



*Lloyd S. Berkett Insurance Agency, Inc.*

**TEMPLE TOPICS – NEWSLETTER**

**Work Comp. Audit Tips**

- 1) Payroll – Remuneration As used in this Plan, payroll and remuneration are synonymous and mean the monetary value at which service is recompensed. Except as provided herein, remuneration includes gross wages; salaries; commissions; bonuses; vacation; holiday and sick pay; overtime payments; the market value of gifts; and all substitutes for money earned during the policy period by employees and officers of the insured and any other persons for whom voluntary coverage is provided under the policy
- 2) Overtime Remuneration Overtime remuneration is that portion of the total remuneration which is derived from the application of an increase above and in addition to the regular rate of remuneration (or additional pay for hours not worked but allowed in lieu of such an increase rate), because of time worked on holidays, Saturdays or Sundays or because of the number of hours worked in any one week or day beyond the standard for the industry, or because of participation by regularly scheduled league games. Overtime remuneration does not include: extra pay for swing, graveyard shifts, for working certain hours on the clock or bonus pay figured on volume without regard to hours worked.
- 3) Overtime remuneration shall be included in the payroll except as follows:
  - a) If the employer's books and records are maintained so as to show separately by employee, and in summary, by type of operation performed,
    - i) remuneration earned at straight time rates of pay for total hours worked, and
    - ii) overtime remuneration,

overtime remuneration shall be excluded from premium computation.
  - b) If the employer's books and records are maintained so as to show separately by employee, and in summary, by type of operation performed,
    - i) remuneration earned at straight time rates of pay for hours worked when there is no overtime remuneration , and
    - ii) total remuneration earned for those hours worked when there is overtime remuneration,

One-third, or such other portion of the total remuneration earned for those hours when there is overtime remuneration, shall be excluded from the payroll.
- 4) Salary Reduction and Cafeteria Benefit Plans. The amount by which an employee's salary is reduced to fund the welfare or fringe benefit portion of a cafeteria plan qualified under Section 125 of the Internal Revenue Service Code shall not be included in the payroll. The amount by which an employee's salary is reduced to fund a pension or deferred compensation plan, however, shall be included in the payroll regardless of whether such plan is a portion of a cafeteria plan.

- 5) Payroll Records. If the employer fails to keep complete and accurate records of the remuneration earned by all officials and employees in sufficient detail to permit the proper classification of payroll in accordance with the provisions contained herein and to make them available for examination by the insurer, the total remuneration earned shall be assigned to the highest rated classification describing any part of the work.
- 6) Division of Single Employee's Payroll. When any location of an employer's business is classified on a divided payroll basis in accordance with the provisions contained herein, the remuneration of any one employee may be divided between two or more classifications, provided the employer has maintained complete and accurate records supported by original time cards or time book entries which show separately, both by individual employee and in summary by operations performed, the remuneration earned by such employees except such division SHALL NOT BE ALLOWED:
  - a) In connection with the standard exception classifications which must be assigned in accordance with the specific rules under "GENERAL CLASSIFICATION PROCEDURES".
  - b) If the division is contrary to the classification phraseology.
- 7) If the employer fails to keep complete and accurate records as provided in this rule, the entire remuneration of the employee shall be assigned to the highest rated classification applicable to any part of work performed by the employee. Payroll may not be divided by means of percentages, averages, estimates, or any basis other than specific time records.
- 8) Executive Officers. The entire remuneration earned by each executive officer during the policy period shall be used as the payroll subject to minimum remuneration of \$31,200 per annum and a maximum remuneration of \$84,500 per annum for each executive officer covered under this policy (Can your Rabbi, or other highly paid employee, be appointed as an executive officer?). This provision also applies to executive officers of a corporation while the corporation is covered as a member of a partnership or joint venture operation and to executive officers of a limited liability company.

Executive officers, as used herein, means those officers of a corporation or a limited liability company, commonly known and styled as president, any vice president, secretary, assistant secretary, treasurer or assistant treasurer and shall include, in addition thereof, any other executive officers enumerated in and empowered by the charter or any regularly adopted by-laws of the corporation and who are elected or appointed and empowered by the directors or set forth in the operating agreement of a limited liability company.

Proper Payroll Classification: The proper classification of employees has a big impact on your final workers' compensation costs. Are Hebrew School teachers coded as teachers under a school code, or under another code? Does the receptionist at the Temple take the same code as the day school's receptionist? Call us for a worksheet to help you correctly classify employees.

For a more complete discussion of workers' compensation audits please call us at 1-800 BERKETT. We are a leader in providing insurance services to Temples. We are here to help.

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