

Two Percent (2%) Deductions

Two percent deductions are deducted each payroll from any “regular” compensation that is greater than the \$30,000 pay period equivalent. Note that this 2% is in addition to the regular 9% on the total “regular” compensation. Payroll software is not always adept at automating the calculation, so you should know that the basic formula is to subtract the appropriate threshold from the gross “regular” compensation for this pay period and then multiply the remainder by .02. ($2,200 - 1,153.85 = 1,046.15 \times .02 = 20.92$ – two percent deductions))

Here are the two most common pay period equivalents:

Weekly payroll (52 weeks) = \$576.92 (30,000/52)

Bi-weekly (26 weeks) = 1,153.85

Rare and/or infrequent:

Month - \$2,500

Quarterly – 7,500

Semiannual – 15,000

Annual Stipend – 30,000

Schools have some additional pay schedules – see section below

Start or end work part way through a pay period – If the employee is paid for only part of a pay period because they started or ended employment part way through a pay period, the concept of annual rate still applies, and their wages should be compared to a \$30k equivalent threshold that matches the time worked. (3 days worked would be compared to $(576.92/5) \times 3 = \$346.15$) (daily rate is 115.38). You might even have to take it down to hours (threshold would be anything over 14.42 per hour).

Unpaid leave mid pay period – If the employee is paid for only part of a pay period because they took unpaid leave part way through a pay period, the concept of annual rate still applies, and their wages should be compared to a \$30k equivalent threshold that matches the time worked. (3 days worked would be compared to $(576.92/5) \times 3 = \$346.15$). You might even have to take it down to hours.

Interim, temporary promotion or position coverage – if their wages increase for this reason - then calculate the 2% based on the pay period. This follows PERAC guidance.

School Employees (not teachers) – This applies to those of you that process payroll for the schools in our system and have employees that work and are paid over ten months (or similar), and that pay exceeds \$30,000 annually. This section does not apply if the employee is paid over 12 months even though they only worked 10 – they are processed in the normal manner. For employees paid over ten months (or 21 pays, or 22 pays, or 24 pays, etc.) use these thresholds:

10 months ($\$30,000 / 10 = \$3,000$)

Monthly - \$3,000

Semi-monthly - \$1,500

21 pays ($\$30,000 / 21 = 1,428.57$)

Bi-weekly - \$1,428.57

Weekly - \$714.29

22 pays (\$30,000 / 22 = 1,363.63)

Bi-weekly - \$1,363.63

Weekly - \$681.82

24 pays (\$30,000 / 24 = \$1,250.00)

Bi-weekly - \$1,250.00

Weekly - \$625.00

This makes sense because in theory the school employee could work the summer and get more pay, and/or have a second job.

Same position, but temporary (or occasional) increase in hours – Although PERAC is clear that the focus is on "annual rate" for the "contract year" during the payroll period, and not based on total earnings in the year, there is occasional need to take a broader look at the year total – this is one of those examples. So if someone is just working the one position and clearly not going to earn more than \$30k this fiscal year, then skip the 2% - even if the pay exceeds the 2% threshold for the pay period, base the 2% on whether they will make \$30,000 for the entire fiscal year.

Fiscal year – because that's when most pay rates change – at the start of a new year (July 1, Sept 1, April 1, Oct 1)

FRRS staff: This might take some thought that includes consideration of how close they are to \$30,000, how certain it is they will (or not) exceed \$30k, what happened in prior years, what the likelihood is that the extra pattern will continue. The goal is to agree to a plan with the treasurer that won't drive them crazy trying to implement. If the wages are only flirting with exceeding the \$30k, and the variance is within \$1,000 then we are not talking much money (\$1,000 x 2% = \$20), so don't worry too much about whether we take it or not in this scenario. However, if it is reasonably clear that it is beyond the \$1,000 window (+ or -), or history indicates this is an annual issue, then pursue it with the treasurer and devise a workable plan – at least tally up before the end of the fiscal year and have the appropriate 2% total included in the June deductions. (June, because school employees might not return in the fall.)

Extra pay for additional duties over a period less than a year – For this list of pay types, even if the pay exceeds the 2% threshold for the pay period, base the 2% on whether they will make \$30,000 for the entire calendar year.

Class Advisor

Extra work/performance stipend

Coaching

School Play

PD Grants

Added pay to the annual salary – For this list of pay types, even if the pay exceeds the 2% threshold for the pay period, base the 2% on whether they will make \$30,000 for the entire calendar year.

Longevity

Quinn Bill

Educational Incentive

Treasurer

Collector

Town Clerk

Extra pay to fill the “261” gap: When the employer has paid the full salary by the middle of June, and there is a gap of potential no-pay until July 1, the employer might pay extra salary to fill the gap. We do not include this in pensionable earnings when it’s clear it’s over and above the annual contract salary. Therefore, there would be no regular or two percent deductions on this extra pay.