

# Employer Update

Timely Information for Participating Employers from the Maryland State Retirement Agency

## Membership: Who's in, who's out?

Membership is a mandatory condition of employment for:

- Permanent, *full-time* employees; or
- Permanent, *part-time* employees who are budgeted to work at least 500 hours per fiscal year or who actually work 500 hours in a fiscal year (retroactive to the beginning of the fiscal year.)

Temporary, contractual and emergency employees are not eligible

for membership. By definition, a contractual employee is an individual who provides personal services to a participating employer. Further, these services and pay are specified in a written personal services agreement, there is an employer-employee relationship and the individual does not receive any fringe benefits.

Employees who meet the eligibility criteria listed here cannot reject membership; they must be enrolled immediately upon employ-



ment. Likewise, an ineligible employee cannot elect membership.

## How to determine actual hours worked

The Hours Worked field reflects 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 Standard Hours for the pay period or include overtime hours worked.

### *Test your knowledge:*

If the Standard Hours for the agency or position are 80 hours per pay period, but the member works 82.5 hours, how many Hours Worked should be reported?

*A*

41.25 hours

*B*

80 hours

*C*

82.5 hours

See answer on page 6.

# What makes a *Designation of Beneficiary* valid?

## Five important conditions **must** be met to validate Form 4:

1. Member must sign and date the form.

2. Notary box must be dated the same day as the member's signature (signed in the presence of a Notary Public.)

3. The member's name must appear in the notary's box (name of person whose signature is being acknowledged.)

TO THE MARYLAND STATE RETIREMENT AGENCY: I authorize the Maryland State Retirement Agency to pay the death benefit to my designated beneficiary or beneficiaries. I agree on behalf of my estate, heirs and assigns that the payment made by the Agency will release the agency from any further obligation regarding this benefit. I direct the Agency to pay the death benefit to my estate if I have not designated any beneficiary or if all of the primary and contingent beneficiaries I have named die before me. I understand that I may change beneficiaries at any time by filing a new Designation of Beneficiary form with the Maryland State Retirement Agency. Any new Designation of Beneficiary form I file will replace this form. I understand certain payment due to a minor shall be made only to the legal guardian of that minor. SIGN IN THE PRESENCE OF A NOTARY PUBLIC. (Form not valid unless notarized.)

Signature \_\_\_\_\_ Date Signed \_\_\_\_\_

This form must be signed and notarized in order to be valid.

- Please check (✓) for your plan:
- ( ) 1 Teachers' Retirement Plan
  - ( ) 2 Employees' Retirement Plan
  - ( ) 2C Correctional Officers' Retirement Plan
  - ( ) 3 State Police
  - ( ) 6 Teachers' Pension Plan (Incl. Bifurcated)
  - ( ) 7 Employees' Pension Plan (Incl. Bifurcated)
  - ( ) 8 Law Enforcement Officers' Retirement Plan
  - ( ) 9 Law Enforcement Officers' Pension Plan

State of \_\_\_\_\_ County of \_\_\_\_\_ (or City of Baltimore)  
 On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned officer,  
 personally appeared \_\_\_\_\_, known to me  
**NAME OF PERSON WHOSE SIGNATURE IS BEING ACKNOWLEDGED \***  
 (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that  
 (he/she) executed the same for the purposes therein contained. In witness whereof I hereunto set my hand and official seal.  
 Signature of Notary Public \_\_\_\_\_  
 Printed Name of Notary Public \_\_\_\_\_ My Commission Expires \_\_\_\_\_  
 \*IMPORTANT: If the name of the individual whose signature is being  
 acknowledged is not filled in, this form will be INVALID and have no legal effect.

Official Seal must be affixed

4. Notary must sign the form. The notary's commission must not have expired before the date the form was executed.

5. Seal must be affixed (raised or stamped original.)

# Use the Budget Method to report for part-time employees in four easy steps

Employers often ask how to properly report their retirement payroll data for part-time employees. To answer these questions the retirement agency relies on the Budget Method.

The Budget Method provides a uniform method for employers to report the payroll data for their part-time employees and involves four easy steps:

1. Determine the Part-Time Percentage
2. Determine the Full-Time Equivalent Compensation
3. Determine the Actual Annual Compensation
4. Determine Contributions Due Each Pay Period

*As an example, let's assume the following facts about a new, part-time employee:*

**Fact:** The employee is expected/budgeted to work 48 hours per pay period (3 days per week x 8 hours per day x 2 weeks) instead of the employer's standard 80 hours per pay period (5 days per week x 8 hours per day x 2 weeks)

**Fact:** A full-time employee in this same position would earn \$35,000 per year

**Fact:** The employee will be a member of the Employees' Pension System which has a contribution rate of 7%

**Fact:** The employer has 26 contributory pays

<p><b>Step 1:</b> The <u>Part-Time Percentage</u> is calculated using the formula: expected or budgeted hours ÷ standard hours.</p> <p>In this example the <u>Part-Time Percentage</u> is 60% (48 expected or budgeted ÷ 80 standard hours).</p>	<p><b>Step 3:</b> The <u>Actual Annual Compensation</u> is calculated using the formula: Full-Time Equivalent Compensation x Part-Time Percentage.</p> <p>In this example the <u>Actual Annual Compensation</u> is \$21,000 (\$35,000 x 60%).</p>
<p><b>Step 2:</b> In this case you know the <u>Full-Time Equivalent Compensation</u> without any need for calculation. In this example the employer has another full-time employee performing the same duties as will be performed by this new, part-time employee and that the full-time employee is paid a salary of \$35,000. Therefore, the <u>Full-Time Equivalent Compensation</u> for the part-time employee would be \$35,000.</p>	<p><b>Step 4:</b> The <u>Contributions Due each Pay Period</u> is calculated using the formula: ((Actual Annual Compensation x Contribution Rate) ÷ Number of Contributory Pays).</p> <p>In this example the <u>Contributions Due each Pay Period</u> is \$56.54 ((\$21,000 x 7%) ÷ 26)</p>

# Using the Budget Method for Part-Time Employees

As another example let's assume the following facts about a new, part-time employee:

**Fact:** The employee is expected/budgeted to work 40 hours per pay period (5 days per week x 4 hours per day x 2 weeks) instead of the employer's standard 80 hours per pay period (5 days per weeks x 8 hours per day x 2 weeks)

**Fact:** The employee is budgeted to be paid \$26,000 per year

**Fact:** The employee will be a member of the Employees' Pension System which has a contribution rate of 7%

**Fact:** The employer has 24 contributory pays

<p><b>Step 1:</b> The <u>Part-Time Percentage</u> is calculated using the formula: expected or budgeted hours ÷ standard hours.</p> <p>In this example the <u>Part-Time Percentage</u> is 50% (40 expected or budgeted hours ÷ 80 standard hours).</p>	<p>In this example the <u>Full-Time Equivalent Compensation</u> is \$52,000 (<math>\\$26,000 \div 50\%</math>)</p>
<p><b>Step 2:</b> In this example you don't know the <u>Full-Time Equivalent Compensation</u>, but you do know the budgeted, part-time salary for the employee. Therefore, you can use the following formula: Budgeted Salary ÷ Part-Time Percentage.</p>	<p><b>Step 3:</b> In this example you know the <u>Actual Annual Compensation</u>, \$26,000, without the need for any calculation.</p> <p><b>Step 4:</b> The <u>Contributions Due each Pay Period</u> is calculated using the formula: ((Actual Annual Compensation x Contribution Rate) ÷ Number of Contributory Pays).</p> <p>In this example the <u>Contributions Due each Pay Period</u> is \$75.83 (<math>(\\$26,000 \times 7\%) \div 24</math>)</p>

As a final example let's assume the following facts about a new, part-time, 10-month employee:

**Fact:** The employee is expected/budgeted to work 60 hours per pay period (4 days per week x 7.5 hours per day x 2 weeks) instead of the employer's standard 75 hours per pay period (5 days per weeks x 7.5 hours per day x 2 weeks)

**Fact:** The employee is budgeted to be paid \$12.00 per hour

**Fact:** The employee will be a member of the Employees' Pension System which has a contribution rate of 7%

**Fact:** The employer has 20 contributory pays

<p><b>Step 1:</b> The <u>Part-Time Percentage</u> is calculated using the formula: expected or budgeted hours ÷ standard hours.</p> <p>In this example the <u>Part-Time Percentage</u> is 80% (60 expected or budgeted hours ÷ 75 standard hours).</p>	<p>employee. Therefore, you can use the following formula: Hourly Rate x Standard Hours for a Full-time Employee.</p> <p>Standard Hours for a Full-Time Employee for this employer are 1,500 (75 hours per pay period x 20 pay periods).</p> <p>In this example the <u>Full-Time Equivalent Compensation</u> is \$18,000 (<math>\\$12.00 \text{ per hour} \times 1,500 \text{ standard hours}</math>)</p>
<p><b>Step 2:</b> In this example you don't know the <u>Full-Time Equivalent Compensation</u>, but you do know the hourly rate for the em-</p>	<p style="text-align: right;"><i>See Budget Method, page 5</i></p>

**Step 3:** The Actual Annual Compensation is calculated using the formula: Full-Time Equivalent Compensation x Part-Time Percentage.

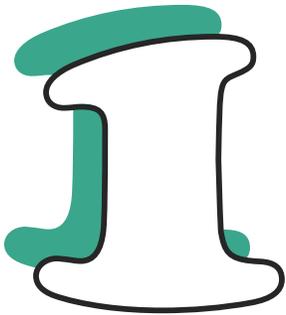
In this example the Actual Annual Compensation is \$14,400 (\$18,000 x 80%).

Note: Alternately, this could also be calculated by taking the Hourly Rate x Expected or Budgeted Hours: \$12.00 per hour x 1,200 hours

**Step 4:** The Contributions Due each Pay Period is calculated using the formula: ((Actual Annual Compensation x Contribution Rate) ÷ Number of Contributory Pays).

In this example the Contributions Due each Pay Period is \$50.40 ((\$14,400 x 7% ÷ 20)

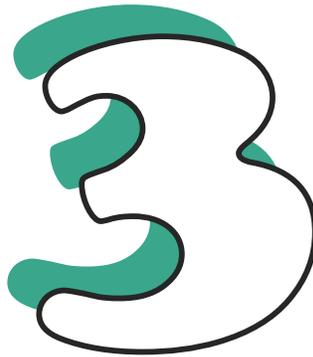
*Using the Budget Method, payroll reporting for part-time employees is easy!*



Simply report the same Part-Time Percentage, Full-Time Equivalent Compensation, Actual Annual Compensation, and Contributions Due each Pay Period for each pay period worked by the employee.

There should be no fluctuation in reporting of Actual Earnable Compensation, Contributions Due each Pay Period, Part-Time Percentage, or Actual Annual Compensation unless the employee 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%.

Once you have used the Budget Method to calculate the Part-Time Percentage, the Full-Time Equivalent Compensation, the Actual Annual Compensation, and the Contributions Due each Pay Period, retirement payroll data reporting for part-time employees is very easy.



The only reported retirement payroll data that will fluctuate from pay period to pay period is the Actual Hours Worked which should reflect the actual number of hours worked by the part-time employee during each pay period and the Pay Period Base Salary which should reflect the actual base earnings paid during each pay period.



Watch for more on part-time payroll reporting in a future edition of *Employer Update*.





## 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)

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# Calendar year 2013 earnings limitation audit slated

Each year, the Maryland State Retirement Agency (MSRA) conducts an audit of all retirees who have returned to work for any employer that participates in any plan in the Maryland State Retirement and Pension System. The purpose of this audit is to determine if the retiree's earnings for the year exceed his or her earnings limitation amount established at the date of retirement and would therefor require a reduction in the amount of his or her monthly retirement benefit.

The State Personnel and Pensions Article of the Annotated Code of Maryland requires all participating employers to report information to the MSRA

regarding every employee paid through any payroll process during the calendar year. Generally, the wage data that you report to the Internal Revenue Service on IRS Forms W-2 or 1099-MISC is to be reported to the MSRA not later than January 31. This employee data is then matched against the retirees in our database as the starting point of the audit to identify who is working for a participating employer.

Please be on the lookout over the next few weeks for detailed instructions on the format and procedures for submitting this data to the MSRA. We appreciate your assistance with the timely processing and completion of this annual audit.

## Automatic enrollment reports and fees

Every April and again in June, the agency provides listings to employers who have employees who have not been properly enrolled in the system. The agency refers to these individuals as "Automatic Enrollments." We are receiving payroll data on these employees but we are missing a complete Form 1, *Application for Membership*, and/or a proof of birth date document, and/or a notarized *Designation of Beneficiary* form.

For every employee who was hired before April 1 and is not properly enrolled in the system by June 30, the employer will be billed \$100.

Please help us keep our membership records complete and avoid the \$100 per employee penalty fee by responding immediately to your employer's Automatic Enrollment Report. Staff in our Enrollments Section will gladly help you resolve enrollment issues. The Enrollments Section may be reached at 410-625-1414.

Answer from page 1: **B. 80 hours.** The 2.5 hours in excess of the Standard Hours is considered overtime and not permitted to be reported.