Overtime Retirement & Tax Reporting Requirements for School Districts

In California schools, overtime pay is reported to CalPERS based on the Base-time hourly rate for hours up to 40 per week and is not reported for hours exceeding 40 per week. This means that any overtime hours are paid at an overtime rate, but only the Base-time pay for those hours (up to the 40-hour weekly limit) is reportable to CalPERS. Personnel reporting must be done accurately to ensure correct retirement benefits, and all earnings should reflect the normal Base-time rate for services rendered up to 40 hours per week.

Beginning with the 2025 tax year (returns filed in 2026), a new federal tax provision allows many workers to exclude a portion of their overtime pay from federal income tax. Under the "No Tax on Overtime" rule from the One Big Beautiful Bill Act, employees may deduct up to **$12,500** of "***qualified overtime compensation***" from taxable income each year (up to **$25,000** for married couples filing jointly). This deduction applies only to overtime pay required under the Fair Labor Standards Act for over 40 hours a week and phases out for higher-income taxpayers. Payroll taxes (like Social Security and Medicare) still apply.

Key reporting & tax rules for school OT

- Report Base-time pay, not overtime pay: Any pay for hours worked within the 40-hour work week is reportable to CalPERS at the normal hourly rate, even if the employee is being paid at an overtime rate for those hours
- Do not report earnings for hours over 40: Any pay for services rendered in excess of 40 hours per week should not be reported to CalPERS
- Use the correct pay rate: The pay rate used for reporting must be based on the normal Base-time rate for the employee's classification
- Incorrect reporting can cause issues: Improper reporting can lead to inaccurate service credit accrual, incorrect retirement benefit calculations, and inflated costs for members purchasing certain service credit
- Premium portion in excess of the employee's regular rate of pay is considered "qualified overtime compensation" for the No Tax on Overtime law
- Only overtime that meets the federal FLSA requirement for overtime (typically more than 40 hours in a workweek) qualifies

Example

- A custodian working 45 hours a week is paid at a Base-time rate of $25/hour for the first 40 hours and $37.50/hour for the remaining 5 hours Overtime(OT)
- The school district should report the earnings for 40 hours at the Base-time rate of $25/hour to CalPERS, totaling $1,000
- The total overtime amount of $187.50 (5 hours OT x $37.50/hour) is not reportable to CalPERS
- The overtime premium amount of $62.50 would not be subject to Federal Income Tax (FIT) (5 hours OT x $12.50/hour premium pay, *$37.50-$25.00 = $12.50 premium pay*)

UPDATED 01/20/2026

Example 1: Full-Time Employee Working Overtime

Employee: Custodian
Schedule: 8 hrs/day, 40 hrs/week, 12 months
Rate: $25.00/hr

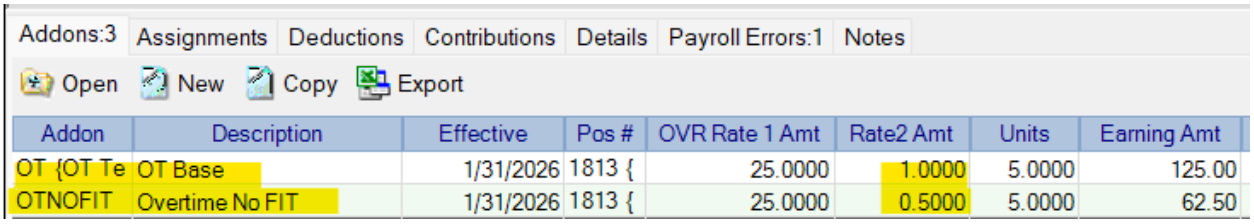
Description	Hours	Rate	Amount	CalPERS Reportable?	Addon to Use
Regular pay	40	$25.00	$1,000.00	✅ Yes	None (regular pay)
Overtime Base	5	$25.00	$125.00	❌ No	**OT {OT Base}**
Overtime Premium (.5)	5	$12.50	$62.50	❌ No	**OTNOFIT {OT .5 FIT Tracking+40 hrs/wk}**

Total gross pay: $1,187.50
Report to CalPERS: $1,000.00 (regular pay only)

Use OT & OTNOFIT addons when paying full-time employees for base hours beyond 40 per week. All pay using these addons is *non-reportable* to CalPERS for employees that are 1.0 FTE and 12 months.

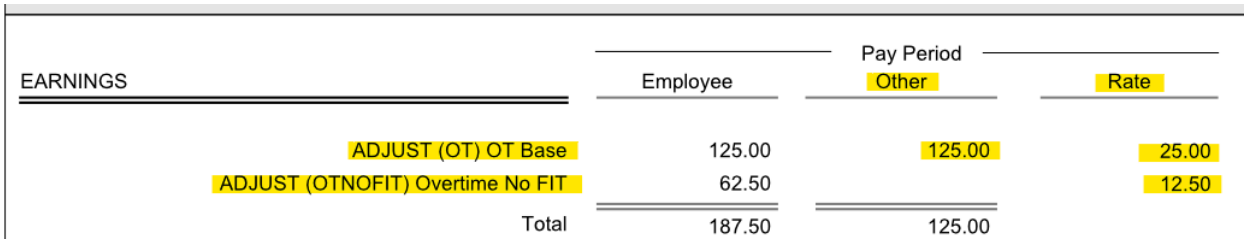
- **OT** pays regular Base time for the OT hours worked
- **OTNOFIT** pays the premium .5 amount for the OT hour worked

Example: Adjust Payroll OT Addons



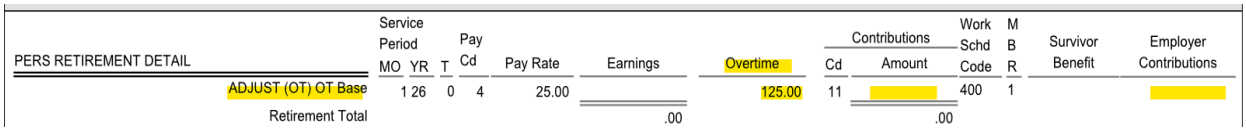
Addon	Description	Effective	Pos #	OVR Rate 1 Amt	Rate2 Amt	Units	Earning Amt
OT {OT Te	OT Base	1/31/2026	1813 {	25.0000	1.0000	5.0000	125.00
OTNOFIT	Overtime No FIT	1/31/2026	1813 {	25.0000	0.5000	5.0000	62.50

Example: Addon Earnings Pay Rate for Base and .5 Premium



EARNINGS	Pay Period Employee	Other	Rate
ADJUST (OT) OT Base	125.00	125.00	25.00
ADJUST (OTNOFIT) Overtime No FIT	62.50		12.50
Total	187.50	125.00	

Example: PERS Retirement Detail - OT Base Reporting as Overtime



PERS RETIREMENT DETAIL	Service Period MO	YR	T	Pay Cd	Pay Rate	Earnings	Overtime	Contributions Cd	Amount	Work Schd Code	M B R	Survivor Benefit	Employer Contributions
ADJUST (OT) OT Base	1	26	0	4	25.00		125.00	11		400	1		
Retirement Total						.00			.00				

Example 2: Part-Time Employee with Extra Duties

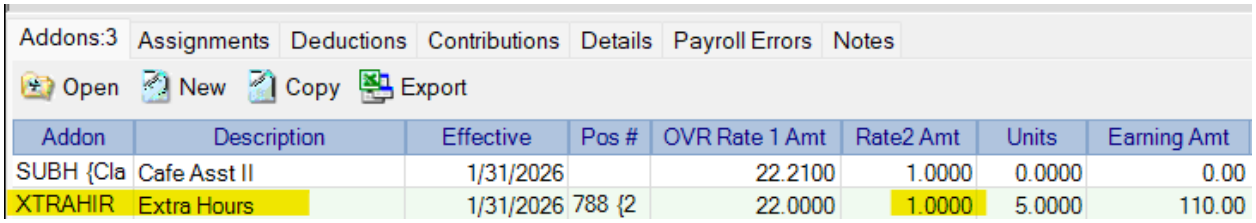
Employee: Noon Duty + Library Assistant
Combined schedule: 27.5 hrs/week, 195 days, 11 pay periods
Rates: $20.00/hr and $22.00/hr

Description	Hours	Rate	Amount	CalPERS Reportable?	Addon to Use
Noon Duty	17.5	$20.00	$350.00	✅ Yes	None
Library Assistant	10	$22.00	$220.00	✅ Yes	None
Book Fair Extra Hours	5	$22.00	$110.00	✅ Yes	**ADDLHRLY**

Total gross pay: $680
Report to CalPERS: All regular pay (both assignments reportable)

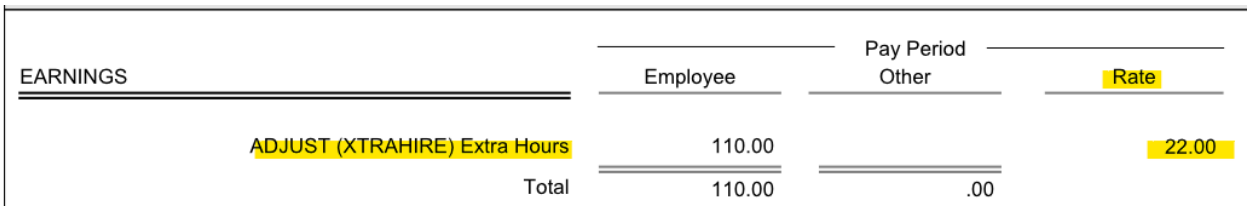
No OT addon needed since all hours are within 40 hours a week.

Example: Adjust Payroll Extra Hours Addons



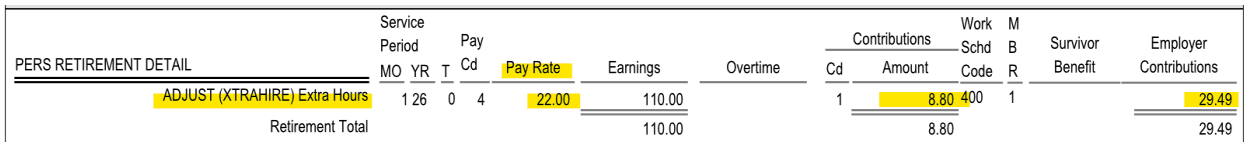
Addon	Description	Effective	Pos #	OVR Rate 1 Amt	Rate2 Amt	Units	Earning Amt
SUBH {Cla	Cafe Asst II	1/31/2026		22.2100	1.0000	0.0000	0.00
XTRAHIR	Extra Hours	1/31/2026	788 {2	22.0000	1.0000	5.0000	110.00

Example: Addon Earnings Pay Rate for Extra Hours Base



EARNINGS	Pay Period Employee	Pay Period Other	Rate
ADJUST (XTRAHIRE) Extra Hours	110.00		22.00
Total	110.00	.00	

Example: PERS Retirement Detail - Extra Hours Base Reporting as creditable



PERS RETIREMENT DETAIL	Service Period MO	YR	T	Pay Cd	Pay Rate	Earnings	Overtime	Contributions Cd	Contributions Amount	Work Schd Code	M B R	Survivor Benefit	Employer Contributions
ADJUST (XTRAHIRE) Extra Hours	1	26	0	4	22.00	110.00		1	8.80	400	1		29.49
Retirement Total						110.00			8.80				29.49

Example 3: Part-Time Employee with Overtime

Employee: Bus Driver
Schedule: 6 hrs/day, 5 days/week = 30 hrs/week, 191 days, 11 pay periods
Rate: $26.00/hr

Scenario:

- Works **6 extra hours** on one weekday (beyond 6, up to 8 = base time; beyond 8 = time-and-a-half) 6 regular hours, 6 extra duty hours = 2 regular and 4 OT
- Works **Saturday** (8 hrs time)
    - CBA states that hours worked on the 6th day will be paid at one and a half times the regular rate for the entire day.

Regular Base Rate Pay

Description	Hours	Rate	Amount	CalPERS Reportable?	Addon to Use
Regular hours	30	$26.00	$780.00	✅ Yes	None
Extra Hours up to 8 hours	2 (weekday)	$26.00	$52.00	✅ Yes	**ADDLHRLY**
Total Regular Hours	32.00 hours		$832.00		

Overtime Rate Pay

Overtime Base (system will calculate PERS up to 173.33 hours monthly)	4 Weekday 8 Saturday	$26.00	$312.00	✅ Yes	**OT {OT Base}**
OT Premium-time .5 less than 40 hrs	4 x .5 Weekday 4 x .5 Saturday	$13.00	$104.00	❌ No	**OTHALF {OT .5 >40 Hrs/wk}**
OT Premium-time .5 over 40 hours	4 x .5	$13.00	$52.00	❌ No ❌ No FIT	**OTNOFIT {OT .5 FIT Tracking +40 hrs/wk}**
Total Overtime Hours	12.00 Hours		$468.00		

- **OT** → Pays and reports only the **Base-time Reports to CalPERS:** $312.00
- **OTHALF** → Pays only the **premium** (.5) portion. **Does not Report to CalPERS:**$104.00
- **OTNOFIT** → Pays only the **premium** (.5) portion (Not-reportable - FIT Tracking) $52.00
- **Total OT gross pay:** $468.00

Example: Adjust Payroll Extra Hours and OT Addons

Addons:6 | Assignments | Deductions | Contributions | Details | Payroll Errors:3 | Notes

Open | New | Copy | Export

Addon	Description	Effective	Pos #	OVR Rate 1 Amt	Rate2 Amt	Units	Earning Amt
SUBH {Classified	Cafe Asst II	1/31/2026		22.2100	1.0000	0.0000	0.00
XTRAHIRE {Extra	Extra Hours	1/31/2026	788 {2	26.0000	1.0000	2.0000	52.00
OT {OT Test}	OT Base	1/31/2026	788 {2	26.0000	1.0000	8.0000	208.00
OT {OT Test}	OT Base	1/31/2026	788 {2	26.0000	1.0000	4.0000	104.00
OTHALF {OT .5 N	OT .5	1/31/2026	788 {2	26.0000	0.5000	8.0000	104.00
OTNOFIT {Overti	OT.5 FIT	1/31/2026	788 {2	26.0000	0.5000	4.0000	52.00

Example: Addon Earnings Pay Rate for Extra Hours Base, OT Base and OT .5

EARNINGS	Pay Period Employee	Pay Period Other	Rate
ADJUST (OT) OT Base	312.00		26.00
ADJUST (OTHALF) OT .5	104.00		13.00
ADJUST (OTNOFIT) OT.5 FIT	52.00		13.00
ADJUST (XTRAHIRE) Extra Hours	52.00		26.00
Total	520.00	.00	

Example: PERS Retirement Detail - Extra Hours and OT Base Reporting as creditable

PERS RETIREMENT DETAIL	Service Period MO	YR	T	Pay Cd	Pay Rate	Earnings	Overtime	Contributions Cd	Contributions Amount	Work Schd Code	M B R	Survivor Benefit	Employer Contributions
ADJUST (XTRAHIRE) Extra Hours	1	26	0	4	26.00	52.00		1	4.16	400	1		13.94
ADJUST (OT) OT Base	1	26	0	4	26.00	208.00		11	16.64	400	1		55.76
ADJUST (OT) OT Base	1	26	0	4	26.00	104.00		11	8.32	400	1		27.89
Retirement Total						364.00			29.12				97.59

✅ Quick Reference Summary

Situation	OT Addon(s)	Base-Time Reportable?	Premium Reportable?
Full-time working 40 hrs + and 12 months	OT + OTNOFIT	No PERS	No PERS No FIT
Part-time working, Overtime up to 40 hrs/wk less than 12 mo	OT + OTHALF	✅ Base-time only PERS	No PERS Yes FIT
Part-time working up to 40 hrs/wk	ADDLHRLY	✅ Yes PERS	Not applicable

⚙️Summary of Addon Usage

Addon	When to Use	What It Does	CalPERS Reporting
OT	Paying **full-time** employees the base-time portion of overtime for hours worked beyond 40 hrs/week	Pays Base-Time Rate of OT	Not reportable
OT	Paying **part-time employees** for additional OT hours up to 40 hrs/wk (Base-time portion)	Pays and reports only the regular rate	✅ Reportable up to 173.33 hours per month
OTHALF	Paying the **premium (.5x)** portion of overtime under 40 hours	Pays the premium portion only	Not reportable
OTNOFIT	Paying the **premium (.5x)** portion of overtime after 40 hours	Pays the premium portion only	Not reportable No FIT tracked

Note: Always confirm that only the Base-time portion of additional hours (up to full-time) is reported to CalPERS. Employees will receive credit for CalPERS up to 173.33 hours each month. Premium pay should never be included in reportable compensation.

Reach out to Helpdesk@scoe.org, Carend@scoe.org and Jliu@scoe.org each time you are dealing with Overtime as these situations need to be handled on a case by case basis. If the situation has to do with CalPERS, please include Maria Aguayo Maguayo@scoe.org.