$	0 (Annual)	$	5	08/01/2018	12/31/2018

Example – Verifying and Reporting a Retroactive Pay Rate Adjustment

A part-time contracted employee earned $28,060.90 at an annualized pay rate of $61,450.00 from August 2022 through December 2022. The employee's union collectively bargains for a retroactive salary adjustment which increases the employee's annualized pay rate to $62,671.00.

Calculating the employee's retroactive pay rate adjustment

Step 1:

Identify the old annualized pay rate and the new annualized pay rate. Convert monthly figures to annual figures if needed.

Old Annualized Pay Rate: $61,450.00

New Annualized Pay Rate: $62,671.00

Step 2:

Subtract the old annualized pay rate from the new annualized pay rate. In this example subtract $61,450.00 from $62,671.00. This equals a pay rate adjustment of $1,221.

New Annualized Pay Rate	minus	Old Annualized Pay Rate	equals	Pay Rate Adjustment
$62,671.00	-	$61,450.00	=	$1,221.00

Step 3:

Total the earnings reported at the old annualized pay rate. This is the old earnings.

Service Period	Pay Period Start	Pay Period End	Earnings
August	8/1/2022	08/31/2022	$5,612.18
September	9/1/2022	09/31/2022	$5,612.18
October	10/1/2022	10/31/2022	$5,612.18
November	11/1/2022	11/30/2022	$5,612.18
December	12/1/2022	12/31/2022	$5,612.18
Total Old Earnings			**$28,060.90**

Step 4:

Divide the old earnings by the old annualized pay rate. This is the old service credit factor.

Old Earnings	divided by	Old Annualized Pay Rate	equals	Old Service Credit Factor
$28,060.90	/	$61,450.00	=	0.4566

Step 5:

Multiply the pay rate adjustment by the old service credit factor. This is the retroactive earnings that should be reported at the new annualized pay rate.

Pay Rate Adjustment	multiplied by	Old Service Credit Factor	equals	Retroactive Earnings
$1,221.00	x	0.4566	=	$557.51

Verifying the employee's retroactive pay rate adjustment calculation

Step 1:

Total the old earnings with the retroactive earnings. This is the new earnings.

Old Earnings	plus	Retroactive Earnings	equals	New Earnings
$28,060.90	+	$557.51	=	$28,618.41

Step 2:

Divide the new earnings by the new annualized pay rate. This is the new service credit factor.

New Earnings	divided by	New Annualized Pay Rate	equals	New Service Credit Factor
$28,618.41	/	$62,671.00	=	0.4566

Step 3:

Ensure the old service credit factor and the new service credit factor match.

Old service credit factor 0.4566
New service credit factor 0.4566

Step 4:

Report the employee's retroactive pay rate adjustment.

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	$62,671	0 (Annual)	$557.51	5	08/01/2018	12/31/2018

Example – Reporting a Retroactive Flat Rate Differential

CalSTRS recommends the following method for reporting retroactive pay rate adjustments when an employee's compensation has been docked at a flat rate. This means that the amount being docked from the compensation did not increase proportionally with the compensation reported. Reporting has many nuances and unique scenarios. For specific questions on reporting, please contact EmployerHelp@CalSTRS.com.

Scenario:

A teacher has two months of reporting and then takes a day off in September. The employer hires a substitute to cover the day off and requires a sub rate differential to cover the cost of the substitute from the member which results in a $200 dock in pay. The table below shows how the reporting was submitted.

Unit	MC	AC	Pay Rate	PC	Earnings	CC	Begin	End	Service Credit
00000	1	57	6400.00	3	6400.00	1	701	731	0.1000
00000	1	57	6400.00	3	6400.00	1	801	831	0.1000
00000	1	57	6400.00	3	6400.00	1	901	930	0.1000
00000	**1**	**57**	**6400.00**	**3**	**-200.00**	**1**	**901**	**930**	**-0.0030**

Correction:

A memorandum of understanding has included a 6% salary increase retroactively effective July 1, 2020. The line for September will need to be backed out and then resubmitted at the new pay rate and the earnings will include the dock in pay and will need to use a Contribution Code 3. The previous lines effected by the retroactive payrate for July and August will also need to be backed out and resubmitted, using the new pay rate and earnings as well as Contribution Code 3 as shown below.

Unit	MC	AC	Pay Rate	PC	Earnings	CC	Begin	End	Service Credit
00000	1	57	6784.00	3	6784.00	3	701	731	0.1000
00000	1	57	6784.00	3	6784.00	3	801	831	0.1000
00000	**1**	**57**	**6784.00**	**3**	**6584.00**	**3**	**901**	**930**	**0.0970**

Late Start Employees

Description

A late start is described as an employee who begins work after the start of the school term. Employees who start a full-time contract after the beginning of the school term are unable to earn a full year (1.000) of service credit for that position.

In addition, late start employees may not make up the hours or days missed for that position's contract by working additional assignments. Additional assignments may include but are not limited to working additional hours in the position in which the employee is employed in, employment in position to perform another creditable service activity, or employed to perform outgrowth service. For example, if the 10-month employee started their full-time teaching position two months after the start of the school term, they are unable to fulfill those two months of the 10-month contract by working additional assignments. However, the employee may still earn their full year of service credit by earning the remaining 0.2 of service credit through the completion of additional creditable service assignments.

Calculating for Late Start Contract

To calculate the earnings for the late start employee, we need to know the full-time equivalent for the position, the annualized pay rate earned for completing the full-time contract, and the number of contract days the employee will complete.

Step 1:

Calculate the daily pay rate by identifying the annualized pay rate and base days of the position as if it were performed on a full-time basis. Then divide the annualized pay rate by the position's base days.

Step 2:

Calculate the total earnings to report by identifying the number of days in which the employee will work. Then multiply the remaining workdays by the daily rate.

Step 3:

Calculate the monthly pay rate by dividing the annualized pay rate by the number of months required to be employed on a full-time basis.

Step 4:

Calculate the potential earnings for completing the rest of the contract by multiplying the monthly pay rate by the remaining contract months.

Step 5:

Subtract potential earnings from total earnings for days worked.

Verifying Reporting for a Late Start Contract

Verify the reporting for a late start contract by using the amounts in the earnings and pay rate column of the Contribution Line(s). If the service credit amount matches what the employee would earn for providing that service in a single pay period or the entire school term, the reporting is accurate.

Although the system automatically calculates the service credit based on the Contribution Lines reported to CalSTRS, employers can verify the service credit with either one of the service credit calculation formulas below.

- Earnings / pay rate = service credit earned for that contribution line
- Total earnings / the annualized pay rate = service credit earned for the entire fiscal year

Example – Calculating and Verifying a Late Start Contract

The school term began on August 15, 2022, and will end May 19, 2023. This is a school term of 10 months. One of the teacher positions was not filled until January 4, 2023. The base days for the teacher position is 180 days and for completion of the contract, the employee will earn $54,090. Since the employee started January 4, 2023, there are 90 days left until the end of the school term. In this example, employer would like to know how to calculate and report the pay rate and earnings for January 2023.

Step 1:

Calculate the daily pay rate by identifying the annualized pay rate and base days of the position as if it were performed on a full-time basis. Then divide the annualized pay rate by the position's base days.

Annualized Pay Rate	divided by	Base Days	equals	Daily Pay Rate
$54,090.00	/	180	=	$300.50

Step 2:

Calculate the total earnings to report for January 4, 2023, through May 19, 2023, by identifying the number of days in which the employee will work. There are 90 workdays remaining. Multiply the remaining workdays by the daily rate.

Daily Pay Rate	multiplied by	Remaining Workdays	equals	Total Earnings
$300.50	x	90	=	$27,045.00

Step 3:

Calculate the monthly pay rate by dividing the annualized pay rate by the number of months required to be employed on a full-time basis. This is for the period of August 15, 2022 – May 19, 2023, 10 months.

Annualized Pay Rate	divided by	Number of Monthly Payments	equals	Monthly Pay Rate
$54,090.00	/	10 months	=	$5,409.00

Step 4:

Calculate the potential earnings for completing service for the period of February 1, 2023, through May 19, 2023, by multiplying the monthly pay rate by the remaining four contract months.

Monthly Pay Rate	multiplied by	Remaining Months on Contract	equals	Potential Earnings
$5,409.00	x	4 months	=	$21,636.00

Step 5:

Subtract potential earnings for the period of February 1, 2023 through May 19, 2023, from total earnings for the period of January 4, 2023, through May 19, 2023, to calculate the earnings to report for January 4-30, 2023.

Total Earnings	minus	Potential Earnings	equals	Earnings to Report
$27,045.00	-	$21,636.00	=	$5,409.00

Step 6:

Report as follows and verify the reporting by calculating the service credit earned for the entire fiscal year.

In this example, the member earned $27,045.00 in a position with an annualized pay rate of $54,090. The total service credit earned is 0.500.

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	$5,409.00	3 (10 months)	$5,409.00	1	01/01/2023	01/31/2023
57	$5,409.00	3 (10 months)	$5,409.00	1	02/01/2023	02/28/2023
57	$5,409.00	3 (10 months)	$5,409.00	1	03/01/2023	03/31/2023
57	$5,409.00	3 (10 months)	$5,409.00	1	04/01/2023	04/30/2023
57	$5,409.00	3 (10 months)	$5,409.00	1	05/01/2023	05/31/2023

Early Contract Terminations

Description

Employees who terminate their employment contract in the middle or before the end of the school term will not earn a full year (1.000) of service credit for that position as the employee has not completed the required number of days for the contract.

Calculating for an Early Contract Termination

Similar to calculating the earnings for a late start contract, we need to know the base days of the position if performed on a full-time basis, the annualized pay rate earned for completing the full-time contract, and the number of contract days the employee has completed.

Step 1:

Calculate the daily pay rate by identifying the annualized pay rate and base days of the position as if it were performed on a full-time basis. Then divide the annualized pay rate by the position’s base days.

Step 2:

Calculate the total earnings earned by identifying the number of days in which the employee has worked. Then multiply the days worked by the daily pay rate.

Step 3:

Calculate the monthly pay rate by dividing the annualized pay rate by the number of months required to be employed on a full-time basis.

Step 4:

Calculate the reported earnings the employee already received for completing a portion of their contract by multiplying the monthly pay rate by the completed contract months.

Step 5:

Subtract reported earnings for completing a portion of their contract from the total earnings for days worked.

Verifying Reporting for an Early Contract Termination

Verify the reporting for an early contract termination by using the amounts in the earnings and pay rate column of the Contribution Line(s). If the service credit amount matches what the employee would earn for providing that service in a single pay period or the entire school term, the reporting is accurate.

Although, the system automatically calculates the service credit based on the Contribution Lines reported to CalSTRS, employers can verify the service credit with either one of the service credit calculation formulas below.

- Earnings / pay rate = service credit earned for that contribution line
- Total earnings / the annualized pay rate = service credit earned for the entire fiscal year

Example – Calculating and Verifying Reporting for a Contract Termination

The school term began on August 15, 2022, and will end June 16, 2023. This is a school term of 11 months. However, the teacher promoted and began their principal position effective January 16, 2023. The base days for the teacher position is 180 days and for completion of the contract, the employee earns $54,090. Since the member promoted on January 16, 2023, the member has completed 96 days in their teacher position. The employer would like to know how to calculate and report the pay rate and earnings for January of 2023.

Step 1:

Calculate the daily pay rate by identifying the annualized pay rate and base days of the position as if it were performed on a full-time basis. Then divide the annualized pay rate by the position's base days.

Annualized Pay Rate	divided by	Base Days	equals	Daily Pay Rate
$54,090.00	/	180	=	$300.50

Step 2:

Calculate the total earnings to report for days worked. During the period of August 15, 2022 – January 13, 2023, the employee worked 96 days. Multiply the days worked by the daily pay rate.

Daily Pay Rate	multiplied by	Days Worked	equals	Total Earnings to Report
$300.50	x	96	=	$28,848.00

Step 3:

Calculate the monthly pay rate by dividing the annualized pay rate by the number of months required to be employed on a full-time basis. A full-time contract is 11 months and is for the period of August 15, 2022, through June 16, 2023.

Annualized Pay Rate	divided by	Full-time Contract (Months)	equals	Monthly Pay Rate
$54,090.00	/	11 months	=	$4,917.28

Step 4:

Calculate the reported earnings the employee received for completing a portion of their contract. The reported contract months are for the period of August 2023, through December 2023, 5 months. To calculate the reported earnings, multiply the monthly pay rate by the completed months on the contract.

Monthly Pay Rate	multiplied by	Completed Months on Contract	equals	Reported Earnings
$4,917.28	x	5 months	=	$24,586.40

Step 5:

Subtract reported earnings for completing the rest of the contract from total earnings for days worked to get earnings to report for January 1-13, 2023.

Total Earnings for days worked	minus	Reported Earnings	equals	Earnings to Report
$28,848.00	-	$24,586.40	=	$4,261.60

Step 6:

Report as follows and verify the service credit earned by calculating the service credit earned for the entire fiscal year.

In this example, the member earned $28,848.00 in a position with an annualized pay rate of $54,090.00. The total service credit earned is 0.533.

Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
57	$4,917.28	2 (11 months)	$4,917.28	1	08/01/2022	08/31/2022
57	$4,917.28	2 (11 months)	$4,917.28	1	09/01/2022	09/30/2022
57	$4,917.28	2 (11 months)	$4,917.28	1	10/01/2022	10/31/2022
57	$4,917.28	2 (11 months)	$4,917.28	1	11/01/2022	11/30/2022
57	$4,917.28	2 (11 months)	$4,917.28	1	12/01/2022	12/31/2022
57	$4,917.28	2 (11 months)	$4,261.60	1	01/01/2023	01/13/2023