

*The Audit Department of the Teachers' Retirement System of Louisiana (TRSL) performs compliance audits of member agencies to ensure that retirement contributions are reported accurately, and service credit is properly reflected for system members.*

*We periodically issue the Audit Alert to keep you informed of the most frequently noted audit findings. TRSL believes that these alerts will make you aware of potential problems in your own agency and will allow you to correct them in advance, thus saving you time and money.*

*Corrections should be made in accordance with procedures found in the TRSL Employer Procedures Manual, located on our website at [www.trsl.org](http://www.trsl.org). Some of the most recent audit findings are highlighted below, along with some reminders and updates.*

## **Earnable compensation to be reported for members on unpaid leave**

When a member is on unpaid leave, actual earnings (\$0) are to be reported to TRSL as paid by the employer. Full-time earnings are to be reported as if a member had been employed continuously. Reporting in this manner will ensure that service credit is accurately reflected.

For example, if a member is on leave without pay for half of July 2006, then actual earnings reportable for July would be the \$1000 actually earned during the month, with full-time earnings reported as the member's usual \$2000 monthly salary.

If the member was on unpaid leave during the entire month, you would report July earnings as \$0 actual, \$2,000 full-time.

## **Miscellaneous earnable compensation**

In recent months, we have noticed numerous types of miscellaneous earnings. Earnable compensation is defined in LSA-R.S. 11:701 (10) as "the compensation earned by a member during the full normal working time as a teacher." The definition also lists items that are specifically excluded from earnable compensation. We have included some of the items that have caused confusion as to whether or not they are reportable as earnable compensation to TRSL. The following are to be reported as earnable compensation to TRSL:

- Grants, unless paid directly from a third party
- Sales tax supplements
- Club sponsorship payments

When reporting these payments to TRSL, it is important to remember that even if the employee has terminated or retired, these earnings must still be reported. Otherwise, the unreported earnings will result in a discrepancy between your agency's year-end earnings file and the amounts reported on the monthly salary reports, which could trigger an audit. The following are not reportable to TRSL as earnable compensation:

- Fellowship payments
- School performance award payments (LSA-R.S. 17:10.2)
- Lump sum incentive pay to terminate employment

## **Part-time earnings of members employed full-time at another employing agency of TRSL**

In some of our most recently performed audits, we found that many agencies are not reporting earnings for TRSL members who are working full-time at another agency and part-time at their own agency. If a member is employed full-time in a TRSL-eligible position at one employer and is working in a temporary, seasonal, or part-time position in a TRSL-eligible position with another employer, then the earnings from the part-time, temporary, or seasonal position must also be reported to TRSL.

One way of ensuring that you are aware a member is working full-time at another agency is to include a question on your employment application that specifically addresses this issue. Also, by accessing TRSL's Employer/Membership Information System, you can verify if an employee is already contributing to TRSL based on a full-time position elsewhere. If you do not have access to the TRSL online inquiry system and are interested in obtaining access, see Index 18.1 of the *TRSL Employer Procedures Manual* for further instructions.

Note: The rules regarding 1099 payments (Earnable Compensation Accounts, Louisiana Administrative Code, Title 58, Part III, Chapter 2) do not apply to W-2 earnings. Even if the member earned less than \$1,000, the earnings should be reported to TRSL.

## **Contract earnings**

The following is taken from the *Louisiana Register*, Vol. 30, No. 2, February 20, 2004:

Title 58, Retirement, Part III. Teachers' Retirement System of Louisiana, Chapter 2. Earnable Compensation Accounts, §201. Earnable Compensation Accounts

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- A. *Earnable compensation shall not include compensation paid to an active member or to an inactive member of Teachers' Retirement System of Louisiana (TRSL) if the compensation is paid by a secondary employer and is reported to the Internal Revenue Service (IRS) on a Form 1099, but only if both of the following occur.*
  1. *The individual contract is for \$1,000 or less, and a Form 1099 is issued.*
  2. *The cumulative amount of the Form 1099 payments issued by a single secondary employer to that member does not exceed \$15,000 in a fiscal year.*
- B. *If an individual contract is for more than \$1,000, then that entire payment is earnable compensation subject to TRSL employer and employee contributions.*
- C. *If the cumulative amount of the Form 1099 payments issued by a single secondary employer to that member exceeds \$15,000 in a fiscal year, then all Form 1099 payments in excess of \$15,000 in that TRSL fiscal year are earnable compensation subject to TRSL employer and employee contributions.*
- D. *Earnable compensation shall include any and all compensation paid to a retiree of this system by a TRSL covered employer regardless of IRS reporting.*

If the 1099 contractor is a retiree, the employer must make unsheltered TRSL contributions on all 1099 payments received unless the services performed are as a bus driver, bus attendant, janitor, or classified employee at a state agency. If the 1099 contractor is an active TRSL member due to employment with the employer issuing the 1099 payment, then the contractor must make sheltered TRSL contributions on all payments received unless the services performed are as a bus driver, bus attendant, janitor, or classified employee at a state entity.

If the contractor is an active TRSL member due to employment with another TRSL reporting agency, then the employer must make TRSL contributions on these earnings.

## Members with 100% accrual

Once an active member's potential retirement benefit reaches 100% accrual (number of years of service x retirement % factor = 100%), the member is no longer required to remit employee contributions. However, employers must continue to remit their share of contributions to TRSL as required by LSA-R.S. 11:892. Based on their retirement plan, members reach this limit after obtaining the following years of service:

- Regular Plan - 40 years
- Plan A - 33.33 years (if member does not have supplemental credit at 1%)
- Plan B - 50 years
- LSU Employees hired before 1/1/79 - various times (contact TRSL for more information)

## Reminders and updates

Beginning this year, TRSL's Audit Department revised its audit plan and some of its audit procedures.

### What is the new plan and how will it affect audited agencies?

The goal of the TRSL Audit Department is to review all agencies at least once within a five-year period. To do this, a greater number of limited scope reviews will be performed. The agencies to be reviewed will initially be selected based on a review of earnings variances between the year end earnings diskette furnished to TRSL's Accounting Department and monthly salary reports data.

### What can agencies do to help an audit go smoothly?

Agencies should review their August 15 file for accuracy and completeness with regard to both active and retired members' earnings. It is important to ensure that 1099 contract payments are included on the agencies' end of the year reports. Also, agencies can take advantage of the self-audit tool on TRSL's website at [www.trsl.org](http://www.trsl.org).

## Agency Self-Audit Program

The Agency Self-Audit Program is available on TRSL's website at [www.trsl.org](http://www.trsl.org). To access this program, go to the website and click on Employers > Agency Self-Audit Program.

TRSL developed this program to assist agencies in identifying and correcting reporting errors. This program includes step-by-step instructions to aid in conducting your own audit of compliance with Louisiana Revised Statutes, Title 11 (as it pertains to TRSL), and TRSL policies and procedures, as established in the *TRSL Employer Procedures Manual*.

Contact: Pam Pierce, 225-925-6112 or 225-925-6119, [pamela.pierce@trsl.org](mailto:pamela.pierce@trsl.org)

If you have questions concerning TRSL's audit process, contact Benjamin Foster at 225-925-6108. For questions regarding specific reporting processes, contact Emma Webb at 225-925-3911, or Norma Soileau at 225-925-7895. If you would like training in TRSL reporting, contact Doris Dumas at 225-925-6582.

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