TRA
Teachers Retirement Association
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Service Credit for Employer Units

Welcome to Minnesota Teachers Retirement. This is an employer reporting video training for service credit. We will look at the old service credit law, the new law, we will explain annual base salary, we will talk about begin and end dates and how important they are for pay period reporting, we give you some examples that you can use when you doing your pay period reporting to TRA.

Prior to fiscal year 2013, the employer unit reported service credit to Teachers Retirement. Service credit was based on five hours a day equals one day, less than five hours a day is a percentage of the day, and if the member got 170 service credit they received a full year.

For years prior to fiscal year 2013, TRA requires employer units to report service credit based on hours per days and number of days worked. The new service credit law is not retro-active. TRA will still ask employer units about service credit for fiscal 2012 and before based on hours per day and number of days worked.

Starting in fiscal year 2013, service credit is based on annual base salary. Service credit is calculated by dividing the teacher's monthly salary by the employer unit's monthly base salary multiplied by .111. Monthly base salary is the employer unit's annual base salary divided by 12. A teacher cannot receive more than .111 service credit for the month and they can only receive one full year of service credit for each fiscal year.

The new service credit law is significant to the employer units. TRA will calculate service credit, not the employers. This means to the employers they no longer need to report service credit, nor demographic service credit, nor payroll reporting service credit. The employer units only need to provide the annual base salary and provide the regular begin and end dates for the regular teacher work year.

The new service credit law does not affect MnSCU. MnSCU has a different service credit calculation and is based on an FTE formula.

Annual base salary is specific to the employer unit type. Independent school districts and education cooperatives are required to report the lowest full-time BA starting position for the prior fiscal year.

Annual base salary for charter schools is the lowest starting annual salary for full-time licensed position at the charter school during the previous fiscal year.

For state agencies and professional organizations, it is the lowest starting annual salary for a full-time Teacher's Retirement covered position in the prior fiscal year.

Annual base salary for new employer units. The first year of operation, it is based on the base contract salary for current fiscal year.

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Annual base salary for merged or consolidated employer units. The lowest annual base salary for the previous year of the merged or consolidated. The means the lowest of the two merging units' base salary.

Reporting requirements for employers. The employer must provide to TRA before June 30 the annual base salary and the begin and end dates of the regular school teacher year.

Here's the timeline. In March, TRA will request the annual base salary and the regular school work year. By June 30, the school district must report, without penalty, the annual base salary and the school work year.

The employer unit who does provide the annual base salary and regular school work year by June 30 must pay a five dollar a day fine until the school district has provided to the Association the information. If the annual base salary has not been settled or determined as of June 16, a fine commences if the annual base salary has not been reported to the Association within 14 days following the settlement date.

We have two examples.

Example 1. School District A has not settled their master agreement in fiscal 2012 by the June 30, 2012, date and is actually operating under the prior fiscal year agreement. They have established their work year. As of June 30, the school district did report the annual base salary for fiscal 2011 and provided the fiscal 2013 regular school year.

Once the school district settles their contract, in this case August 1, with the approval of the bargaining units and the approval of the school board, the school district has 14 days to provide the information to TRA.

Example 2. School District B settled their master agreement with their teachers on May 15. The school district never reported the information to Teachers Retirement by June 30 as required. The school district did provide the information on July 15 and was charged $5 a day late fee or $75.

TRA calculates monthly based salary based on the annual base salary divided by 12 for each employer unit. TRA assigns service credit based on the employee's monthly salary. This is very similar to PERA, which assigns monthly service credit if the member has earned salary in that month. TRA's difference is that the employee must reach the employer's monthly base salary to receive the full .111 service credit for that month. If the member earns less than the monthly base salary, they will receive a percentage of the base salary multiplied by .111.

Monthly base salary. How does it differ between employer units? The examples show Independent School District A, B, Cooperative 1, and Charter School C each have a different annual base salary, thus they have a different monthly base salary.

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Monthly base salary for different positions at the same school. Independent School District A has an annual base salary of $30,000, a monthly base salary of $2,500. Each of the positions – Superintendent, Principal, Counselor, ECFE, have the same monthly base salary regardless of position.

Here are three examples of members earning salary in the month. They all have difference earnings, they have the same employer unit monthly base salary and they have different monthly service credits. Please note, the person who earns $3,000 a month and the person who earns $2,500 in a month earn the same amount of service credit because the maximum a teacher can earn is .111 service credit for that month.

We are going to show you some examples.

Example 1, this teacher makes $45,000 a year. The employer unit's annual base salary is $30,000. Monthly base salary is $2,500. In pay periods from September to May, the member makes $4,500 a month. Against the monthly base salary, the service credit is capped at .111 for each month of the year. The member receives a full year of service credit.

The importance of pay period begin and end dates. This is not something new. This is something that TRA has been stressing for ten years. Calculating service credit is all about when the pay is earned, reported to us by pay period begin and end dates. Employers have always been required to provide this information; however, with the new service credit law, accurate information is even more important.

Pay period begin date is the first day the member works in the pay period.

Pay period end date is the last day the member works.

Pay periods may need to be changed based on when the member actually works.

Here are some examples of pay period reporting.

Regular pay period starts on 8/18 and goes to 8/31, but the member was employed as of 8/27, so the pay period begin date actually should be 8/27 not 8/18.

Pay period reporting with summer payrolls.

Any salary paid as a summer payroll needs to have the member's contract pay periods begin and end dates. For example, a teacher receives pay during the summer for teaching the prior school year, which was 8/29 to June 4. They are paid as shown below.

All those dates, including the June and July and August dates should have the pay period begin and end dates matching the school year with a fiscal year indicator telling us it was earned in fiscal 2013.

Pay period begin and end dates cannot cross over fiscal years. To help TRA accurately allocate the information, the school district needs to report in separate pay period reporting lines what was actually earned. Here the school tried to report the salary was earned from June 16 to July 15 when in reality the school district needs to report two pay period records, one with the salary earned from June 16 to June 30, with the fiscal year indicator 2013, and then a second record showing earned salary from July 1 to July 15 with the fiscal year indicator of 2014.

Pay period begin and end dates may cross months. For example, a pay period begin date of March 16 and a pay period end date of April 15 is allowed. TRA will allocate salary to each month based on the number of calendar days in each month. In this example, 16 days will be allocated in March and 15 days will be allocated in April. The member was paid $4,650. TRA allocated $2,400 in March and a service credit of .107 and in April TRA allocated $2,250 and the service credit was .100.

Here is an example of summer payoff. We have a member who works full time, their contract period is August 16 to June 15, is paid annually $26,400, has a summer payoff of $4,400, is paid $1,100 on the 15th and the last of every month. The annual base salary for the employer unit is $33,600. Thus the monthly base salary is $2,800.

Here is a slide showing the member being paid $1,100 or $2,200 a month without any summer payoff allocated.

This slide shows the allocation of the $4,400 summer payoff. It is based on the begin and end dates provided by the school showing August 16 to June 15.

This slide shows the overlay between the regular service credit earned during the school year plus the service credit earned from the summer payoff. You will note that the member earns .104 in September. When you add all the service credit for the full year, the member still receives a full year of service credit from TRA.

Now we have little bit more complicated example. It will include extracurricular pay, a retro payment, and summer payroll.

We have somebody who earns $24,000 a year. The contract earning period is from August 16 to June 15, paid $1,000 on the 15th and the last day of every month.

Now we have a summer payoff of $4,120. The member coached and received $3,200 and there was a retroactive payment of $210.

First, let's start with the retroactive pay. The member was paid retroactively $210. The pay period begin and end dates are August 16 to November 30. TRA will allocate that payment based on the begin and end dates as shown.

Now let's add in the coaching payment. We have someone who coached from November 21 to March 10 -- $3,200. The example shown shows the begin and ends and how TRA allocates service credit based on what is reported by the school.

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Now the final part.

Now let's add in the summer payoffs. The member had a summer payoff of $4,120. The pay period begin and end dates were August 16 to June 15. We allocated the money based on the begin and end dates provided by the school. TRA will place that salary into the calculation.

For example, let's look at November. If you back to the original slide, the member received .091 service credit. Once we have allocated the November retro payment, once we have allocated the coaching payment, once we have allocated the summer payoff, the member's service credit for November goes to .111.

So this is an example where the correct begin and end dates reported by the school district increased the member's service credit correctly.

To recap,

TRA will calculate service credit.

TRA will rely on the employers to provide the annual base salary and provide the regular school begin and end dates.

Pay period begin and end dates are more than critical. May sure that the service credit is calculated for our members.

Please, please pay special attention to the begin and end dates when reporting summer payroll, retro payments, and extracurricular pay.

Teachers Retirement wants to thank you for listening to this video. And we hope it was helpful. We want you to apply what you have learned.

If you have questions, please contact TRA at the general 800 number.