

Retirement Online

Reporting Optional Members When They Join NYSLRS Mid-Month

Now that *Retirement Online* is used for reporting, employers should report **all** days and earnings — both **before** and **after** the date of membership — during the optional member's first month of membership.

Background:

Before *Retirement Online* was used for reporting, employers were asked to report the days, earnings, and contributions for optional members that occurred during the first month of membership, but only those that occurred **after** their date of membership. In preparation for the transition to Enhanced Reporting, employers need to report information for their optional members differently in *Retirement Online*.

Key Change:

You should report **all the days and earnings in a member's first month of membership** — even those worked before their actual date of membership.

Retirement Online will evaluate the reported information in this first month. If the member's date of hire is not the same as their date of membership, the days, earnings, and expected contributions for this first month of membership will be split and prorated to ensure that they are properly recorded.

For example, if a member was hired in April and joined NYSLRS in June, report all days and earnings in June. If the member was hired at the beginning of June and joined NYSLRS in mid-June, report all days and earnings for June.

When the split is performed, employers will receive this warning message after posting their report: "This member's days and/or earnings has been split between mandatory and optional." Use the "Search for Employee" page to review the days and earnings that have been split to confirm the amounts are correct.

How does NYSLRS calculate the prorated days, earnings, and contributions?

NYSLRS uses the formula below to calculate the fraction of reported days that represents the member's service after their date of membership.

$$\text{Service Fraction} = \frac{(\text{Assumed} - \text{Date of Membership}) + 1}{(\text{Assumed} - \text{Date of Hire}) + 1}$$

- **Assumed** = 30 days (always)
- **Date of Hire** = the DAY of the effective date of hire for the optional member. If the member's date of hire was in a prior month, the system will use the first day of the month in which the date of membership falls
- **Date of Membership** = the DAY of the date of membership for the member (based on when NYSLRS receives the membership application for the optional member)

This formula allows NYSLRS to use *Retirement Online* to automatically determine the days, earnings, and contributions for optional members who join on a day that isn't their date of hire. This formula also allows NYSLRS to properly determine whether any days and earnings in that first month of membership may be available for purchase, should the member be interested.

For this example, we'll use an employee who:

- Was hired on July 1st
- Joined NYSLRS with a July 15th date of membership
- Worked 6 days in July before their date of membership
- Worked 6 days in July after their date of membership
- Was paid \$1,200 of earnings that would be considered "pensionable"
- Has a contribution rate of 3 percent

Based on this work schedule and earnings, the employer would be expected to submit a report for the month of July that included:

- 12 days worked
- \$1,200 in earnings

Once this report was submitted, *Retirement Online* would use the formula to calculate the service, pensionable earnings, and expected contributions based on the following values:

- **Assumed** = 30 days (this value will always be equal to 30)
- **Date of Hire** = 7/1/2019 (employee was hired on Day 1 of the reporting period, which is the first day of the month)
- **Date of Membership** = 7/15/2019 (enrolled as a member 15 days into the reporting period, which is the 15th day of the month)
- **Total Days Worked in July (pre AND post Date of Membership)** = 12
- **Total Earnings in July (pre and post Date of Membership; only those that are considered "pensionable")** = \$1,200
- **Member Contribution Rate** = 3 percent

$$\text{Service Fraction} = \frac{(30 - 15) + 1}{(30 - 1) + 1} = \frac{16}{30} = .53333 \text{ (used to prorate service \& earnings)}$$

$$\begin{aligned} \text{System Calculated Earnings} &= \text{Service Fraction} \times \text{Reported Earnings} = .53333 \times \$1,200 \\ &= \mathbf{\$640.00} \end{aligned}$$

$$\begin{aligned} \text{System Calculated Service} &= \text{Service Fraction} \times \text{Total Days Worked} = .53333 \times 12 \text{ days} \\ &= \mathbf{6.4 \text{ days}} \end{aligned}$$

$$\begin{aligned} \text{System Calculated Contributions} \\ &= \text{System Calculated Earnings} \times \text{Member Contribution Rate} = \$640.00 \times 3\% \\ &= \mathbf{\$19.20} \end{aligned}$$

In this case, the employee is receiving 0.4 days of extra service for this period, which is being paid for by \$1.20 in increased contributions over what is the "Actual." In this scenario, the employer should deduct \$19.20 from the employee's paycheck to cover contributions.

What Prorated Amounts Mean for Employers

The prorated amount of days worked after the member's date of membership may appear different from what the employee actually worked.

If the days calculated by *Retirement Online* are different from the actual days worked **by more than one day**, the employee's total service credit at the end of the year may be affected. This may be the case for employees who work an irregular schedule, especially if the days worked before/after their date of membership vary significantly. If the difference is **less than one day**, this will not impact the employee's total service credit at the end of the year. You will not need to contact us regarding this difference. Because prorated amounts will always be applied to the optional member's first month, employers cannot change these amounts through a regular or adjustment report.

If you need to change days or earnings, contact us at 1-844-619-9614. Press 1 to indicate you are an employer, then enter your five digit location code followed by "#". Press 5 to speak with an employer reporting representative to request an update to the employee's information.

NYSLRS can only accept contributions that are owed. If this calculation results in a determination that excess contributions have been deducted, they will be treated as improper withholdings. Go to the Improper Withholdings page in *Retirement Online* to determine the amount of contributions that should be refunded to the employee. If the NYSLRS calculation finds that the remitted contributions are insufficient, *Retirement Online* will create a deficiency account for the employee. When the account is fully established, you will receive a notification to remit this deficiency for the member. NYSLRS can only accept the expected contribution amount, so do not attempt to "catch up" these contributions.

Please keep in mind that by law, you are required to offer NYSLRS membership to all new employees in your organization. Encouraging new employees to join on day one will not only ensure that you comply with the rules, but help to avoid prorations for their first month of membership.