

Government (Gov.) Code Section 20480: Out-of-Class Reporting Frequently Asked Questions

Q1: Under Gov. Code section 20480, what are employers required to track and report to CalPERS?

A1: Gov. Code section 20480 requires contracting public agency and school employers to track all hours an employee works in out-of-class appointments. Out-of-class for this section of the law is defined as an appointment to an upgraded position or higher classification by an employer or governing board or body in a vacant position for a limited duration.

For purposes of this section, a “vacant position” refers to a position that is vacant during an active recruitment for a permanent appointment. A vacant position does not refer to a position that is temporarily available due to another employee's leave of absence or as part of a temporary project. If either of these requirements are not met (vacant and recruiting), the position does not qualify as an appointment to track and report to CalPERS under the law.

Q2: Under Gov. Code section 20480, what constitutes the total hours worked for an employee serving in an out-of-class appointment? Do the total hours include holiday, vacation, sick leave, or overtime hours worked?

A2: A contracting agency employer or school employer must track all payable hours worked by an employee serving in an out-of-class appointment and report that time to CalPERS no later than 30 days following the end of each fiscal year. Since the hours worked are associated with services performed, the amount reported includes all hours the employer has compensated the employee. As defined by Gov. Code 20630, this would include:

1. Holidays
2. Sick leave
3. Industrial disability leave
4. Compensatory time off
5. Leave of absence

In addition, total hours reported includes compensatory time worked as overtime hours. For overtime hours, only count actual hours worked; do not calculate the hours using a value of time and a half or greater.

Q3: Under Gov. Code section 20480, are we required to track total hours for an employee who receives a temporary promotion (i.e., limited term)?

A3: The employer must track the total hours worked if the position was vacant during an active recruitment period. If the employee received a temporary promotion into a position that wasn't actively being recruited for, the appointment would not qualify as a position for which the employer must track and report hours to CalPERS.

Q4: Does Gov. Code section 20480 define an active recruitment?

A4: Gov. Code section 20480 does not define an active recruitment. For this section, each employer shall defer to their organization's official policy or procedure for when a recruitment would be initiated. Once the organization's requirements for a recruitment begins, the employer shall begin tracking hours for the out-of-class appointment.

Q5: Does Gov. Code section 20480 impact the language employers' bargain for within their Memorandum of Understanding (MOU) or labor agreement as it relates to acting or out-of-class pay?

A5: Gov. Code section 20480 is specific to tracking and reporting hours an employee works in an acting or out-of-class position. It does not impact how employers pay their employees, nor how the compensation is reported to CalPERS for retirement benefits.

Q6: What is an out-of-class appointment?

A6: In principle, an out-of-class appointment occurs when an employee is approved by an employer's appointing authority to temporarily work in a higher classification, due to a business need or vacancy. The employee must be eligible to work in the higher classification and perform all duties of that position for more than a defined number of days pursuant to an employer's personnel policy, MOU, or labor agreement. Once the required circumstances are met, the employee is awarded compensation as defined within an employer's personnel policy, MOU, or labor agreement.

Q7: What's the difference between reporting Temporary Upgrade Pay (TUP) to CalPERS versus tracking hours for a temporarily upgraded position (i.e., out-of-class)?

A7: Pursuant to California Code of Regulation 571, TUP is listed as an item of special compensation that may be reported to CalPERS for classic members who are required by their employer or governing board/body to work in an upgraded position/classification of limited duration.

Employers may pay TUP to an employee working in an out-of-class position due to a business need or vacancy for which a recruitment may or may not be initiated. They can pay both classic and PEPRA members TUP, however it is only reportable to CalPERS for classic members.

Gov. Code section 20480 specifies that employers shall track the hours an employee works in an out-of-class appointment and report that time to CalPERS no later than 30 days following the end of each fiscal year. This requirement is for both classic and PEPRA members. In addition, to qualify as a reportable appointment, the out-of-class appointment must be for a position that is vacant during an active recruitment.

Q8: When are employers required to report out-of-class appointments that meet the specific requirements outlined in Gov. Code 20480?

A8: Employers shall track the hours an employee works while serving in an out-of-class appointment and report that time to CalPERS no later than 30 days following the end of each fiscal year. CalPERS fiscal year starts on July 1 and ends June 30. This information is due to CalPERS by July 30 each year.

Q9: Are we required to notify CalPERS if we don't have any employees who have worked in an out-of-class assignment?

A9: Contracting agencies and school employers are required to notify CalPERS within 30 days following the end of a fiscal year whether they have an out-of-class appointment to report or not. myCalPERS provides a process for employers to self-verify whether they do or do not have hours to report.

Q10: Will myCalPERS allow employers to track and report out-of-class hours worked, via the regular payroll reporting process, similar to the process of tracking hours worked for retired annuitants?

A10: Gov. Code section 20480 is specific to tracking total hours worked for a qualifying out-of-class appointment. Since there isn't a pensionable compensation component, the records cannot be tied to regular payroll reporting.

Q11 Will employers need to submit documentation for out-of-class assignments who have worked less than 960 hours?

A11 Employers only need to submit documentation for employees who have worked more than 960 hours in an out-of-class assignment.

Q12: For larger agencies, it may take additional time to manually enter each out-of-class record into myCalPERS. Does myCalPERS provide a file upload process to verify and report records?

A12: Employers have the option to report records for out-of-class appointments by uploading a .CSV file into myCalPERS. For information regarding the file specifications and [out-of-class data element definitions](#), refer to the *Reporting Out-of-Class Hours Worked* section of the CalPERS [Employers Technical Resources](#) page.

Q13: Are agencies who report on behalf of other districts (i.e., County Office of Education (COE)) required to create one report for each district or can they report all records within a single fiscal year report?

A13: Employers responsible as a parent organization for other divisions under a shared PERS retirement contract (i.e., COE/District or County Agency/Superior Court) have the option to

allow their division to report out-of-class records independently. They may also choose to include the division's out-of-class records within their own fiscal year report.

myCalPERS does not allow organizations to create unique out-of-class reports for each division under the context of the parent organization's myCalPERS account. Employers who elect to submit their records through file submission can upload more than one .CSV file (i.e. by bargaining unit or division). Records provided within each file will be added to the reporting employer's fiscal year out-of-class report.

Q14 What happens if an out-of-class appointment exceeds 960 hours in a fiscal year?

A14: Employers who exceed the 960-hour provision must pay three times the amount of the difference between the compensation paid for the out-of-class appointment and the compensation that otherwise may have been paid and reported to CalPERS for the employee's permanent position, in accordance with a publicly available salary schedule. The penalty applies for the entire period the employee works in an out-of-class appointment. In addition, the employer will be responsible for a \$200 administrative penalty.

Penalties paid to CalPERS are not normal contributions or additional contributions typically credited to an employee's individual CalPERS retirement account. The employee bears no liability, obligation, or expense because of the unlawful actions of the employer.

Q15: An employee may serve in multiple out-of-class assignments throughout the fiscal year. Are we required to track all hours worked across the different assignments and report the hours accumulatively, or can we report separate appointments for each assignment?

A15: Gov. Code section 20480 is specific to a vacant position in recruitment. Each assignment is treated separately when tracking total hours worked. If an employee were assigned to multiple qualifying positions throughout the fiscal year, employers would report the total hours worked for each position as a separate record.

The out-of-class penalty will only be assessed once a specific position exceeds 960 hours worked. The penalty is not assessed on the accumulative total of hours worked across multiple out-of-class positions in a fiscal year.

Q16: What is the difference between active appointment pay rate is versus the out-of-class pay rate?

A16: When reporting an out-of-class record, the active appointment pay rate represents the pay rate assigned to the initial position the employee held prior to working in the acting/out-of-class assignment. This pay rate should be the same rate reported to CalPERS prior to the out-of-class period as well as for a position pursuant to an employer's publicly available salary schedule.

The out-of-class appointment pay rate should mirror the same pay rate reported to CalPERS as part of normal payroll reporting for the earned periods that fall within the out-of-class

reporting period. If the employee received TUP during the reporting period, the out-of-class pay rate should mirror the active appointment pay rate. The only time the pay rate would be different is if the employer promoted the employee to a higher classification through a personnel action. The pay rate should then match the higher classification salary range pursuant to an employer's publicly available salary schedule.

Q17: Do we include other items of special compensation within the total earnings fields found within the out-of-class record (i.e. Longevity or Off Salary Schedule Pay)?

A17: The value reported within the total earnings fields should only be for base earnings calculated for all payable hours within the out-of-class reporting period, excluding overtime, and should not include any other type of special compensation.

Q18: How is the penalty calculated once the position exceeds 960 hours in a fiscal year?

A18: The penalty is calculated on the difference of member/employer contributions that would otherwise be paid to CalPERS if the employee stayed in their original position, compared to the member/employer contributions that may have been paid while working in an out-of-class position to CalPERS.

Scenario 1:

An employer's labor agreement provides specific language regarding the compensation of TUP for employees who work in an acting or out-of-class appointment. The employee is a PEPR member who worked eight months (1,386 hours) and was paid TUP (10% of earnings) even though the employer did not report TUP to CalPERS:

Position prior to working out-of-class (Assistant City Manager)

Pay rate pursuant to a salary schedule: \$8,000 per month

Total base earnings if employee had remained in original position: \$64,000

7% Member contribution for base earnings: \$4,480

28% Employer contribution for base earnings: \$17,920

Total contributions: \$22,400

Out-of-class position (City Manager)

Pay rate pursuant to a salary schedule: \$8,000 per month

Total base earnings reported to CalPERS for out-of-class position: \$64,000

TUP received by employee but **not** reported to CalPERS: \$6,400

Total out-of-class hours reported: 1,386

Total compensation paid to employee: \$70,400

7% Member contribution if all compensation were reported to CalPERS: \$4,928

28% Employer contribution if all compensation were reported to CalPERS: \$19,712

Total contributions: \$24,640

Penalty: $(\$24,640) - (\$22,400) \times 3 = \$6,720$

Scenario 2:

An employer's labor agreement provides specific language regarding the compensation of TUP for employees who work in an acting or out-of-class appointment. The employee is a classic member who worked eight months (1,200 hours) and was paid TUP (10% of base pay). Since the employee is a classic member, TUP was reported to CalPERS. The employee also worked an additional 50 hours of overtime during the out-of-class reporting period:

Active position employee was hired into prior to working out-of-class (Associate Secretary)

Pay rate pursuant to a salary schedule: \$32.50 per hour

Total base earnings if employee had remained in original position: \$39,000

(1200 hours X 32.50 = \$39,000)

7% Member contribution for base earnings: \$2,730

28% Employer contribution for base earnings: \$10,920

Total contributions: \$13,650

Out-of-class position (Associate Secretary II)

Pay rate pursuant to a salary schedule: \$32.50 per hour

Note: Matches pay rate reported to CalPERS during the reporting period.

Total base earnings reported to CalPERS during the out-of-class appointment: \$39,000

(1200 hours X \$32.50 = \$39,000)

Total TUP reported to CalPERS: \$3,900

Overtime compensation **not** reported to CalPERS: \$1,625

(50 hours X \$32.50 = \$1,625)

Note: Do not include overtime earnings as part of out-of-class earnings

Total out-of-class hours reported: 1250

7% Member contribution for compensation reported to CalPERS: \$3,003

(\$42,900 X 0.07)

28% Employer contribution if all compensation were reported to CalPERS: \$12,012

(\$42,900 X 0.28)

Total contributions: \$15,015

Penalty: Even though there's a difference of \$1,365 in contributions, the employer would not be assessed an out-of-class penalty. Contributions were reported for all CalPERS qualified hours worked. Upon review, CalPERS may override any system generated penalties calculated at the time of reporting.

Q19: When is the out-of-class penalty assessed and how do we make a payment for the penalty?

A19: A penalty will be assessed on all appointments that exceed 960 hours within a fiscal year per each out-of-class assignment. In addition, the employer will incur a \$200 administrative penalty for the fiscal year. The \$200 administrative penalty is applied against the reporting period, not for each violation.

Two separate receivables will be generated in June following the reporting period. The first accounts for all out-of-class violation penalties. The second is the \$200 administrative penalty. Employers are encouraged to pay these receivables timely using the same electronic funds transfer (EFT) payment process used for paying their defined benefit contributions.

Q20: Where will the receivables be generated if we report on behalf of other school districts?

A20: Out-of-class receivables are generated to the employer's account that submitted the report. For example, if a COE submits a report via their myCalPERS account on behalf of their districts and themselves, if violations are found within the report the two receivables are generated to the COE's account.

If a school district self-reports their out-of-class hours worked through their own myCalPERS account, if violations are found within the report the two receivables are generated to their account.

Q21: Are out-of-class receivables subject to the Electronic Funds Transfer (EFT) mandate?

A21: Since the out-of-class penalty and administration penalty are not part of PERS retirement compensation reportable, the EFT mandate does not apply. CalPERS' financial office still recommends all employers pay their receivable by EFT to ensure timely and accurate posting of payments and to avoid any potential interest penalties that may apply.