



TRSL's Audit Department performs compliance audits of member agencies to ensure that retirement contributions are reported accurately, and service credit is properly reflected for members of TRSL. We periodically issue the Audit Alert to keep you informed of the most frequently noted audit findings. TRSL hopes these alerts will make you aware of any 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 TRSL's website at www.trsl.org. Some of the most recent audit findings are highlighted below, along with some reminders and updates.

If provided by the charter, teachers employed by a charter school may be members of Teachers' Retirement System of Louisiana. This special charter school edition of Audit Alert is issued in an effort to clarify reporting issues common to charter schools.

Reported earnings comparable to local school systems

LSA-R.S. 17:3997 (4)(a) states, "The compensation that the teacher or school employee would have received if employed by the local public school system shall be used to determine employee and employer contribution levels of the respective retirement systems. (b) Any compensation paid to a teacher or school employee which exceeds the salary that would have been received if employed by the local school system shall not be deemed as compensation solely for the purpose of the calculation of future retirement benefits."

The law requires that charter schools report earnings comparable to those that would have been earned if the employee worked for the local school board in a comparable position. In order to comply, a charter school should contact their local school board and request annual salary schedules for all relevant positions (including supplemental payment schedules). The charter school should then compare their positions to comparable positions at the school board and report no more than the school board's maximum range for each position. The only exception to exceeding comparable school board earnings is if the charter school employee is paid for overtime hours worked. If you need assistance in determining which school board positions are most comparable to positions held by your employees, please contact Dana Vicknair, assistant director, at 225-925-6465.

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 TRSL eligible position with another employer, then the earnings from the part time, temporary, or seasonal position must also be reported to TRSL.

This same rule applies to any individual working part-time at a charter school and contributing to TRSL based on full-time employment at another agency. One way of ensuring you are aware that 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 contract 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 \$1000, 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

- 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, they 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

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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 contractor 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)

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.

LSA R.S. 11:872 states: "... In the event the total daily compensation of a member of the system is not paid by the employer, even if a substitute is paid by the employer, no employee or employer contribution shall be deducted or paid to the retirement system by the employer for days that no compensation is paid. When no compensation is paid and the employer does not place the employee on official leave without pay, the employee shall be entitled to purchase such time and the cost may be paid by either the employee or employer, or both. If an employer does pay for all or a portion of such purchase price, the employer shall pay the same percentage on behalf of all of its employees that are similarly situated."

Reminders and updates

Beginning this year, TRSL's Audit Department revised 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 within a five-year period. To do this, a greater number of less extensive 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 report. Also, agencies can take advantage of the self-audit tool on TRSL's website at www.trsl.org.

Agency Self-Audit Program

The Agency Self-Audit Program is available on TRSL's website at 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 identify, and correct reporting errors. This program includes step-by-step instructions to aid you 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

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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