

Clarification: Report wages when earned, not when paid

To: TRS Employers

From: Nolan Brilz, Accounting/Fiscal Manager, Montana Teachers' Retirement System

Date: February 19, 2021

Re: Clarification on February 11, 2021 memo: "Wages must be reported to TRS when earned, not when paid"

We have received a number of phone calls and emails about the memo we sent last week. We apologize for any confusion it may have caused.

Below are some guidelines to help you determine whether you need to change the way you report hours, wages, and contributions to TRS. (Please note that if you submit reports in a consistent manner all year and do not make the types of errors described below, please continue doing what you are doing – it is appreciated!)

HOW TO AVOID COMMON REPORTING ERRORS

For your classified/hourly staff: Do not include more than ONE month's worth of wages and hours on a single report. This is the most common error and can cause these members' creditable service to be understated.

Example 1 – Late reporting: You are ready to submit your September TRS report but you have hourly staff who are being paid for both August and September.

In this scenario, you will need to submit an adjustment report for August (*see Tips, below*) to report these employees' August hours and wages. Then report their September hours and wages in your September report.

Example 2 – Early reporting: You have hourly employees who worked all of May and are scheduled to work only a few days in June before school is out.

You must report their May hours and wages on the May report, and June hours and wages on the June report. Do not include both May and June hours/wages on the May report.

For your certified/contracted staff: Do not increase the FTE for part-time staff when reporting summer pay on your June report.

Example: A contracted half-time employee has elected to be paid over 12 months rather than 9 or 10 months. You correctly include her June, July, and August wages on your June report, but you *incorrectly* change her FTE to 1.00. This causes her service to be overstated for the fiscal year. She should be reported as 0.5 FTE, regardless of how she is paid for summer months under her contract.

For all staff: Please keep in mind that TRS law requires employers to report all wages, hours, and contributions for ALL members on a "when earned" basis. There are several schools that report certified/contracted staff "when earned" and their classified/hourly staff on a "when paid" basis on the same report. This inconsistency creates the issues we are addressing in this memo.

WHY DOES THIS MATTER?

These types of errors can go undetected for years until the member applies for TRS retirement. Our staff perform an audit to ensure the member's creditable service is accurate, which is necessary for calculating their monthly retirement benefit.

When errors are found, TRS may need to contact the employer and request past payroll records. This causes extra work for the employer and TRS, and more importantly, *it delays the member's retirement.*

Tips for creating adjustment reports

- You may create an adjustment report for a given month only if you have already submitted a contribution report for that month.
- Once TRS has closed out the fiscal year, you will not be able to submit adjustment reports for any month in that year.
- Contact TRS if you are unable to perform needed adjustments.

If you have additional questions about your monthly reporting, please contact Nolan Brilz by phone (406-444-3679) or email: NBrilz@mt.gov. We are here to help!



Montana Teachers'
Retirement System

You are receiving this email either because you are listed with TRS as the Payroll contact for your school district or organization, or because you are a current user of the TRS Wage & Contribution Reporting System.

Please forward this message to any others in your organization who may need it. If you believe you have received this message in error, please let us know: trsoutreach@mt.gov

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See next page for original memo

Report wages when earned, not when paid

To: TRS Employers

From: Nolan Brilz, Accounting/Fiscal Manager, Montana Teachers' Retirement System

Date: February 11, 2021

Re: Wages must be reported to TRS when earned, not when paid

TRS law requires each employer to report members' hours worked and wages earned **on an as-earned basis** each month and to remit all required employer contributions and picked-up employee contributions to TRS at the same time. This requirement applies to hourly and contract employees.

Here are two examples of **incorrect** reporting:

1. An employee is paid on March 5 for work he performed in February and the employer incorrectly reports his wages and hours to TRS on the March report, rather than the February report. As a result, his contributions and service for February are not correctly credited to his TRS member account and could result in the member's creditable service being understated.
2. A school district reports an hourly employee one month behind for several months, then reports her wages and hours for both May and June on the district's June report. Because TRS cannot credit her for more than 140 hours in a single month, the member does not receive all the creditable service to which she was entitled for the fiscal year.

If you have specific questions about this requirement, please contact Nolan Brilz by phone (406-444-3679) or email: NBrilz@mt.gov



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