

Salary – Legislative Increase - FAQ
Session 2021-2022, SL 2021-180 Section 39.17
(2021-22 School Year)

**LEGISLATIVE SALARY INCREASE and RETROACTIVE SALARY BONUS
PAYMENT SECTION SL 2021-180**

<https://www.ncleg.gov/BillLookup/2021/s105>

Please also reference the Clarification of the Retirement Monitor announcement document as well as this FAQ for processing the legislative salary increase retroactive payment.

The intent of the retroactive salary bonus is to make employees whole as if we had the budget information before July 1.

1. What are the basic requirements to be eligible for the legislated salary increase?

All state funded employees who worked through December 31, 2021.

It does “not apply to persons separated from service prior to December 31, 2021, ...” (technical corrections bill).

2. If an employee has an effective retirement day of January 1, 2022, are they eligible?

Yes, staff with an effective retirement date of January 1, 2022 are eligible for the **retroactive salary bonus payment** as long as their last workday is December 31, 2021 and not before.

3. Are locally funded and federally funded personnel eligible to be paid from state funds?

State funded employees are to receive the increase through state funds. Other funding sources will need to be used to provide the increase to employees not paid from state funds should the PSUs determine they are matching that salary increase.

4. If an employee is employed after January 1, 2022, do they receive a salary increase?

No. The new salary scales go into effect January 1, 2022 so anyone employed January 1 and after is placed on the new scales.

5. Are personnel who were employed after July 1, 2021 but before December 31, 2021 eligible for the retroactive salary bonus payment?

Yes, provided they meet the criteria set above. They receive the pro-rate share of the retroactive salary bonus payment if their salary scale has been adjusted for the legislative increases.

6. Are employees on leave without pay eligible for the retroactive salary bonus payment?

Employees on leave without pay receive the retroactive salary bonus, IF they return to pay status without a break in service and are considered an employee as of December 31, 2021.

7. What if the employee is on sick leave or some other extended absence?

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Yes, provided they are in pay status on December 31, 2021, they receive the retroactive salary bonus payment.

8. *Are part time employees eligible?*

Yes, part time employees are eligible for the retroactive salary bonus payment. The legislation stipulates that an employee who was not employed continuously on a full-time basis since July 1 shall receive this payment on a prorated and equitable basis.

9. *Are substitutes eligible?*

No, substitutes would not be eligible unless employed in a permanent position with the LEA (such as a full-time substitute position) and they meet the other requirements above. In a general sense a substitute is a daily employee and not considered a permanent employee, as they terminate their assignment daily or weekly.

10. *If longevity payments were made between July 1, 2021 and December 31, 2021 do those payments need to have the legislative salary increase applied and be part of retroactive salary bonus payment process?*

Yes, any state paid compensation related to an employees' annual rate of pay may be considered in the retroactive salary bonus payment process as long as that compensation was originally subject to retirement. We understand that State agencies will be applying the legislative increase to longevity payments made between July and December 2021, as the total state salary includes the longevity salary.

The technical corrections bill changed the language to "...may be applied to the employee's base annual rate of pay", rather than "shall" to allow for executive/local interpretation and the difficulties in how the salary increase could be applied towards longevity, salary differentials, overtime, supplements, etc.

Bonuses and similar payments not subject to retirement are not be considered eligible for the legislative salary increase.

11. *If an employee receives a local supplement based on a percentage of their base salary does that need to be adjusted to account for the new legislative salary increases retroactively to July 1, 2021?*

The local salary supplement and supporting schedules are governed by your local board of education. See the answer above related to executive/local interpretation.

12. *Is overtime pay part of the retroactive salary bonus payment?*

Please see the Longevity pay answer above. The technical corrections bill was changed to allow some flexibility in determining what is included as "state salary" in the application of the retroactive salary payment.

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The Office of State Human Resources is applying the legislative increase and retroactive payment to overtime that was PAID between July 1 to December 31st.

13. Are there tax implications related to the retroactive salary bonus payment?

NCDPI is not the cognizant agent related to taxing implications for an individual. This will be considered compensation in the calendar year 2022 for the employee.

The bonus is subject to all applicable taxes.

14. If an employee resigns after January 1, 2022, will they receive the retroactive salary bonus payment?

Yes, they are eligible for the retroactive salary bonus payment as long as they were employed on December 31st.

15. If an employee moved between PSUs or came from a State agency do they receive the legislative increase from the time of employment with the PSU on December 31, 2021 and/or do they receive the increase for the time at the other state agency/PSU?

As long as the employee was employed as a STATE employee on June 30, 2021 and did not have a break in STATE Service and remained employed through December 31, 2021 they are entitled to the retroactive salary adjustment.

The employer on December 31, 2021 is responsible for providing the legislative increase and paying the retroactive salary payment.

The State Department of Human Resources is applying the legislative increase to the salary of the employee on June 30, 2021 up to the point in time of the transition. The current employer would need to contact the prior employer to get the applicable salary for those individuals new to the PSU that qualify.

PAYMENT AND CODING for the Retroactive Salary Bonus Payment

16. Is the “bonus” subject to retirement withholding and matching?

Yes, this bonus related to capturing the salary differential for the period of July 1 thru December 31 is considered compensation for retirement purposes and is subject to the retirement rate. It is meant to be applied to the employee’s base annual rate of pay.

17. When should the retroactive salary payment be paid?

In accordance with the Retirement Office’s directive, the legislative retroactive salary adjustments need to be completed by March 31, 2022. Please see the clarification on the retirement system requirements for more information.

Note: There has been some flexibility built into the legislation to allow for the implementation of this part of the statute to allow time for all agencies and PSUs to meet the new minimum requires

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for the greater of the \$13 an hour or the 2.5% that could require local board of education actions. It would be incumbent upon the PSU to fairly communicate the timing expectations for this “retroactive salary bonus” payment to its employees.

18. Where should the expenditures be posted?

LEA’s Only

For Certified and School Administrators: All retroactive salary bonus payments should be coded to object code 129 and the purpose code used for their regular salary.

We are reviewing the salary audit system implications and potential modifications to ensure that any adjustments to certified salary also include retro salary coded to object code 129.

For all other staff: All retroactive salary bonus payments should be coded to their normal salary object code **and NOT a bonus code.**

- The Funding the retro salary bonus has been allocated out in the initial allotments for LEA according to the normal application of state salary increases. The retro salary bonus should be paid from the same source funds as the July to December pay.

Other Public School Units

Per the legislation, DPI provided a per pupil share of the funds for the retroactive salary bonus payment in the base allocation for the following PSUs:

- Charter Schools - PRC 036
- ISD – PRC 044
- Regional/Lab Schools – PRC038
- Renewal School System – PRC037

Other public school units has full flexibility related to salary and are not required to implement the legislated increase.

19. If the employee is split funded between State and local (or federal), is the retroactive salary bonus payment also split funded.

Yes, if the employer is applying the legislative salary increase to all employees regardless of funding source, then the employees’ retroactive salary bonus payment should be split funded to align with the percentage employed by each funding source accordingly for the period of July 1 through December 31, 2021.

20. Are we required to code the retroactive salary payment to the school level?

Yes. Uniform Education Reporting System requires that these payments are coded to the school level.

Clear communication and realistic expectations for your staff will be critical.

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STATE RETIREMENT SYSTEM Instructions for implementing the Legislative Increase and Retroactive payment.

Should you need additional information please contact the State Retirement office.

Clarification on Retirement Monitor Announcement from December 9, 2021:

School Business met with the State Retirement office this afternoon (12/10/2021) to clarify the information related to the Announcement in the Retirement Monitor on December 9, 2021. **It is GOOD news!**

From Retirement Monitor Announcement Dec 9, 2021

December and January Supplemental Bonuses

The \$1,000 and additional \$500 “pandemic bonuses,” for eligible employees, are not considered pension-eligible compensation and do not need to be reported to the Retirement Systems.

Lump-Sum January Salary ‘Catch Up’ Payment for Teachers and State Employees

The one-time payment includes the salary increase amount retroactively for July through December 31. This should be reported as regular pay, but we will accept payroll with this payment reported as a bonus.

This one-time payment is counted towards salary.

If your agency is reporting this payment on the January reporting cycle, which is submitted in February, the payment should have an end date of December 31, 2021 and should reflect prior period adjustments.

January retirees should not have pay reported past their termination date.

Clarifications:

RATE to be used from January – June any salary related payments is 24.10%.

All the payments are still to be made beginning in January.

The below cross-references some of the key items for clarification:

January: This just references the January 1st implementation date in the legislation.

We clarified that PSUs have the 90-day window to implement the retroactive salary payments. But they all need to be completed by the end of March 2022.

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one-time payment: This implies it must be ONE payment at one-time.

It does not need to be a one-time payment. That is just related to the language in the legislation. The retirement office understands that this could be several payments to complete the full retroactive salary payment for any individual.

This should be reported as regular pay, but we will accept payroll with this payment reported as a bonus.

This again just goes to the ORBIT INDICATOR related to Bonus pay vs. Regular pay. They want these payments in the file they receive to reflect as part of annual compensation so the flag or indicator in orbit should likely reflect REG as regular salary, but carry that December 31, 2021, pay period date and the prior period flag. It does sound like they will be filtering and grouping all the payments that are prior period adjustments and December 31, 2021, date as the retroactive salary adjustments.

the payment should have an end date of December 31, 2021:

This is the DATE they want in the ORBIT Transmission file. **This is NOT the check date.** The Pay Period End Date on the file needs to be December 31, 2021, for ALL payments related to the retroactive salary adjustment, even if paid and submitted with a February file.

should reflect prior period adjustments: This does NOT mean doing retroactive prior period adjustments in the system.

This is the FLAG for the Orbit Transmission file to denote those retroactive salary payments as for a prior period adjustment, so it does not kick out in their system. Will be allowed for that 90-day window.

School Business cannot handle the retroactive payments in the salary audit system. So please use the object code 129 for the certified staff and school administrators so that system and how we treat the salaries at DPI correctly.

January retirees should not have pay reported past their termination date:

This is the same as above. For the payments for the retirees, it needs to reflect the prior period adjustment flag and the December 31, 2021 Pay Period End Date. You would not pay the retirees in December.

All the payments are still to be made beginning in January.