

Regular Compensation
What pay is retirement eligible?

Compensation

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MTRS
MASSACHUSETTS TEACHERS
RETIREMENT SYSTEM

Summer 2024

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Today's Agenda

- Training sessions being offered in the Summer of 2024
- Statutory definition of "regular compensation"
- Contracts and regular compensation
- Base pay and other compensation
- The annual regular compensation cap

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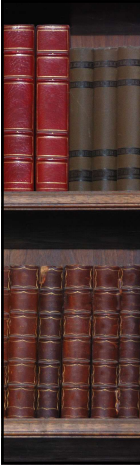
MTRS Training: Scheduled Trainings - Summer 2024 3

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TRAINING
PROVEMENT
CAPABILITY
PRODUCTIVITY

Training sessions scheduled during the summer of 2024

- **Introduction to the MTRS**
- **MTRS Membership Eligibility and Onboarding New Employees**
- **MTRS Membership Eligibility and Onboarding New Employees - Charter School Edition**
- **Creditable Service, Employment Events, LOAs and Workers' Compensation**
- Regular Compensation, What Pay is Retirement Eligible (**today's session**)
- Monthly Reporting Overview, Importing Your Report and Fixing Import Errors
- Monthly Reporting, Submitting Your Initial Report to Pending

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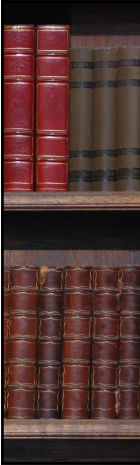


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Ch32, "Regular Compensation"

- The term "Regular Compensation" is defined in M.G.L. c. 32, §1 and is the term used in the statute to describe what pay is retirement eligible.
- The definition in the statute for "Regular Compensation" changed over time and when it changes, the language references an effective start date for the new language in effect.
- For our training today, we'll exclusively cover the definition effective **07/01/2009** which is as follows:
"Regular compensation"
...during any period subsequent to June 30, 2009, shall be compensation received exclusively as **wages** by an employee for services performed in the course of employment for his employer.

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Ch32, "Wages"

- The term "Wages" is also defined in M.G.L. c. 32, §1 and is 325 words long comprised of 2134 characters, so it is too long for a slide but feel free to look it up.

<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32/Section1>

- This training session will attempt to explain the definition of "wages", what pay is retirement eligible and must have deductions taken from it and explain what pay is not retirement eligible and is not eligible for deduction.

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Contracts and regular compensation

- If an employee is covered by a collective bargaining agreement (CBA), any payment to that employee **MUST** be in the CBA to be considered regular compensation.
- Once a contract expires, it cannot be legally amended. This is not an MTRS rule
- Side agreements, outside of a CBA, with employees covered by a CBA, are not allowed.
- If you have an employee who transitions from one bargaining unit to another, say a Unit-A teacher who becomes a Unit-B administrator, but continues to perform extra duties that are included in the Unit-A contract, the Unit-B contract must also include those duties and/or a clause allowing these payments. Sample language of a clause in the Unit-B contract could be Unit-B employees may be required to fill a role listed in the Unit-A contract, as listed in (insert Unit-A section here).

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Contracts and regular compensation cont.

- If an employee covered by a CBA is asked to fill a role outside of the CBA, and is still going to be covered by the provisions of the CBA, there must be a provision within the CBA that allows for it and that specifies the pay rate or mechanism.
- If this employee is being placed in a supervisory role, it may require a shift to another unit or an individual contract.
- Pay for additional compensation must be in the member's employment contract to be considered regular compensation.
- Existing in the contract alone does not automatically make any payment regular compensation.
- Payments listed in a contract under a generic or catch-all label such as "40-hour club", "Class-a club", "duty stipend", will not be considered regular compensation.

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Contracts and regular compensation cont.

- Additional compensation paid to employees for programs outside of the mission of the school are not considered regular compensation

Examples:


- Adult Education programs hosted in the schools that allow students from outside the district or are not curriculum leading towards a diploma
- Day care programs hosted in the schools
- A gym teacher who is paid to open the pool to the community on Saturdays

- Payments for school programs outside of the school year are not regular compensation

Examples:

- Summer school
- Summer camps

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Contractual things to consider

- Evaluate your contracts carefully
- Understand the rules when negotiating with employees, express all compensation provisions in writing, say what you mean, mean what you say.
- If you have questions on a particular payment, please make sure to provide the contractual language in question when asking the MTRS for guidance.
- If you are submitting the entire CBA, please reference the section, page, line item (s), etc. We do not want staff searching an 80-page document for a two-sentence clause or one that might not even be there.
- Make sure all types of pay are properly coded in your payroll system and that your payroll staff understand the codes so all eligible deductions are taken and reported correctly.
- Please send the MTRS all executed CBAs electronically

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Base Salary

- Pay received for performing one's **primary job** is always regular compensation
- The method of calculating pay received for performing the **primary job** does not affect the pensionability (hourly, weekly, monthly, etc.)
- Report this pay as base earnings
- Reminder: the salary reported needs to be the full-year, full-time salary

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Pay for working Additional days

- Pay for additional days worked must be authorized in the member's contract (Individual or CBA)
- Duties must be the same as the member's primary job serving as an extension of their school year
- If the contract is not explicitly specific about the number of days required, the Superintendent must indicate, in writing, that the member is **required** to work the extra days and how many
- Report this pay as additional earnings (stipend) unless the contract includes language that incorporates it into the base salary, in which case it should be reported as base with the extra days factored into the full-year, full-time annual salary.
- Uniform, fixed allocations of extra days are the least likely to be questioned, such as "guidance staff work an extra 10 days, 5 before the school year, 5 after".

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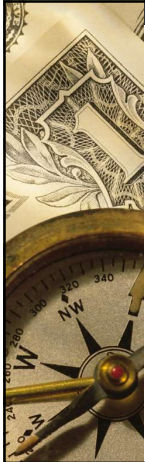


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**Additional compensation:
Coaching and School lunch/breakfast program**

- Coaching is specifically listed in the statutory definition of wages as "for services in connection with a program of instruction of physical education and athletic contests as authorized by section 47 of chapter 71"
- Coaching within the school year is specifically determined to be regular compensation per the definition of "wages" in M.G.L. c. 32, §1 and therefore coaching pay for a "teacher" during the school year is always regular compensation, irrespective of the method of calculation, hourly, weekly, monthly, etc.
- The definition of "wages" also includes "compensation for services rendered by a teacher in connection with a school lunch program" so payment under the school lunch program (including breakfast) are regular compensation, even if hourly

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Other additional compensation:

- The definition of "wages" also includes "salary payable under the terms of an annual contract for additional services in such school"
 - Other additional compensation **MUST** be in the employment contract
 - The payment must be identifiable
 - It must be fixed, or calculate to fixed (salary)

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Examples of typically eligible other additional compensation:

- Standard longevity payments
- Paid (used) sick leave
- Paid (used) vacation
- Cost-of-living adjustment (COLA) or pay adjustments
- Educational incentives that become part of base pay
- Base pay increases because of educational advancement that become part of the base salary
- Merit pay raises that become part of the base salary going forward
- Stipends for specific duties like "Band Director", "Debate Team Coach", "Mentor", "Department Head"

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Examples of excluded payments:

- Hourly or other non-fixed payments for additional compensation including daily, or by the class, class coverage
- Performance bonuses that do not become part of the member's base salary going forward
- Sick leave payouts for unused time
- Vacation payouts for unused time
- Bonuses
- Special Projects
- Summer School
- Overtime

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Examples of excluded payments: cont.

- Fringe benefits such as payments for insurance policies, annuities, and housing allowances
- Cash paid to the member in lieu of health insurance
- Payments from 3rd party short-term disability insurance
- Paid Medical and Family Leave Payments (PMFL)
- Dependent care assistance
- Tuition reimbursement or bonuses for professional development that do not become part of the base going forward, pay for attending workshops, any educational incentive that is not part of the base salary going forward
- Expense reimbursements, automobile mileage, auto allowances, travel allowances, clothing allowances, lodging, cell phone allowances

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Examples of excluded payments: cont.

- Workers' compensation wages (see LOA training)
- Lump sum buyouts for workers' compensation
- Payments for termination or severance
- Temporary salary augmentations and ELBO payments (Enhanced Longevity Buyout)
- Anything paid as a result of giving notice of, or having knowledge of, retirement

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Pay for working in a secondary employer

- Some employees work for two or more employers
- COACH-only employees who are concurrently employed at a different employer in which they are MTRS eligible **MUST** have MTRS taken from their pay.
- These employees might belong to different collective bargaining agreements for each employer or sometimes related employers might share a CBA. These employees may work part time in both employers, work full-time for one and perform additional duties for another.
- If an employee works full-time for one employer then performs an additional duty at a second employer, in which the employee is not covered by the contractual agreement of the 2nd employer, that additional duty might not be eligible as it is not contractual. In related employers, be careful which "employer you pay someone from".

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Regular compensation cap

- There is an annual limit to an employee's regular compensation pursuant to U.S.C. 401(a)(17) and clarified in Chapter 46 of the Acts of 2002 and updated in Section 23 of Chapter 131 of the Acts of 2010.
- These limits are updated annually by the IRS and distributed by PERAC.

If member start date is:	2024 Regular Compensation limit:
Before 01/01/1996	No earnings limit
Between 01/01/1996-12/31/2010	\$345,000*
On or after 01/01/2011	\$220,800 (64% of \$345,000* federal limit)

*This value is updated annually by the IRS. \$345,000 only applies to 2024.

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Regular compensation cap cont.

- The limit applies only to pensionable earnings, and is based on calendar year compensation, not school year compensation or school year contractual rate.
- Additionally, unlike the 2% deduction exception, the eligible earnings amount is not apportioned throughout the year; employers are required to deduct contributions on all eligible earnings as they are paid, up to the limit.
- To ensure that deductions are not submitted on pensionable earnings above the annual limit, each year after all of the prior year's deduction reports are fully processed, we review the regular compensation amounts reported by employers for the prior year.
- If any members are found to have exceeded the limit for the calendar year, we will reach out to their employer to make arrangements to return the excess contributions to the member.

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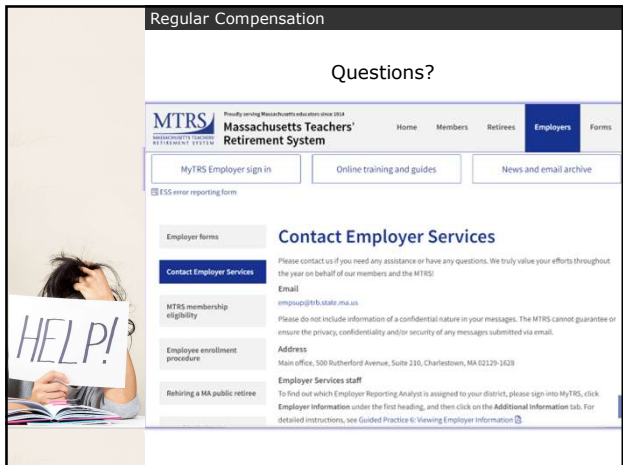


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You are a key partner in helping us administer your employees' benefits

- Determining MTRS membership eligibility
- Registering your employees, track enrollment
- Understanding "regular compensation"
- Reporting members' retirement deductions
- Informing the MTRS of changes in employment status
- Completing service purchase applications
- Verifying service and retaining records
- Refund and retirement applications

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