



Teacher Retirement System of Texas
Internal Audit Department

Employer Review Program for Independent School Districts
Eligibility, Contributions, Employment after Retirement and Related Surcharges

September 2016

To submit questions and comments, please contact us at employeraudits@trs.texas.gov



OBJECTIVES OF EMPLOYER REVIEW

1. Determine if employees reported to TRS as contributing members are eligible for plan participation and that all eligible participants are reported.
2. Determine if member and employer contributions reported to TRS are accurate and all required contributions have been submitted to TRS.
3. Determine if TRS retirees who have returned to work are reported accurately and completely
 - Retirees who have returned to work and are receiving annuity payments are entitled to receive those payments
 - Pension and TRS-Care surcharges reported to TRS are accurate and complete.

EXAMPLE OF DOCUMENTATION REQUEST

Objective 1: Member Eligibility (for specified review period)

- Organization chart/Staff Directory
- Current employee listing, position title, full-time/part-time allocation
- List of new employees and terminated employees
- Entire payroll registers of all employees
- Personnel/employee contract files, job descriptions
- Time records and other support for time worked
- Employees hired under a third party arrangement, and independent contractors; agreements and supporting documentation

Objective 2: Employer and Member Contributions (for specified review period)

- Detail supporting records for the reporting entity and member contribution amounts submitted on required reports for specified review period:
 - Regular Payroll Report
 - Statutory Minimum Report (does not apply to charter schools)
 - Federal Fund/Private Grant Report
 - Federal Grant TRS-Care Report
 - Reporting Entity Payment for New Members Report
 - Reporting Entity Payment for Non-OASDI Members Report
- Employees whose salary is paid from federal funds and private grants, and percentage allocation of the salary and supporting records (e.g. Accounting journals showing allocation of salary from various sources including federal funds and private grants)

Objective 3: Employment after Retirement, Pension and TRS-Care Surcharges (for specified review period)

- Detailed supporting records for the following reports:
 - Employment of Retired Members Report
 - Reporting Entity TRS-Care Surcharge for Reported Retirees Report
 - Reporting Entity Pension Surcharge for Reported Retirees Report
- List of any TRS retirees who were on the employer's payroll and their payroll and personnel files
- List of TRS retirees providing services to you via a third party entity
- List of independent contractors who provided services:
 - Tax form 1099 issued for professional services, account payable for professionals services for period under review
 - Copies of contracts for services provided by TRS retirees

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Objective 1: Assess member eligibility: determine whether employees reported to TRS as contributing members are eligible for plan participation and that all eligible participants are reported. Reports tested include the Regular Payroll Report.

Interview TRS Head of Institution and Reporting Official/Business Office Manager	Obtain an understanding of the process for determining how TRS eligibility is determined and submitted to TRS. Inquire about the types of employees and contracts in place for each.
Interview Business Office Manager/payroll personnel	Obtain an understanding of the process for processing payroll and the types of records available to support payroll.
<p>Test eligibility accuracy and compliance with TRS Laws and Rules:</p> <p>Are all employees reported to TRS for the test month eligible?</p> <p>See <u>Employment Eligible for TRS Membership</u> on employer webpage at http://www.trs.texas.gov</p>	<ol style="list-style-type: none"> 1. Obtain the regular payroll report and detail records submitted to TRS for the test months. Populate into test worksheets. 2. Obtain Member Data 40 detailed records submitted to TRS which include position, salary/ hourly, hourly rate, contract dates, and position code. Review position title on staff directory and identify discrepancies for further inquiry of position. Populate into test worksheets. 3. Look up each employee reported on TRAQs web “View Employee Information” to determine if TRS Retiree and has required break in service and whether subject to TRS surcharges. Carry over to contribution tests pertaining to surcharges and Employment After Retirement. 4. Obtain eligibility evidence for employees selected such as contract agreement, personnel files, third party agreements, time reports, job descriptions, and the payroll register for the test month. Determine their TRS eligibility according to TRS eligibility guidelines. Follow-up with questions on those individuals that may not be eligible. 5. For employees, review supporting records for allocation of time as part of the eligibility test. Follow-up as needed. 6. Any deemed ineligible need to be carried over to the respective spreadsheet, and impact to reported contributions calculated. Carry these results to Objective 2.
<p>Test eligibility completeness</p> <p>Are there employees on payroll register for the test month not reported to TRS but are eligible?</p>	<ol style="list-style-type: none"> 7. Compare participants reported to TRS with those in the test month payroll register. For those not reported to TRS, obtain support, such as a time reports and other documentation, and determine if staff is ineligible or may be eligible. Review allocation of salary if employee is working for the school and also working for a non-covered TRS entity affiliated with the school. 8. Inquire further and request documentation as needed for those employees not reported to TRS but appear to be eligible. Populate respective spreadsheet with these employees as contributions will need to be calculated. 9. Inquire of independent contractors, leased employees, and review agreements/other support, and determine if any of these should actually be categorized as eligible employees. Calculate respective contributions under Objective 2.



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Objective 2: Assess accuracy and completeness of member and employer contributions: determine if member and employer contributions reported to TRS are accurate and all required contributions have been submitted to TRS on the required reports. Reports tested include:

Regular Payroll Report – Member Pension and TRS-Care contributions, Employer TRS-Care Contribution

Federal Fund/Private Grant Report, Federal Grant TRS-Care Report - Employer Contributions

Reporting Entity Payment for New Members Report – Employer Contributions

Statutory Minimum Report – Employer Contributions (not applicable to charter schools)

Reporting Entity Payment for Non-OASDI Members Report – Employer Contributions

Interview TRS reporting official	Obtain an understanding of the process for calculating and reporting member contributions to TRS and the documentation that supports the calculation.
Interview TRS reporting official	Obtain an understanding of the process for calculating and reporting employer contributions to TRS and the documentation that supports the calculation.
Interview TRS reporting official	<ol style="list-style-type: none"> 1. Inquire about employees whose salaries are paid by federal funds and private grants and the process for allocation of funds. 2. Obtain an understanding of how those contributions are determined and reported to TRS.
<p>Test accuracy of member contributions and compliance with TRS Laws and Rules (reported on Regular Payroll Report)</p> <ul style="list-style-type: none"> ➤ Pension ➤ TRS-Care <p>See <u>Creditable Compensation: Compensation Eligible for TRS</u> on employer webpage at http://www.trs.texas.gov</p>	<ol style="list-style-type: none"> 3. Review supporting detail provided. 4. For employees selected in objective one, compare salary and contributions to test month payroll register and other supporting detail to support contribution and salary reported to TRS. 5. If salary reported is different from payroll register, then inquire and obtain further documentation to ascertain if all eligible salary reported to TRS. Tie salary to supporting records. 6. Through inquiry, review of personnel agreements, payroll records, and board minutes to determine if any allowances or bonuses are included in the salary reported to TRS (e.g. cell phone, travel, and signing bonus) which are not TRS eligible compensation. Populate spreadsheet and recalculate contributions and document any differences. 7. Inquire about reasons for variances. 8. Any employee either deemed ineligible or eligible that affects what should have been reported to TRS, recalculate the member contributions based on salary. Populate spreadsheet 9. Determine if over/under reported to TRS on member contributions.

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<p>Test accuracy of employer contributions for TRS-Care and compliance with TRS Laws and Rules (Reported on Regular Payroll Report) Note: <i>not same as TRS-Care surcharge</i></p>	<ol style="list-style-type: none"> 10. Obtain the report of employer contributions remitted to TRS on regular payroll report. 11. Review detail supporting records for the employer calculations. 12. Use information from work performed on member contributions above, to determine and recalculate employer contributions for TRS-Care 13. Inquire on about reasons for variances 14. Determine if over/underreported to TRS on this employer contribution.
<p>Test accuracy of federal fund/private grant contributions and Federal Grant TRS-Care and compliance with TRS Laws and Rules</p>	<ol style="list-style-type: none"> 15. Review list of employees whose salary (all or part) is paid from federal funds and private grants; review payroll records, documents showing percentage allocation of salary from federal funds/private grants, and supporting detail for the federal contribution reports. Populate spreadsheets. 16. Recalculate the 2 employer contributions for each report and compare to contributions reported to TRS. <i>Remember if the employee is a new member to TRS then during first 90 days do not report on federal fund private grant report but do report the employee on the Federal Grant TRS-Care.</i> 17. Determine if over/underreported to TRS on these employer contributions.
<p>Test accuracy of payment of new members report</p>	<ol style="list-style-type: none"> 18. Interview reporting official to understand their process of determining if employee is new member to TRS. 19. Review supporting detail provided for the report. Populate spreadsheet with new members. 20. Compare prior reporting month(s) (if available) to test month. Identify additions to personnel and compare to new members reported. Inquire of any differences. Also review months surrounding the test month to determine if the new member has been reported for the full 90 days. 21. Any new eligible members identified under objective 1 not reported to TRS but is a new member to TRS needs to be populated on the spreadsheet. 22. Recalculate new members' payments and compare to amount reported to TRS. Inquire of any differences. 23. Determine if over/underreported to TRS on employer's new member payments.
<p>Test accuracy of Statutory Minimum Report contributions and compliance with TRS Laws and Rules (not applicable to charter schools)</p>	<ol style="list-style-type: none"> 24. Review payroll report and determine employees covered under statutory minimum. 25. Review employer detail supporting documentation for report 26. Trace these employees to the statutory minimum employee detail for the report. 27. Compare salaries and contributions per the payroll register to the TRS Regular Payroll report, and tie salaries to the state minimum report.

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	<p>28. Recalculate contributions on salary minus the minimum statutory salary and tie to detail, and compare to total contributions reported to TRS.</p> <p>29. Determine if over/underreported to TRS on statutory minimum contributions.</p>
<p>Test accuracy of Reporting Entity Payment for Non-OASDI Members contributions with TRS Laws and Rules</p>	<p>30. Review payroll register and determine those employees not covered by social security</p> <p>31. Compare to detail supporting data to the report submitted to TRS and identify differences</p> <p>32. Determine if the position is subject to the state minimum salary schedule, and that the 1.5% contribution was calculated only on the salary amount up to the adjusted state minimum.</p> <p>33. Recalculate contributions based on steps above.</p> <p>34. Determine if over/underreported to TRS on payment for non-OASDI members.</p>

Objective 3: Assess compliance with employment after retirement reporting requirements and surcharges' accuracy and completeness: determine if TRS retirees who have returned to work are reported accurately and completely, retirees who have returned to work and are receiving annuity payments are entitled to receive those payments, and Pension and TRS-Care surcharges reported to TRS are accurate and complete. Reports tested include **Employment of Retired Members Report, Reporting Entity Pension Surcharge for Reported Retirees Report** and **Reporting Entity TRS-Care Surcharge for Reported Retirees Report**. You may also want to use the **Self-Audit Tools** on the **TRS Employer Audit webpage** to test the accuracy and completeness of these reports.

<p>Interview TRS reporting official</p>	<p>Inquire about the names of TRS retirees who have returned to work. Obtain an understanding of how compliance with employment after retirement rules are considered, followed, and documented.</p>
<p>Test employment after retirement</p>	<ol style="list-style-type: none"> 1. Obtain a list of TRS retirees who are currently employed by the school and their positions and the retirees included on the Employment of Retired Members Report for the test month. 2. Review employees listed on the payroll register that were not identified as retirees in Step 1, a list of independent contractors and tax documents 1099s , and third party entity information to identify any TRS retirees who are performing services for the school. The TRAQS "View Employee Information" tool can be used to identify retirees, the retirement date, and the required break in service. 3. For these retirees document the following: a) retiree type (service, disability), b) dates of retirement, rehire, and contract, c) current position and hours worked. 4. Determine whether employment after retirement complies with TRS Laws and Rules based on analysis of required break in service, type of position worked, and hours/days worked in position and conclude on compliance with employment after

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	<p>retirement rules</p> <ol style="list-style-type: none"> 5. Compare retirees identified above who retired after 1/1/2011 to the retired members report for the test month and identify any new retirees that need to be included in the report. 6. Compare retirees who retired before 1/1/2011 are correctly categorized on the retired members report and identify any new TRS retirees to be included on the retired members report. 7. Identify adjustments needed for the retired members report.
<p>Test accuracy of surcharge reports</p> <ul style="list-style-type: none"> ➤ Pension Surcharges ➤ TRS-Care Surcharges 	<ol style="list-style-type: none"> 8. From the detailed support for both surcharge reports for the test month, identify the retirees included on the surcharge report along with their detail surcharge amount for the test month. 9. Reconcile the detailed surcharge amounts to the total surcharge amounts remitted to TRS. 10. Recalculate the Pension surcharge and identify any differences that require adjustments. 11. The TRAQS “View Employee Information” tool should be used to determine whether the retiree is subject to the TRS-Care surcharge amount. Identify any differences that require
<p>Test completeness of surcharge reports</p>	<ol style="list-style-type: none"> 12. Adjust the list Adjust the list of retirees identified as working at the school during the test month above, identify those retirees that retired after 9/1/2005. 13. Use the TRAQS “View Employee Information” tool to identify which of these retirees are subject to the surcharges. 14. Identify the retirees that meet the TRS criteria for the surcharge triggers. 15. Compare the list of the retirees subject to the surcharges to those identified above as being included on the surcharge reports for the test month. 16. Identify retirees that need to be included on the surcharge reports. Calculate the pension surcharges due, and use TRAQS “View Employee Information” to obtain TRS-Care surcharge amount. 17. Identify adjustments that need to be reported to TRS.

**TRS EMPLOYER, MEMBER, and STATE CONTRIBUTION RATES
Fiscal Year 2017 (September 2016 – August 2017)**

Employer Contributions – Pension Trust	Member Contributions- Pension Trust	State Contributions – Pension Trust
<p><u>Statutory Minimum Report –</u> Salary above Statutory minimum salary (6.8%) of the total monthly salary paid above the adjusted state minimum salary and the total amount of employer contributions due to TRS. Public schools only - Charter Schools are excluded from Statutory Minimum.</p> <p><u>Federal Fund/Private Grants Report</u> (6.8%) of total monthly salary paid to TRS eligible employees from federal funds and private grants which reimburses the State contribution due on salary</p> <p><u>Reporting Entity Payment for New Members Reports</u> New Member contribution for 1st 90 days (6.8%) Employer pays the state contribution for new members for the first 90 days on the total amount of TRS-eligible salary paid to new members</p> <p><u>Reporting Entity Pension Surcharge for Reported Retirees Report –</u> Pension Surcharge (14.5%) of the salary paid to that TRS retiree in that calendar month if the retiree met the criteria for the surcharge trigger. It is the combination of the employee contribution rate and the state contribution rate.</p> <p><u>Reporting Entity Payment for Non-OASDI Members –</u> Employer pays 1.5% of the total amount of salary paid to members for whom the employer does not pay Social Security – public schools, charter schools; does not apply to institutions of higher education</p> <p><u>Non-Educational/General Funds (6.8%)</u> of the total monthly TRS-eligible salary paid from Non-educational/General Funds - senior universities, medical and dental schools</p> <p><u>Educational/General-Local Funds (6.8%)</u> of the total monthly TRS-eligible salary paid from Educational/General-Local Funds - – senior universities, junior/community colleges, medical and dental schools</p> <p><u>Reporting Entity Payment for Community/Junior Colleges</u> – As of 9/1/2013, community and junior colleges are required to pay the state contribution (6.8%) on 50% of salaries paid to eligible instructional or administrative employees and 100% of salaries paid to all other members.</p>	<p>Reported on <u>Regular Payroll Report</u> - Member Retirement contribution (7.7%) of monthly TRS-eligible salary</p>	<p>A state contribution rate of (6.8%) of the aggregate annual compensation (payroll) of all members of the system during the fiscal year (less amount contributed by the employers)</p>

**TRS EMPLOYER, MEMBER, and STATE CONTRIBUTION RATES
Fiscal Year 2017 (September 2016 – August 2017)**

Employer Contributions – TRS-Care Trust	Member Contributions – TRS-Care Trust	State Contributions- TRS-Care Trust
<p>Reported on <u>Regular Payroll Report -Retirees’ Health Insurance Program (.55%)</u> of total monthly TRS-eligible salary – <i>only reported by public schools, regional service centers, and charter schools</i> -</p> <p><u>Federal TRS-Care Report (1%)</u> of total amount of salary paid from federal funds and private grants to TRS eligible employees and to reimburse the State for the contributions to TRS-Care- (public schools, regional service center and charter schools)</p> <p><u>Reporting Entity TRS-Care Surcharge for Reported Retirees Report</u> – The amount of surcharge per retiree is available on TRAQS web application on “View Employee Information” screen by entering the SSN of the employee:.</p>	<p>Reported on <u>Regular Payroll Report</u> Member TRS Care contribution (.65%) of TRS –eligible salary</p> <p><i>Only reported by public schools, regional service centers, and charter schools</i></p>	<p>The State TRS-Care contribution rate will be (1%) of the aggregate annual compensation (payroll) of all members of the system during the fiscal year.</p>