MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

MEMORANDUM

Date: September 16, 2019

To: All Member and Employer Services Employees

From: Jim Dusch

Subject: Wage Payment Option Reporting & Contribution Payment

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Although employers could previously offer an option, a newly enacted law (PL 2019, c.193) requires school districts to offer a wage payment option to employees who are paid on an hourly basis. The following information explains what this option is and how it affects monthly reporting and pension payments to MainePERS.

1. **"Wage Payment Option" Defined.** The term "wage payment option" refers to the ability an hourly school employee has to ask that the wages they earn during the school year (September to June) be paid over a longer period of time. This option allows these hourly employees to receive income throughout the year, rather than having the summer (usually July and August) be a time when no pay is received. So long as the employer of the hourly employee is a school, the option is available to them (which therefore includes PLD school support employees who work for a district).

2. **Pension Contribution Reporting and Payments.** The decision to use a wage payment option has no effect on the pension contributions that must be paid by an employee and employer because contribution rates are based on the earnable compensation being reported to MainePERS. Wages earned during the school year while the employee is working are spread out over a longer period of time, which causes a reduced amount to be reported as earned each month (similar to how some school contract employees are reported). The effect a wage payment option has on the normal course of MainePERS' work is that service credit is granted over a time period that is greater than the time during which services were rendered. This is because service accrual will not be attached to a member's account until wages are reported and prorated against their expected annual salary.

3. **Effect on Non-hourly Employees.** State law does not affect the arrangements school employers have with non-hourly employees, like people paid on a salary basis pursuant to a contract.

4. **Reporting Details.** The accuracy of details included in the payroll work reports we receive each month are crucial to ensuring that employees have the full amount of service credit they earned each year granted to their account.

    A. *Earnable Compensation.* Accurately reporting the amount of money paid to the employee during a month, will ensure that the correct service credit is granted.

B. *Employee Position Codes & Classification*. Any employee working in a position covered by MainePERS that is compensated for their services on an hourly basis must be reported as an "hourly" employee. Position codes are unaffected when an employee opts for a wage payment option, and therefore should not change during the year (unless, of course, the employee changes positions.

C. *Reporting Periods*. All employees in a MainePERS covered position must be reported on every report that includes a pay period when they received earnable compensation (i.e. wages).

D. *Pay Rate*. A wage pay option does not affect the "rate of pay" associated with the position reported for each employee. All hourly employees have a rate at which they are paid for the time they work in a position, and spreading wages earned over an extended time period does not change that hourly rate. Reporting the rate of pay expected of a position without any additional compensation for unique duties is essential. Any premium added to their rate of pay because different duties were assigned for that time period must be reported on a separate line in the report. Accurate reporting of the pay rate is a crucial aspect of calculating the expected full time equivalent (FTE) annual salary. An inaccurate FTE salary will result in service credit calculation errors.

E. *Expected Hours and Weeks*. For non-teachers, the hours that are "Expected Full Time for One Week" and the "Expected Weeks Per Year" amounts must be reported accurately based on the hours per week and weeks per year the position is expected to work during the school year. Accurate reporting of these fields is a crucial aspect of calculating the expected FTE annual salary. An inaccurate FTE salary will result in service credit calculation errors.

F. *Payroll Adjustments*. The same employment-related events that currently result in payroll work report adjustments are unaffected by a wage payment option.

5. Examples

A. *Calculating the Monthly Earnings Reported*. An hourly employee who is paid bi-weekly at a $15.00 per hour base rate of pay, and is expected to work 1,296 hours per school year (36 hours per week, 36 weeks per year) has an FTE annual salary of $19,440.00. If their wage payment option is based on 26 bi-weekly pay periods, the total earnings reported for each period is $747.69

B. *Months with Zero-Hours Worked*. The value recorded in the "time paid" field on a payroll work report does not affect service credit calculations. As such, reporting zero hours worked in July and August is not problematic outside of the payroll exception it will generate.