CALCULATING RESERVE PAY/SMOOTHING

2007-2008
(PFT/CASA/SPAP)

Appointed PFT/CASA/SPAP employees work and earn salary for ten-months but are paid over twelve months. A portion of the salary earned during the ten month period is held in a reserve account to pay the employee during the periods without earnings. The formulas used to calculate base pay, and reserve accrual or payout may be used at any time to verify the correct base pay, and calculate gross pay for any given pay period.

All of the following information assumes that an employee works 5 days a week. Part-Time salaried employees working less than 5 days a week must adjust the calculations

Converting contract salary to base pay- Contract salary is the amount paid during a contract year (September through August) for a specific position and pay progression. It is rare that the earnings from any contract year equals the exact figure listed as contract salary, due to anniversary raises, contract raises and position changes that occur during the year. Instead, the figure is used to calculate your base earnings for each pay period. Ten-month employees are considered to earn salary on each weekday between September 1 and June 30. There are 216 weekdays in the 2006-2007 and 2007-2008 school years. Contract salary is divided by 216 to calculate a daily rate or by 21.6 to calculate a biweekly rate. The actual earnings for a particular pay period will be the figure listed as base pay on the check stub.

Example A:	*Salary*	*Daily Rate*	*10day Base Pay*
2005-2006	*$20,000.*	*$92.17*	*$921.70*
217 days	*$30,000.*	*$138.25*	*$1382.50*
	$55,000.	*$253.46*	*$2534.60*
2007-2008	*$20,000.*	*$92.59*	*$925.90*
216 days	*$30,000.*	*$138.89*	*$1388.89*
	$55,000.	*$254.63*	*$2546.30*

The employee earning $30,000. will be used in all examples for easier comparison.

The biweekly and base pay will change each time there is a salary change. If the new salary is effective on the first day of the pay period, there are ten days at the new rate. If the new salary is effective after the first day, some days will be at the old rate and some will be at the new rate. In this case, salaries are calculated to daily rates and multiplied by the appropriate number of days.

Example B: Contract raise of 4/1/07 increases salary from $30,000. to $30,900.

Salary	*Daily Rate*	*Check date*	*#of Days*	*Base pay*
$30,000.	*$138.89*	*4/6/07*	*10*	*$1388.90*
$30,900.	*$143.06*	*4/20/07*	*10*	*$1430.60*

Calculating Gross Pay

The reserve/smoothing model in use for ten-month employees paid over twelve months calculates gross pay each pay period. This is done by dividing the anticipated remaining contract pay (how much you will earn through June 30) by the number of pay checks that remain in the contract year (ending with the last pay period that does not include September 1), then using reserve accrual or reserve payout with base pay to reach this figure. If the base pay earned is more than the calculated gross, reserve accrual will be subtracted from base. If the base pay is less than the calculated gross, reserve payout will be added to base. Absence pay or deduction is also added to or deducted from base pay as part of the calculation; EC or overtime is not.

Example C: The first two paychecks of the 2006-2007 school year for an employee with a contract salary of $30,000.

Check date	*9/8*	*9/22*
Pay period end date	*9/1*	*9/15*
Contract salary remaining	*$30,000. (216 days at $138.88)*	*$28,888.12 ($30,000. – $138.88 paid 9/8 - $972.22 reserve paid 9/8)*
Paychecks remaining in Contract	*27*	*26*
Daily Rate	*$138.88*	*$138.88*
Number of paid days in pay period	*1*	*10*
Base Pay earned	*$138.88*	*$1,388.89*
Reserve Accrual		*-$277.79*
Reserve Payout	*$972.22*	
Gross Pay	*$1,111.10*	*$1,111.10*

When a salary increase occurs, the calculation changes slightly. The reserve account balance is combined with the contract salary remaining then divided by the number of remaining paychecks in the contract year. Reserve balance can be calculated by adding all reserve accruals and subtracting all reserve payouts.

Example D: 3% Contract increase on 4/1/07 from $30,000. to $ 30,900.

Check date	*4/6/07*	*4/20/07*
Salary	*$30,000.*	*$30,900*
Contract salary remaining	*$10,416.66. (75 days @ 138.88)*	*$9298.61 (65 days @ 143.06*
Reserve Balance	*$2916.67*	*$3194.44*
Total Available	*$13,333.33*	*$12,493.05*
Paychecks remaining in Contract	*12*	*11*
Amount paid in pay period	*$1,111.11*	*$1,135.73*
Daily Rate	*$138.88*	*$143.06*
Number of paid days in pay period	*10*	*10*
Base Pay earned	*$1388.89*	*$1430.60*
Reserve Accrual	*-$277.78*	*-$294.87*
Reserve Payout		
Gross Pay	*$1,111.11*	*$1,135.73*

Employees Hired Mid Year

The same formula is used for employees hired after September first. The number of days that the employee will earn pay is multiplied by the daily rate, then divided by the number of paychecks remaining in the contract year. The daily rate of earnings is the same as an employee that began September first, but the new employee's total salary earned is lower because fewer days are worked in the year. Because the lowered total earnings must be paid through August, the gross pay each period will be lower.

Example E: Hired 11/6/06, $30,000. salary

Check date	*11/17*	*12/7*
Contract salary remaining	*$23,881.94 (170 days @ $138.88*	*$22,220.80 (160 days @ 138.88)*
Reserve Balance		*-$391.10 (Reserve payout 11/17)*
Paychecks remaining in Contract	*22*	*21*
Daily Rate	*$138.88*	*$138.88*
Number of paid days in pay period	*5*	*10*
Base Pay earned	*$694.40*	*$1388.89*
Reserve Accrual		*-$303.35*
Reserve Payout	*$391.10*	
Gross Pay	*$1,085.54*	*$1,085.54*

Example F : Hired April 1, $30,000. salary

Check date	*4/20*
Contract salary remaining	*$9,027.77. (65 days @ $138.88)*
Reserve Balance	
Paychecks remaining in Contract	*11*
Daily Rate	*$138.88*
Number of paid days in pay period	*10*
Base Pay earned	*$138.88*
Reserve Accrual	*-$568.18*
Reserve Payout	
Gross Pay	*$820.71*

Smoothing unpaid days and leaves.

If a ten-month employee takes one or more unpaid days, the entire loss in pay that occurs in a particular pay period is not deducted from the paycheck in which absences occurred. The unpaid amount is smoothed across the contract year. The appropriate amount of earnings is subtracted from contract salary in the calculation of gross pay.

Example G: Employee with a $30,000. salary takes unpaid leave on 9/25, 9/26 and 9/27. Contract salary is lowered by $416.64 (3 times $138.88). The $416.64 deduction is smoothed across the 25 remaining paychecks, which will now be $16.67 lower ($416.64 divided by 25). Note: on 9/28 the Base pay earned is less than the 1/25 of the contract pay remaining, so the employee receives reserve payout.

Check date	*9/21*	*10/5*	*10/12*
Contract salary remaining	*$30,000.*	*$28,192.64 (206 days @ $138.88 Minus 4 days $416.64)*	*$27,220.48. (196 days @ $139.54)*
Reserve Balance		*-$234.04*	*-$69.13*
Paychecks remaining in Contract	*26*	*25*	*24*
Daily Rate	*$138.88*	*$138.88*	*$138.88*
Number of paid days in pay period	*10*	*7 (10 minus 3 unpaid absences)*	*10*
Base Pay earned	*$1388.89*	*$972.16*	*$1,388.89*
Reserve Accrual	*$234.04*		*-$251.82*
Reserve Payout	*$*	*$164.91*	
Gross Pay	*$1,153.85*	*$1,137.07*	*$1,137.07*

If there are additional instances of unpaid days, contract salary remaining will adjust with each instance and the gross pay will reflect the change.