

Michigan Public School Employees' Retirement System

A Pension and Other Postemployment Benefit Trust Fund of the State of Michigan

Archived Reporting Instruction Manual

Chapter 5 – Reporting Hours for Service Credit

Archived on March 18, 2022
for historical reference by reporting units of the Michigan
Public School Employees' Retirement System



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RETIREMENT SERVICES**
Big Plans. Small Steps.

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5: Reporting Hours for Service Credit

5.00: Reporting Hours for Service Credit

5.01: How Service Credit is Earned or Gained

5.02: Guidelines for Reporting Different Categories of School Employees

5.03: Hourly Workers (Full-time, Part-time, Temporary, and Intermittent)

5.04: Salaried Employees

5.05: K-12 and ISD Teachers, and Other Employees Paid by Contract

5.06: Full-time and Part-time Faculty in Community Colleges and Universities 5.07:

Bus Drivers Paid by the Run

5.08: Employees Receiving Workers' Compensation

5.09: Employees Receiving Employer-Sponsored Short-Term Disability

5.10: Employees Earning Additional Wages and/or Hours

For historical reference only
Archived on March 18, 2022

5.00: Reporting Hours for Service Credit

This chapter provides details on how your employees are credited with service toward retirement eligibility and how that service is to be reported to ORS. It is important to accurately report each employee's hours because they directly relate to service credit totals. Service credit, along with reportable wages and the benefit plan, determine eligibility for a pension and is also used to calculate the pension benefit.

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Archived on March 18, 2022

5.01: How Service Credit is Earned or Gained

Service credit is based on the number of hours employees work for a reporting unit. It is important to report all hours an employee has worked for your reporting unit, and hours reported must relate realistically to wages reported. The retirement system limits the amount of service credit recognized to prevent the super accrual of service. Hours and service credit accruals are capped per administrative rule. After you report hours to the retirement system, ORS applies the hours cap and converts those hours to retirement service credit. In general, members earn one year of service credit when they work 1,020 hours within the July 1 through June 30 school fiscal year. This does not mean that a full year of credit will be granted when an individual has worked 1,020 or more hours in the school fiscal year. (The 1,020 figure is the result of multiplying 170 days by six hours per day.) For example, an individual who worked 130 days between July 1 and December 31 for eight hours per day (1,040) is not eligible for one year of service credit even though the hours worked exceeds 1,020, because of service credit limits.

Per-pay period caps apply. Your employees can't earn more than one year of service credit in a given school fiscal year and no more than 60 hours can be credited in a two-week pay period.

For example, administrative employees may work 2,080 hours a year, but will be limited to one year of service credit because the annual hours cap is 1,020.

As the chart below illustrates, if your employees are paid every week, they cannot be credited with more than 30 hours, worth 0.0294 years of service credit. The cap is 60 hours or .0588 if your employees are on a two-week pay cycle.

Full-Time Per Pay Period Hours Caps

Period	Hours	Service Credit Earned
Weekly	30	0.0294
Biweekly	60	0.0588
Semimonthly	72	0.0706
Monthly	138	0.1353
Quarterly	396	0.3882
Annually	1,020	1.0000

When employees work less than a full school year or are considered part-time because they work less than a typical school day, they earn proportional credit. See the chart below to see how service credit is earned for a variety of work schedules after considering the caps.

Service Credit Earned – Part-Time

Days Worked	Hours Per Day	Hours Creditable	Service Credit Earned
17	6	102	0.1
34	6	204	0.2
68	6	408	0.4

Days Worked	Hours Per Day	Hours Creditable	Service Credit Earned
85	6	510	0.5
119	6	714	0.7
51	4	204	0.2
102	4	408	0.4
153	4	612	0.6
260	4	1,020	1.0

To reestablish membership in the retirement system, a member must have creditable service in a pay period. Creditable service is the minimum number of hours normally required in the position being reported. For example: If a substitute teacher is normally required to work a 4-hour shift, an employer can rehire an inactive member and report 4 hours for that shift.

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5.02: Guidelines for Reporting Different Categories of School Employees

When you report service hours, submit the actual number of hours worked for which your employees received wages. The hours must reasonably reflect the wages reported. In other words, neither the hours nor the wages can be inflated. If they are, the record won't pass the edits and validations.

Your employees can generally be classified into the following categories:

- Hourly workers (including temporary and/or intermittent employees).
- Salaried personnel.
- K-12 and ISD teachers and other employees paid by contract.
- Full-and part-time faculty in community colleges and universities.
- Bus drivers paid by the run.
- Employees earning additional wages and/or hours.

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5.03: Hourly Workers (Full-time, Part-time, Temporary, and Intermittent)

Report the actual number of hours worked and paid for to ensure that the employees receive correct retirement service credit.

Reportable hours = hours worked (including overtime hours)

Category	Full-Time	Part-Time
Hourly Employee	Hours worked, including overtime hours	Hours worked, including overtime hours

Temporary and intermittent employees such as coaches not otherwise employed at your reporting unit, crossing guards, substitute teachers, and/or summer employees should be reported for hours worked and wages paid.

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For historical reference only
Archived on March 18, 2022

5.04: Salaried Employees

Salaried employees are assumed to work a given number of hours per day and ten days per biweekly pay period for 26 pay periods. You will report their hours using the following formula.

$$\text{Reportable hours} = (\text{contract hours per day}) \times (\text{days per pay period})$$

Category	Full-Time	Part-Time
Salaried Employee	(contract hours per day) × (days per pay period)	Hours worked

For example, if an employee works eight hours per day, report a straight 80 hours per pay period to yield a yearly total of 2,080 hours. Likewise, if an employee works seven hours per day, report 70 hours per pay period, which results in a yearly total of 1,820 hours.

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5.05: K-12 and ISD Teachers, and Other Employees Paid by Contract

Many employees, including teachers, work under and are paid by contract. The correct number of hours to be reported for contractual employees over the school year (including all pay periods from the first pay in August or September to the last pay period worked in May or June – usually 21 or 22 pay periods) is the number of contract days times the specified number of contract hours per day.

Reportable hours = (contract hours per year) ÷ (pay periods per year)
where contract hours per year = (contract hours per day) × (contract days per year)

Category	Full-Time	Part-Time
Contract Employee	(contract hrs per year) ÷ (pay periods per year) where contract hrs per year = (contract hrs per day) × (contract days per year)	(contract hrs per year) ÷ (pay periods per year) where contract hrs per year = (contract ratio to fit FT hrs per day) × (contract days per year)
Spreading wages over full year	Use formula with periods per year equal to the shorter contract year of most teachers. Wages received over a full year are considered earned over the shorter year.	Use formula with periods per year equal to the shorter contract year of most teachers. Wages received over a full year are considered earned over the shorter year.

For example: If the contract specifies 187 days at 6.5 hours per day with 21 pay periods the total number of hours would be 1,215.5 (187 days x 6.5 hours) and must all be reported by the 21st pay period.

The preferred method of reporting these hours is to divide the total number of hours that must be reported by the number of pay periods and report that number every pay period.

By the end of the last pay period, all hours will have been reported. By using this method, the hours will exactly reflect the wages.

For example: Divide 1,215.5 hours by 21 pay periods to get 57.9 hours per pay period. By reporting 57.9 hours each pay period, you will have reported all 1,215.5 hours by the 21st pay period.

Less than full-time contract employees should be reported proportionately to full-time employees.

Part-time reportable hours = (contract hours per year ÷ pay periods per year) where contract hours per year = (contract ratio to full-time X full-time hours per day X contract days per year)

For example: A four-fifths teacher would be reported for 187 days at 5.2 hours per day (four-fifths of >6.5 hours) for a yearly total of 972.4 hours. The number of hours reported each pay period would be 972.4 divided by 21, or 46.3 hours.

Variations on this formula are possible and should not be a problem as long as the total hours are reported and there is a realistic relationship between hours and wages.

Teachers who spread their wages over 26 pay periods are a special case. The wages that are paid in each pay period represent 1/26 of the contract instead of 1/21. The money is considered to have been earned during the 21 or 22 pay periods that fell within the normal school year. You must report the hours to reflect this. To do so, divide the total hours to be reported by the actual number of pay periods the employee worked. The wages reported over the summer, usually pay period 22 through pay period 26, should be reported without hours. You will not report hours for the summer pay periods unless the employee actually worked during the summer.

For example: A teacher was paid wages over the summer but did not actually work during the summer. You should report 57.9 hours and 1/26 of the wages per pay period for 21 pays; report the hours just as you would for an employee that only worked and is paid over 21 pay periods. DO NOT report hours for pay periods 22 through 26 in the summer.

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5.06: Full-time and Part-time Faculty in Community Colleges and Universities

You should report hours for faculty in community colleges and universities spread over the entire period they work. These employees don't ordinarily have contracts that specify a given number of days and hours that must be worked each year. For this reason, if your reporting unit is a community college or university you should report full-time faculty with sufficient hours per pay period to receive full-time credit over the period worked.

Full-time reportable hours = (full-time hours per year ÷ pays per year)
where pays per year = 19 or 20 and hours are spread over all pay periods worked

Category	Full-Time (FT)	Part-Time (PT)
Faculty at University or Community College	(FT hrs per year ÷ pays per year) where pays per year = 19 or 20, and hours are spread over all pays worked.	Ratio to FT X (FT-equivalent hrs per year ÷ pays per year) where = 19 or 20 and hours are spread over all pays worked.

When a faculty member is employed to teach on a less than full-time basis, your reporting unit should prorate the hours. This applies when the instructor is paid on the basis of credit or semester hours taught or on a per-class basis.

You can figure the part-time to full-time ratio by first determining what your reporting unit considers full-time hours.

For example. Your Board has decided that full-time faculty must teach 12 academic hours per semester for two semesters, fall and winter. In order for the faculty to receive full service credit for retirement, you will have to report 53.7 hours per biweekly pay period for at least 19 pays in the same school year. Using the same example for a part-time instructor teaching 6 academic hours for one semester, that part-time instructor would earn ½ of the service hours of a full-time instructor. Thus, you should report 26.85 hours (1/2 of 53.7 hours) in a biweekly pay period for at least 19 pays in the same school year.

Part-time reportable hours = ratio to full-time X (full-time hours per year ÷ pays per year) where pays per year = 19 or 20, and hours are spread over all pays worked.

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5.07: Bus Drivers Paid by the Run

You must report hours worked, rather than runs, for all bus drivers. This ensures that they will receive the correct service credit for retirement. Report the actual number of hours worked for which the bus driver receives wages, even if your reporting unit is paying by the run.

Reportable hours = (hours per run [rounded up to nearest $\frac{1}{4}$ hour]) \times (runs per pay period)

Category	Full-Time (FT)	Part-Time (PT)
Bus drivers paid by the run	(Hours per run rounded up to $\frac{1}{4}$ hour) \times (runs per pay period) + non-run hours.	(Hours per run rounded up to $\frac{1}{4}$ hour) \times (runs per pay period) + non-run hours.

For example: If a driver has a morning and an evening run of two hours each and a kindergarten run of one hour, the total reportable hours for that driver would be five. You would not report it as three runs.

A reporting unit is allowed to round up a bus driver's work hours. If a bus driver works for 25 minutes, you may report the time as five-tenths of an hour. If a bus drive works 55 minutes, you may report a full hour of work.

When a bus driver has other responsibilities such as bus preparation, fueling, safety checks, and clean-up in addition to the actual driving time, you should report these hours as well.

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5.08: Employees Receiving Workers' Compensation

Workers' compensation payments made to your employees while absent from work are considered the same as sick leave pay while absent from work as long as the employer/ employee relationship has not terminated. All workers' compensation wages reported on a DTL2 record on or after July 1, 2010, regardless of the date the wages were earned, are subject to employer and member contributions and retiree health care for the Defined Benefit portion of a member's benefit plan. (No part of WWC wages are subject to DC contributions for a Defined Contribution, Pension Plus, Pension Plus 2, or Personal Healthcare Fund participant.) You must report hours that would otherwise have been regularly worked by the employee. Since your employees are not penalized with a loss of retirement service credit while receiving workers' compensation, you should not reduce the hours reported.

Reportable hours = regular hours that would have been worked by the employee

Category	Full-Time (FT)	Part-Time (PT)
Employees paid workers' compensation	Hours that would have been regularly worked	Hours that would have been regularly worked

For example: an employee is receiving workers' compensation. That employee normally would have worked 80 hours per pay period. Continue to report 80 hours per pay period with the reported workers' compensation wages.

If you have a substitute employee receiving workers' compensation and are unable to determine the number of hours to report, contact Employer Reporting at 800-381-5111 for assistance.

Last updated: 12/27/2018

5.09: Employees Receiving Employer-Sponsored Short-Term Disability

Short-term disability payments may be reportable compensation if they meet the eligibility criteria. See section 4.04.10: Employer Sponsored STD (Short Term Disability) for STD eligibility criteria. You should report the hours in proportion to the short-term disability payment received.

Employees Receiving Employer-Sponsored Short-Term Disability

Category	Full-Time (FT)	Part-Time (PT)
Employees Paid Eligible Short-Term Disability	Hours that would have been worked in proportion to the short-term disability payment received	Hours that would have been worked in proportion to the short-term disability payment received

For example: When a full-time employee is on short-term disability and receives 75 percent of the full-time pay, report 75 percent of the full-time hours that the employee would normally have worked.

Last updated: 12/02/2015

5.10: Employees Earning Additional Wages and/or Hours

Additional wages for extra work

Frequently, your contract and salaried employees perform extra work and receive additional wages for it. Coaches or teaching night school are good examples. These additional wages must be reported with hours.

Category	Full-Time (FT)	Part-Time (PT)
Additional wages for extra work.	Hours associated with extra work.	Hours associated with extra work.

For example: A bus driver with regular runs during a pay period also has two additional trip runs at a different rate. You would report one DTL2 record with all regular run wages and hours using employment class code 1610. You then report a second DTL2 record with the additional trip wages and hours using employment class code 9510. A teacher who also coaches could have one DTL2 record using employment class code 1240 to report all teaching wages and hours. A second DTL2 record using employment class code 1560 would be submitted to report all coaching wages and hours.

Uncompensated extra work

You may have some employees who work additional hours as part of their job, but they don't receive extra wages.

Category	Full-Time (FT)	Part-Time (PT)
Uncompensated work	Additional hours not reported.	Additional hours not reported.

For example: A salaried, 40-hour-per-week principal attends mandatory evening or weekend meetings. You will not report additional hours because the duties are a part of the principal's position and do not require additional pay.

Lump-sum payments for extra work

When your employees are paid a lump-sum amount for teaching a class, coaches, or for any other legitimate extra service, you need to calculate an equated number of hours to be reported. If the extra work is similar in difficulty or responsibility to their regular work, use the regular hourly rate of pay and divide it into the lump sum amount to find the equated hours worked. If the extra work is different from the employees' regular work, use an hourly pay rate for similar work within your reporting unit and divide it into the lump sum amount to calculate the equated hours worked.

$$\text{Reportable hours} = \text{lump sum payment} \div \text{hourly rate}$$

Category	Full-Time (FT)	Part-Time (PT)
Lump sum wages for extra work.	Lump sum \div equated hourly rate.	Lump sum \div equated hourly rate.

For example: Your reporting unit has a seasonal coach who is paid a lump sum of \$2,100 at the end of the season. To determine how many hours should be reported for this coach, you will need to determine an hourly pay rate similar to that of a teacher with a bachelor's degree. So, let's say that the contract amount for a teacher is \$24,000 per year. Divide that by hours a teacher would normally work - 6 hours per day for 200 days, or 1,200 hours. Now divide 1,200 hours into the annual teacher contract amount of \$24,000 to get an hourly pay rate of \$20.00. Divide the hourly rate of \$20.00 into the lump sum coaching payment of \$2,100 to get 102 reportable coaches hours.

Lump sum payments for extra work performed in a prior pay period

When you pay an employee in a lump sum for work that was performed in a prior period, you should report both the hours and wages using a positive adjustment.

Category	Full-Time (FT)	Part-Time (PT)
Lump sum wages for extra work in prior pay period.	Lump sum ÷ equated hourly rate.	Lump sum ÷ equated hourly rate.

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