

A "12 month employee" is an employee whose salary position runs "year round" with work days included in every month of the year. (SCOE has a small percentage of staff at school sites that fall into this category in addition to most of the staff in its administrative offices.) **Paychecks for 12 month employees are split evenly into 12 monthly payments in compliance with retirement law (for PERS and STRS) and Federal and State tax regulations.** (The "Pay the Days" calculation does not apply to 12 month employees.)

In the past, a "10 month employee" was someone whose salary position included work days from September through June. (The majority of these people are classroom staff.) **However, in recent years, school calendars have expanded to the point where many "10 month employees" actually work from August through June. That's 11 months!** This created an issue specifically for employees who are PERS members because of the way PERS calculates the pension checks of its members when they retire. *(Part of the formula used to calculate a retiree's pension is based on the number of months they worked in their final year of service. By paying employees in 10 equal monthly payments, it caused PERS to use a "10" for this part of the calculation. In actuality, most 10 month employees work in parts of 11 months and an "11" should be used in the calculation. The effect can be a difference of as much as a couple hundred dollars per month on a retiree's pension!)* **To avoid shorting retirees on their pensions, PERS began requiring schools to report separately the August days worked by 10 month employees and the amount of money they earned for those days. The SCOE payroll system uses a process called "Pay the Days" to accomplish this.**

"Pay the Days" means we pay each 10 month employee's August work days ON the employee's September pay check using a separate pay line. We then divide the remainder of the employee's annual salary into 10 equal payments and put one of these payments on the September pay check as well. The obvious result is that the September pay check is noticeably higher than the pay checks for October through June. So budget accordingly! :) *(Behind the scenes: Having the "Pay the Days" Payment separate on the September pay stub allows us to report it to PERS with August dates, ensuring PERS knows how much of the employee's annual salary is actually earned in August.)*

Another item... Some employees consider themselves "12 month employees" because they are signed up for Deferred Net Pay (DNP). They should not be confused with actual 12 month employees. In the eyes of payroll, they are 10 month employees with DNP. 10 pay employees who have DNP still have all of their salary issued and taxed over 10 months (September through June). They simply have one additional step added to the calculation of their pay checks. From September through June, once we calculate their pay checks and know what their net pay should be, we deduct 16.66% of that net pay and hold it. This Deferred Net Pay (DNP) is kept by SCOE throughout the year and then issued to the employee in two payments- one at the end of July and one at the end of August.

By the way, does DNP have an effect on my PERS reporting or my taxes? No. PERS and all taxes are calculated based on the employee's gross earnings each month. Since DNP is taken from "after tax" money (NET pay) it has no bearing on PERS contributions or Federal and State tax calculations.