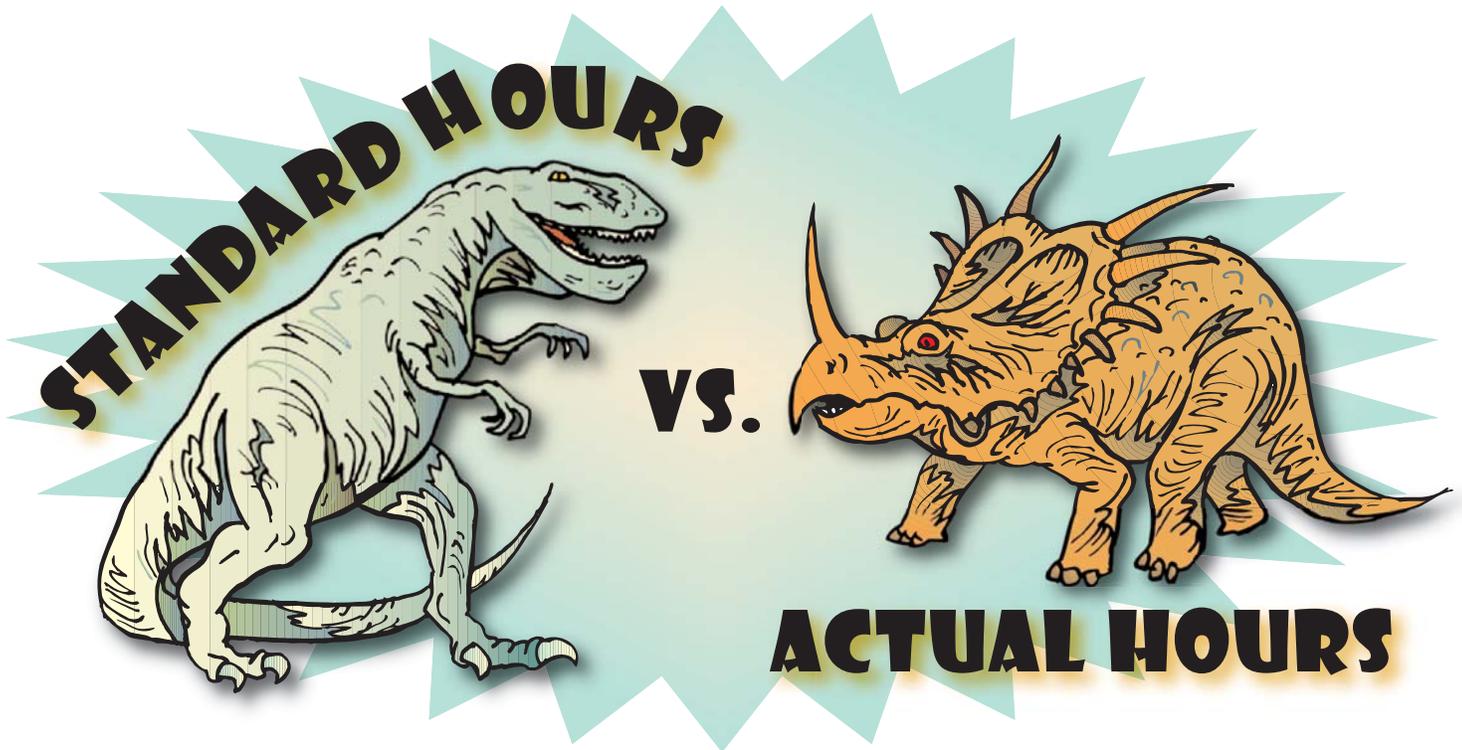


# Employer Update

Timely Information for Participating Employers from the Maryland State Retirement Agency



## Standard hours versus actual hours: It doesn't have to be a battle!

**D**istinguishing between standard and actual hours is easy when you know how.

Hours worked reflect the actual number of hours worked (including annual, personal, sick, and compensatory hours paid) during the pay period. For full time and part-time employees, the actual hours worked should not exceed the Total Standard Hours for the pay period.

For example: If the standard hours for the agency or position are 80 per pay period, and the member works 82.5 hours, only report 80 hours as the 2.5 may be overtime and the member does not get a benefit from the 2.5 hours of overtime.

When a member's employment ends, standard hours should be adjusted for the final pay. If a

member is scheduled to work only one week of the pay period, then standard hours reported should be adjusted to reflect one week instead of two weeks for the final pay period. Do not adjust the percentage of time for the employee scheduled to work only a portion of the final pay period of employment.

*How to report payroll for part time employees* (pages 2-3)



# Who may I call when I need help?

The retirement agency and the participating employers are partners in ensuring that the membership data on every employee is complete so that the agency can communicate timely and accurate information to the members and provide the correct benefits. Please direct your questions and concerns to the appropriate resources:

- **Enrolling members or automatic enrollment reports:** call 410-625-1414 or e-mail [dfisher@sra.state.md.us](mailto:dfisher@sra.state.md.us)
- **Uploading your payroll data:** call 410-625-5697 or e-mail [twilliams@sra.state.md.us](mailto:twilliams@sra.state.md.us)
- **Submitting prior period payroll adjustments:** 410-659-8411 or e-mail [slauer@sra.state.md.us](mailto:slauer@sra.state.md.us)

*Who says social media is just for teenagers?*

**MARYLAND STATE RETIREMENT and PENSION SYSTEM**  
*Established 1927*

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## Challenging payroll reporting

Each newsletter, the retirement agency will use this space to discuss an unusual payroll reporting issue. In this edition, we discuss how to report payroll data for part time employees.

### How to report payroll for part-time employees

Membership is mandatory for part-time regular employees who work or are budgeted (expected) to work at least 500 hours in a fiscal year. If the employee is expected to work 500 hours, then membership begins immediately when the employee is placed on payroll. Once an employee is a member of the Maryland State Retirement and Pension System, he or she should continue to be reported regardless of the number of hours he or she works.

“ Once an employee is a member of the State Retirement and Pension System, he or she should continue to be reported regardless of the number of hours he or she works. ”

The Maryland State Retirement Agency requires each employer to utilize the Budget Method for reporting payroll for part time employees with flexi-

ble hours. Here is an example using the Budget Method to properly report retirement payroll for an hourly wage, part-time employee.

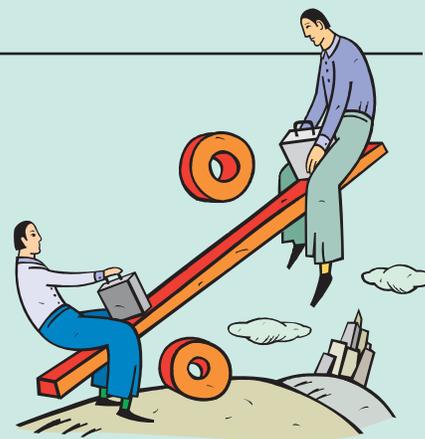
Contribution Rate .....	7%
# of Pays .....	26
# of Contributory Pays .....	20
Hourly Wage .....	\$15
Budgeted Hours (per pay period) .....	28
Standard Hours (per pay period) .....	80

Continued on page 3.

# Challenging payroll reporting

Continued from page 2.

## Determine part-time payroll reporting elements in 4 easy steps



**1 Determine Part-Time Percentage** – What is the average or budgeted number of hours per pay period that the employee is expected to work? Once determined, divide this number by the number of Standard Hours for your employer. The result is the percentage of time this employee is expected to work. In this example, the employee is budgeted to work 28 hours each pay period. Based on 80 standard hours per pay period ( $28 \div 80 = 35\%$ ), the part-time percentage is 35%.

**2 Determine the Full-Time Equivalent (FTE) Salary** – Multiply the hourly wage by the standard hours for this position times the total number of pay periods. In this example, the FTE Salary is \$31,200 ( $\$15 \times 80$  (standard hours)  $\times 26$  (pay periods)).

**3 Determine Actual Annual Compensation** – Multiply the FTE Salary (step 2) by the part-time percentage (step 1). In this example, the Actual Annual Compensation is \$10,920 ( $\$31,200 \times 35\%$ ).

**4 Determine Contributions Due Each Pay Period** - Multiply the Actual Annual Salary by the Contribution rate and then divide the product by the number of contributory pays (pay periods in which the employer withholds employee contributions). This will yield the amount of contribution that should be remitted each pay period without respect to the number of hours actually worked during the pay period, and will only change if there is a change in pay rate, or budgeted hours. In this example, the contributions due each pay period are \$38.22 ( $\$10,920.00 \times 7\% \div 20$ ).

Although actual number of hours worked may fluctuate, there should be no fluctuation in reporting of Actual Earnable Compensation, Contribution, Percentage of Time, or Actual Annual Compensation unless the member changes positions or there is a consistent and significant change in the number of hours the employee is budgeted to work during the year. A significant change would be an increase or decrease of more than 10%.

# Upload payroll data easily and safely to the Retirement Agency's secure Website

We at the Maryland State Retirement Agency strongly encourage all employers to use our secure Website at [sra.maryland.gov](http://sra.maryland.gov) for the transmission of payroll data. The Secure File Upload provides employers the ability to upload retirement payroll data directly to our Website in a secure environment.

If you need assistance preparing your data in the prescribed format, MSRA will provide a stand-alone DOS based retirement payroll program that is only compatible with a Windows 7 – 32-bit operating system to create the payroll information file in the correct electronic format. The Payroll Reporting Software is not compatible with a Windows 7 – 64-bit operating system. Although we have been aware for some time that the DOS based payroll program provided by MSRA has not been upgraded to newer technologies, other software development priorities continue to take precedence for the MSRA programming staff. Specifically, the major upgrade to the Maryland Pension Administration System (MPAS) implemented in 2010 continues to require substantial modifications due to legislative changes passed in 2011 and 2012 related to the Reformed Contributory Pension Benefit.

A target date has not been set for any changes to occur to the DOS based payroll program. If you no longer have access to a computer with an older version of Win-



**The Maryland State Retirement Agency's Secure File Upload** provides employers the ability to upload retirement payroll data directly to the agency's Website in a secure environment.

dows, the only alternatives available are to have your programming staff develop an automated solution from the specifications provided as other agencies have done, or use the specifications provided to create a "text" file using "Notepad" (or another text editor such as UltraEdit) and following the 250 character format for each data record.

If an error message is received when using the secure Website, provide a screen print of the error message to assist us with the resolution of the issue. Please contact Tanya Williams at 410-625-5697 or [tawillia@sra.state.md.us](mailto:tawillia@sra.state.md.us) with any questions regarding the Secure Upload process.

Payroll data is frequently submitted on a quarterly basis for elected and appointed officials. Due to the timing of receipt of this payroll data, the member's record will not maintain an active status and service credit may not be awarded correctly.

To ensure accurate payroll reporting, payroll data for elected and appointed officials should be submitted following the employer schedule as indicated on the Payroll Information Report. Because elected and appointed officials are deemed to work a full-time schedule, 80 hours worked and 80 standard hours or the full time standard hours of the employer should be reported each pay pe-



**The Town of Oakland**, population 1,925, is the county seat of Garrett County. The Western Maryland community was incorporated in 1862.

riod. For any non-contributory pay periods, zeroes may be re-

ported in the contribution field.

## Member refunds

In order to maintain the qualified status of the plan from an IRS perspective, the Maryland State Retirement Agency is not permitted to refund contributions withheld under the employer pick-up program (IRC 414 h(2)) to members who are actively employed. However, employers may refund excess contributions to employees. After the employer processes the refund to the employee(s), the employer submits a Form 714 adjustment with the next payroll file.



The remittance amount will be decreased by the total amount refunded. When MSRA receives notification that the employer has refunded the excess contributions to the member and processes the payroll file with the shorted contribution amount, the appropriate adjustment will be made to each member's record.

Whenever you desire to process an employee refund, please seek approval from MSRA to ensure that the member does not receive multiple refunds in error.

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