STRS Rate Change FY13 to FY16

STRS will be increasing the employee rate by 1% each year for the next 4 years as follows.
Effective **July 1, 2013**, the employee rate will increase from 10% to **11%**
Effective **July 1, 2014**, the employee rate will increase from 11% to **12%**
Effective **July 1, 2015**, the employee rate will increase from 12% to **13%**
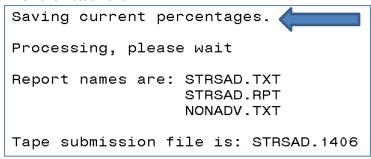Effective **July 1, 2016**, the employee rate will increase from 13% to **14%**

How USPS handles the rate change

For anyone that was on the State Software system 10 years ago when the rate changed from 9.3% to 10%, you may remember that this is a pretty easy transition on State Software. As a reminder…and for those of you that are new to this…here is how it works.

When the **STRSAD** program is run at Fiscal Year End for **'actual'** (option 2), the system **stores the percentage rates** that exist in DEDSCN at that time. The old rate is saved in a temporary file and any **accrued wages paid on advanced jobs will continue to use that rate**. If you have deductions by job implemented on your retirement records, the job number assigned for any advanced jobs will be stored in the temporary file that is created.

PLEASE DO NOT change your rates until AFTER you have closed the FISCAL YEAR.

Below is a screenshot of what you will see when you run the **Actual of STRSAD**. Notice it indicates that it is **saving current percentages**. The tape submission file name is also displayed. This file is only created when the Actual is run.

```
Saving current percentages.   ⬅

Processing, please wait

Report names are: STRSAD.TXT
                  STRSAD.RPT
                  NONADV.TXT

Tape submission file is: STRSAD.1406
```

What about new earnings?

If the advance job also has new earnings on it, such as a miscellaneous (MIS) payment, or the employee has a separate job that is not in advance, the system uses the withholding rate on the DEDSCN (new rate) for calculation of the retirement.

In this situation **when RETIRE/STRSREG is processed, 2 totals will be provided for the employee**. One total for the **'advanced' contributions withheld at the old rate** and one total for the **new contributions withheld at the new rate.**

When the advanced job is completely paid and the new contract purged, the new contract will withhold at the new rate.

In the **example** below, the employee's **primary job is in Advance**. They were **also paid for 3 extra days they worked in July**. The Advance amount line is marked with a '!' symbol and you can see that 10% was calculated for the contribution amount. The other line is for the extra days worked in July and you can see that 11% was calculated for the contribution amount.

RETIRE/STRSREG Report

```
                                                      PAY        MEMBER
   MEMBER NAME                           SSN          DATE       EARNINGS
   Attricks, Geri                   333-22-3333     07/13/13       225.00
!  Attricks, Geri                   333-22-3333     07/13/13     2,291.67
```

```
            MEMBER                 MEMBER              EMPLOYER   DAYS
           EARNINGS               DEPOSITS              PICK-UP   PAID
             225.00                  0.00                27.00      3
           2,291.67                  0.00               252.08      3
```

3 days @ 12% →
Accrued wages @ 11% →

When an employee's job is in advance, the **FYTD Gross Pay on the 450 DEDSCN record and the FYTD Deduct Total on the 591 and/or 691 DEDSCN record are not updated with accrued wage amounts. Only new earnings will update these fields.** These amounts are used for reporting on the next (2013-2014) fiscal year STRS Annual Report.

The screenshot below shows the **450 DEDSCN** record **FYTD Gross pay** for the employee only shows the 225.00 paid for the extra 3 days worked this fiscal year.

```
ID: ATT001223  Code: 450  Name: Geri          Attricks
            Type: Retirement              Name: State Teachers Retirement 14%
   Percentage      : _____              Full or Part time    : F
   Board's share   :    14.000    Start  : 08/15/2006   Retiree flag       : N
   Error adjustment: _____    Stop   : 00/00/0000   Surcharge exempt   : N
   Board error adj.: _____    Rehired: 00/00/0000   Fringe ben/Xtra comp: N
   STRS adv err adj: _____    New employee: N
                       Accum    MTD Totals   QTD Totals   FYTD Totals   YTD Totals
   Deduct total  : _____   _____   _____   _____   _____
   Gross pay     : _____      7100.01   _____      225.00    _____
   Board share   :    352.33                    352.33       352.33      7495.01
```

The screenshot below shows the **591 DEDSCN** record **FYTD Deduct total** for the employee as only 27.00 contribution for the 225.00 paid for the days in July at the 12% rate. Notice the **STRS advance amount** line which shows the contribution amount for the advance amount paid at 11%.

```
ID: ATT001223  Code: 591  Name: Geri          Attricks

        Type: Retirement (Annuity)  Name: State Teachers Retirement 10%

   Percentage      :    12.000    Start: 00/00/0000
   Error adjustment: _____    Stop : 00/00/0000
   Adv. error adj. : _____    User Defined Fields:
                                     Amount 1: _____   Amount 2: _____
                                     Code 1: __  Code 2: __   Date: 00/00/0000
                                     Text: _____

                       Accum   MTD Totals   QTD Totals   FYTD Totals   YTD Totals
   Deduct total  :     27.00      279.08       279.08        27.00       279.08
   Retiree deduct:                                        _____
   STRS advance  :    252.08
```

When and how to change the rate

Before the first July payroll and **after** running STRSAD, Option "2", you will want to run the CHGDED **program, option C**, and mass update the rates to 12% on the 591 records (see example below). Keep in mind **CHGDED will only update the records whose DEDSCN rates match the old rate entered in CHGDED**. Because of this, you may have to run CHGDED several times.

```
Change options:

    C - Employee or board amounts
    D - Stop and start dates based on old values
    R - Set start dates on all records for deduction
    P - Set stop dates on all records for deduction
    G - Mass change the maximum amount of deduction
    M - Mass change the cycle
    A - Mass change employee amount error adjustment
    B - Mass change board amount error adjustment
    E - End program

Enter choice <C>: _
                   c

Please enter deduction code ___
Enter 999 to exit.          591

Enter old Annuity Pick up: __.___
                            11
Enter new Annuity Pick up: __.___
                            12
```

You can also manually update the rates directly in DEDSCN or the new rate can be loaded from a spreadsheet. Please contact us if you need any assistance.

REMINDER: PLEASE DO NOT change your rates until AFTER you have closed the FISCAL YEAR.

Pickup on Pickup Rates

If you have employees with **full pickup on pickup with extra compensation paid by the board**, the rates will increase as follows if the Board is going to continue picking up the extra percentage:

Effective **July 1, 2013**, the **450** deduction will increase from 15.4% to **15.54%** and the **691** deduction will increase from 11 % to **12.21%**

Effective **July 1, 2014**, the **450** deduction will increase from 15.54% to **15.68%** and the **691** deduction will increase from 12.21% to **13.44%**

Effective **July 1, 2015**, the **450** deduction will increase from 15.68% to **15.82%** and the **691** deduction will increase from 13.44% to **14.69%**

Effective **July 1, 2016**, the **450** deduction will increase from 15.82% to **15.96%** and the **691** deduction will increase from 14.69% to **15.96%**

If you have **partial pickup on pickup with extra compensation paid by the board** then you will need to calculate your rate. The following link will take you to the SSDT USPS User Guide chapter explaining retirement calculations. Please contact us if you need assistance.
https://wiki.ssdt-ohio.org/display/usps/Calculating+Regular+and+Pick-up+Retirement

(NEW) IMPORTANT: If your school provides pickup on pickup with extra compensation paid by the board and the board's rate is NOT going to change for FY15 so the employee will pay the extra percentage for the year, please be aware that the board percentage will still increase slightly.

For example, if the board picked up the full 11% last year for the pickup on pickup contribution, but the extra 1% for FY15 will NOT be picked up by the Board, there will still be a slight increase in the 691 DEDSCN percentage. Since the pickup is to be included in compensation for retirement purposes the annual increase to 12% will cause the rate to be a little higher, instead of 12.21%, it will be 12.32%.

Here is an example of why this is occurring:

If an employee has an annual salary amount of $40,000 and Board pays pickup on pickup with compensation 11% and the employee pays the other 1%, the calculation is made as follows.
$40,000 x 11% Board Pickup = $4,400
Compensation paid by the board is then based on $44,400 and the full STRS rate for the year.
$44,400 x 12% full rate for FY15 = $5,328 - So this is the total amount the owed to STRS.
$40,000 x 12.32% (increased rate for FY15) = $4,928 Board Pays
$40,000 x 1% = $400 Employee Pays
Total paid to STRS is $5,328 ($4,928 from Board and $400 from Employee)

NOTE: There is a pickup on pickup calculator available on the HCCA website under Fiscal Services to assist you with calculating partial pickup on pickup with extra compensation rates where the board pays the additional retirement.

STRS needs to be notified as to whether or not you will be picking up the additional percentage. Also, you will want to look at the original Board resolution and/or individual administrator contracts to see if either indicates the Board will be picking up a specific percentage. If the rate listed is 11% or less, you must amend the resolution if the additional percentage will be picked up. If a new resolution is passed be sure to submit it to STRS with a cover sheet.

Timesheet Employees

So what do you do with employees that submit a **timesheet for work in June but aren't paid until July**? If at all possible, it would be **best to pay them on the last pay of June at the old rate.** If this is not possible then you need to pay them in July, but withhold the old rate. You will need to backpost these earnings in STRS so they are not counted toward the new fiscal year annual report.
If you are <u>not</u> consistent in how these have been reported in the past, the contributions for the employees will be inflated one year and reduced the next and may affect the retirement benefits due to these employees. With that said, you need to report correctly this year because this rate increase will happen for the next three years, as well. You have to report correctly at some point and you're better off to do it now than mess up your annual report in years ahead.

If you are backposting (need to report a payment made in July for June earnings and report them for the prior year with the old rate), the following steps should be followed:

When payment is made **withhold retirement at the old rate** by making sure the DEDSCN rate is correct. **After CHKUPD is run, modify the affected DEDSCN records to back out the amounts on the FYTD total fields**. Backing out the amounts from these fields will prevent them from being reported on the next STRS Annual Report.

In this **example**, the employee was **paid $200 in July** and the district **withheld at the prior year rate and will report it to STRS for the prior year.** On the **450 DEDSCN record,** the **FYTD gross** of 200.00 will need to be **removed**. It is not necessary to update the Board Share FYTD total because it is NOT used for the Annual Report. If the employee is a rehired retiree, update the retiree gross field as well.

```
ID: BYE552255  Code: 450  Name: Ali          Bye
          Type: Retirement          Name: State Teachers Retirement 14%
  Percentage    : _____                   Full or Part time    : F
  Board's share : ___14.000   Start : 00/00/0000   Retiree flag       : N
  Error adjustment: _____   Stop  : 00/00/0000   Surcharge exempt   : N
  Board error adj.: _____   Rehired: 00/00/0000  Fringe ben/Xtra comp: N
                           New employee: N
                  Accum  MTD Totals   QTD Totals   FYTD Totals   YTD Totals
  Deduct total  : _____  _____    _____    _____    _____
  Gross pay     : _____   200.00     _____     200.00     _____
  Board share   : _____              _____      28.00       28.00
  Retiree deduct: _____
  Retiree gross : _____
  Retiree board : _____
```

On the **591 DEDSCN record**, the **FYTD deduct total** of 22.00 will need to be **removed**. If the employee is a rehired retiree, update the retiree deduct field as well.

```
ID: BYE552255   Code: 591   Name: Ali          Bye

          Type: Retirement (Annuity)   Name: State Teachers Retirem

  Percentage      :    11.000    Start: 00/00/0000
  Error adjustment: _____    Stop : 00/00/0000
  Adv. error adj. : _____     User Defined Fields:
                                    Amount 1: _____   Amount 2: _
                                    Code 1: __   Code 2: __  Date: 00
                                    Text: _____

                       Accum    MTD Totals   QTD Totals   FYTD Totals
  Deduct total  :  _____      22.00        22.00        22.00
```

STRS should be notified to backpost the payment to the 2013-2014 fiscal year. This can be done by contacting STRS or by entering the backposting in the STRS ESS (Employer Self Service) website.

Keep in mind that contributions made at the 11% rate should be reported for the 2013-2014 fiscal year and contributions made at the 12% rate should be reported in the 2014-2015 fiscal year. This applies to the annual report. STRSREG will always list the earnings and contributions per pay regardless of what year they apply to.

Reminder: make sure the rate is correct in DEDSCN for the new fiscal year.

What about timesheet employees that have earnings in both June and July that will be paid in July?

STRS has made a ruling that IF a pay period spans two months (ex: 6/20 thru 7/6) and the wages for a job (ex: summer tutoring) are earned in both months and are paid in July, the rate in effect on the **pay date** is used (12%). This is the **only time** you are to use the rate on the pay date, versus the rate on the earnings date. STRS refers to this as a split pay (meaning the earning period is split between two months).

What about timesheet employees that have earnings on two separate jobs (one in June and one in July) that will be paid in July? (ex: teacher does summer school at the end of June and a separate job tutoring at the beginning of July, all to be paid on a July pay date)

Deductions by Job Method
If **earnings for June apply to one job and earnings for July apply to a different job** you can use the deductions by job method to apply the correct rate to the appropriate job. For **example**, the employee below is a teacher in advance and she also has a **summer school job (02) and tutoring job (03)** paid by timesheet. The employee **worked 5 days in June for summer school and 2 days in July for tutoring.** She will be **paid on the July 31 payroll.** In order to withhold the **summer school job at 11%** and the **tutoring job at 12%** deductions by job can be setup.

To implement deductions by job go to **USPSDAT/DEDNAM** and mark the '**job level**' flag to '**Y**' on the **450** and **591** records.

```
Find: 450          Add Type: _____

   Code: 450    Type: STRS       Name: State
   Required: 2  Job Level: Y     Abbrev: STRS
```

Then, you can create another **DEDSCN** record for the employee specifically **for the job to be withheld at 10%** as shown in the example below. A corresponding 450 DEDSCN for the specific job number will also need to be established in order to create the 591 record.

```
ID: SLI008989  Code: 450  Name: Faye            Slift
   Job:  2    Type: Retirement            Name: State
   Percentage    : _____
   Board's share  :    14.000   Start  : 00/00/0000
   Error adjustment: _____  Stop   : 00/00/0000
   Board error adj.: _____  Rehired: 00/00/0000
   STRS adv err adj: _____  New employee: N
```

```
ID: SLI008989  Code: 591  Name: Faye            Slift

   Job:  2   Type: Retirement (Annuity)  Name: State

   Percentage    :    11.000   Start: 00/00/0000
   Error adjustment: _____  Stop : 00/00/0000
```

The original 450 and 591 DEDSCN record can be left as is and all other jobs will use the rate listed on those records. Because the employee's job 01 is currently in advance, it will use the rate saved when STRSAD Actual was run. But, when the job is no longer in advance it will use the rate in the DEDSCN records with no job level marked.

When the payroll for the payments has been completed, don't forget to remove the FYTD Gross on the 450 and the FYTD Deduct Total on the 591 record (for job 2 in this example). This will prevent them from being reported on the 2014-2015 annual report. You will need to **contact STRS to backpost** these amounts to the 2013-2014 fiscal year **or you can post it on the STRS ESS** (Employer Self Service) website.

```
ID: SLI008989  Code: 450  Name: Faye           Slift
 Job: _2_   Type: Retirement            Name: State Teachers Retirement 14%
 Percentage      : _____                    Full or Part time  : F
 Board's share   : ____14.000   Start  : 00/00/0000   Retiree flag        : N
 Error adjustment: _____   Stop   : 00/00/0000   Surcharge exempt    : N
 Board error adj.: _____   Rehired: 00/00/0000   Fringe ben/Xtra comp: N
 STRS adv err adj: _____    New employee: N
                    Accum   MTD Totals   QTD Totals   FYTD Totals  YTD Totals
 Deduct total  : _____   _____   _____   _____   _____
 Gross pay     :              __1000.00               __1000.00
 Board share   : ___140.00                 ___140.00   ___140.00   ___140.00
 Retiree deduct:                                       _____
 Retiree gross :                                       _____
 Retiree board :                                       _____
 STRS advance  : _____
```

```
ID: SLI008989  Code: 591  Name: Faye           Slift

  Job: _2_  Type: Retirement (Annuity)  Name: State Teachers Retire

  Percentage      : ____11.000   Start: 00/00/0000
  Error adjustment: _____   Stop : 00/00/0000
  Adv. error adj. : _____    User Defined Fields:
                                   Amount 1: _____   Amount 2:
                                   Code 1: __   Code 2: __   Date: 0
                                   Text: _____

                    Accum   MTD Totals   QTD Totals   FYTD Totals
 Deduct total  :  _____   ___110.00   ___110.00   ___110.00
```

If the employee is a rehired retiree, update the retiree gross (450) and deduct (591) field, as well.

What about Administrators whose contract goes until the end of July?
Start withholding at new rate (12% as of July 1, 2014).

Retirement Withholding Based on Earnings
We don't believe we have any districts that use this method, but if you do, the following applies to only your district.

If a district uses an inflated rate on the STRS deductions to withhold the retirement for all pays in a lesser number of pays, the district action is dependent on how the deductions are inactivated. If the district has the ITC change the STRS withholding flag to 'by earnings', the district must change the rates prior to any July pays. The record update is necessary so any new earnings have retirement calculated at the new rate. If the district processes this by stopping the retirement deductions, the district will want to update the rates at the time new earnings must be paid on the jobs.