

SALARY, CREDIT AND CALENDARS

Understanding the nuances of a few key components can help you navigate through pension reporting that may otherwise seem complex.

BASIC PRINCIPLE

CALENDARS DEFINE A FULL YEAR OF EMPLOYMENT BY POSITION. ALL INDIVIDUALS WORKING IN THE SAME CAPACITY MUST ACCRUE PENSION CREDIT IN THE SAME FASHION (HOURS/DAY).

EARNINGS FOR WORK BEYOND THE FULL-TIME EQUIVALENT FOR A POSITION CAN ONLY BE REPORTED AS PENSIONABLE IF ACCOMPANIED WITH ADDITIONAL SERVICE CREDIT.

PENSIONABLE SALARY

Private schools and designated organizations often have greater flexibility in terms of position classification and unique pay arrangements. Through our annual certification process and pensionable salary reviews, we have uncovered some interesting situations over the past few years.

KEYS TO PENSIONABLE SALARY

- Establishes the average salary used in a member's benefit calculation.
- Salary received in a school year for employment in education is pensionable, but excludes*:
 - Perquisites related to employment (i.e., allowances for meals, housing, etc.)
 - Payments related to accumulated sick leave or other benefit credits
 - Payments to reimburse the employee for expenses
 - Earnings during a school year in excess of full-time
- Critical to calculating required contributions and pension adjustments.

** a more comprehensive list can be found in the Employer Handbook.*

We don't want to interfere with the arrangements you make with your employees. However, we must ensure that pensionable salaries and consequently retirement pensions are not inflated.

HOT TOPIC: ALLOWANCES

Many of the contentious issues over the past few years have involved the assessment of two things: 1) whether work at private schools was in a teaching capacity and 2) whether a wide variety of allowances was eligible to be included for pension purposes.

The new plan amendment will help simplify the eligibility challenges related to employment in education. We will continue to provide guidance to ensure the following situations do not occur:

- discretionary allowances or perquisites related to employment are assumed to be eligible for pension purposes, or
- additional salary is reported without additional service credit.

RESPONSIBILITY ALLOWANCES VS. EXCESS CREDIT

Many teachers have additional responsibilities within their own or other departments.

Ask yourself – is the responsibility allowance associated with the employee's primary role? Does it reflect the additional accountability associated with that role?

If you can answer yes to both questions, it should be included with the pensionable salary you report.

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When the full-time employee performs extra work in another capacity, it becomes excess credit. The member does not need to contribute on this extra work.

If you report all salary and credit for all the work performed, the member will receive a refund for the contributions associated with the employment beyond full-time. Refunds are processed once the service is reconciled.

What happens if you report additional salary without additional service credit? It inaccurately inflates the employees' salary. This will result in inaccurate benefit estimates and will prevent them from receiving a refund on the excess contributions.

EXAMPLES

These two examples illustrate the difference. In both, they are qualified and working full-time (100%).

1 Shamina teaches Physics and is also the Science Department Head

- Her base salary is \$75,000 and she receives an additional \$25,000 as department head
- Report earnings of \$100,000

Why?

The allowance is not for additional tasks. Rather, it recognizes Shamina's higher level of accountability and authority associated with her full-time position.

2 Leo teaches Drama and also coaches the school's wrestling team

- His base salary is \$65,000 and he receives an additional \$3,500 for coaching
- Report earnings of \$65,000

Why?

The coach is a second position. Since Leo already has full service for the school year, the additional \$3,500 salary and credit associated with the coaching responsibility doesn't need to be reported.

SERVICE CREDIT AND CALENDARS

Service credit and pensionable salary are always linked in pension reporting. Like salary, consistency is the key to calculating service credit.

KEEP IT THE SAME

By using calendars in conjunction with the service credit you report, we determine the exact percentage of year members worked when we calculate their benefits. A small change in credit can have a significant effect on the salary used in their benefit calculations.

Credit calculation must be consistent for all employees performing the same function.

For example, teachers and tutors don't accrue credit in the same manner. However, they should be treated the same within their group – same calendar and hours/day.

It is also worth noting that pay arrangements do not alter credit accrual.

While a retired member may be compensated on a billable hours basis if they are self-employed (vs. on payroll), they must accrue credit (i.e., days counting toward the limit) in the same fashion as their non-retired peers working in the same capacity.

KEYS TO SERVICE CREDIT

- **Service credit days must be reported when work occurs.**
- **All employees with same position (group/capacity) must have same:**
 - **Calendar reflecting total work day expectations within school year.**
 - **Credit accrual (hours/day)**

FINAL NOTE

WE WELCOME THE OPPORTUNITY TO PROVIDE PENSION REPORTING GUIDANCE WHEN YOU ARE DEVELOPING CONTRACTS OR EXPLORING NEW CONCEPTS.

DON'T HESITATE TO CALL!