



California Public Employees' Retirement System  
Office of Audit Services  
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## Memorandum

October 31, 2023

**To:** CalPERS Contracting Agencies

*Cindie Lor*

**From:** Cindie Lor  
Assistant Division Chief  
Office of Audit Services

**Subject: Educational Incentive Pay Review**

As part of the Office of Audit Services (OFAS) Audit Plan for fiscal year 2023-24, we are performing a review of Educational Incentive Pay reported as special compensation. Your agency has been selected as an employer to be included in this review. The objective of the review is to determine whether public agencies (employers) reported Educational Incentive Pay for classic members in compliance with Government Code section 20636 and Title 2 of the California Code of Regulations section 571. Our review period is from July 1, 2021 through June 30, 2023.

In accordance with GC section 20222.5, we will need to review pertinent documents and records covering the review period. The results of our review will be communicated with a draft report to each employer. The draft report will include observations identified, if any, and provide an opportunity for the employer to respond to the draft report. The employer's response and our evaluation of your response will be included in a consolidated final report summarizing the results for all employers reviewed, and each employer's report will be included as an attachment to the final report.

It is each employer's responsibility to ensure compliance with the Public Employees' Retirement Law. We will contact you to discuss the review objectives, necessary documentation, and to schedule audit fieldwork.

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Please share a copy of this letter with your Human Resources Director to inform them of this review as soon as possible. In addition, please email the following documents to Vicki.Shaw@CalPERS.ca.gov by November 8, 2023:

- Employee roster of all active and retired Classic employees employed during July 1, 2021 through June 30, 2023 showing the names, position titles, collective bargaining units (and where an employee is not in a collective bargaining unit but is under a contract, a statement they are under contract) and whether the employee is currently active or retired.
- Policies and procedures, Memoranda of Understanding, employment agreements, rules, and regulations, etc., that address or define the application of your agency's policy for payment and reporting of Educational Incentive Pay for your Classic employees that were approved by your Governing Body.

In addition, we will need to have the following records available during audit fieldwork for the selected sampled employees:

- Complete personnel records or files.
- Information pertaining to any calculation and payments of Educational Incentive Pay, including payroll check stubs, and any other personnel or payment records used to determine, pay, and report amounts of Educational Incentive Pay for your Classic employees.
- Any other information or documents deemed reasonably necessary to determine the accuracy of reported Educational Incentive Pay.

GC section 20222.5 provides OFAS the authority to review employers under resolution or contract with CalPERS and to assess a reasonable fee to recover the additional costs incurred when the time required to complete a review exceeds the estimated hours. We estimate the review to take 120 hours to complete.

If you have any questions, please contact Vicki Shaw, Associate Program Auditor, at (916) 795-2339.