



# RETROACTIVE PAYMENTS

## General FAQ – Not union specific

The following information is designed to assist you in understanding how retro pay is processed.

**Q: How is the retro pay calculated?**

**A:** It is calculated by determining the difference of what was paid at the old rate and what should have been paid using the new rate. For example, an employee who was paid 250 regular hours between 1/9/16 and 4/15/16 at the hourly rate of \$22.50 per hour would have been paid \$5,625.00. If they had been paid the new \$22.92 per hour for that same time they would have been paid \$5,730.00. The difference of \$5,730 - \$5,625 = \$105.00 which would be the retro pay gross amount.

**Q: Does retro pay get calculated on overtime hours I worked?**

**A:** Yes, if you are eligible for overtime and work overtime, the retro pay calculation includes overtime. For example, if you earned \$22.50 per hour and have been paid 10 hours of overtime pay at a 1 ½ times this rate, the overtime premium you were paid was 11.25 x 10 hrs = 112.50. (Overtime premium rate is half of the regular rate.) At the new rate of \$22.92, the overtime premium you would have been paid is 11.46 x 10 hrs = 114.60. The difference in overtime you will receive in retro pay is \$114.60 – 112.50 = \$2.10. Your retro pay on overtime premium is listed separately on your paycheck.

**Q: Does retro pay get calculated on additional assignment hours such as EDL?**

**A:** Yes, if those hours were originally paid at your regular rate of pay. Any hours worked that were paid at an alternative rate of pay or not covered under your contract would not be subject to the pay increase or retro. Additional assignment hours are not split out separately on your paycheck for the retro pay. They are either included in the regular retro pay or the overtime retro.

**Q: Why is my retro pay less than I expected?**

**A:** There are multiple reasons why it could be less than you expected. First, employees who took unpaid days off or were on an unpaid leave of absence would have fewer hours where the pay increase applied. Second, retro pay is taxed at a higher flat amount than regular wages so this reduces the net amount you receive. Also, if you participate in the 26-pay program, those deductions are a percent of all net pay so would be taken from retro pay as well.

**Q: How much is deducted for taxes on retro pay?**

**A:** Employers are required by law to deduct a flat 25% federal tax and 6.25% MN state tax on retro payments. The portion of your paycheck that is regular wages is taxed based on your normal withholding elections. The typical 6.2% Social Security tax and 1.45% Medicare tax is deducted from both amounts, as is 6.5% for PERA pension or 7.5% for SPTRFA pension. The tax amounts are not affected by paying the retro pay and regular paycheck together instead of processing them separately.

**Q: Why is my retro pay different than my colleague’s amount?**

**A:** There could be multiple reasons for this which is why it is never recommended to compare paycheck amounts. The most common reason is that there are a different number of total hours in which the retro pay is applied because of non-duty break pay, additional hours worked, or unpaid days. FTE changes and lane changes can also create a difference. If you have questions about your specific amount, contact your designated Payroll Specialist.

**Q: Where can I look to see my new and old annual salary amounts?**

**A:** Hourly rates are listed on the paychecks, however you can also view this information through Employee Self Service, under Payroll and Compensation > Compensation History.

**Q: How can I tell where my retro pay is listed on my paycheck?**

**A:** Under the “Hours and Earnings” section of your check stub, direct deposit advice, or on-line statement, you will see “Retroactive Pay” under the description and the amount listed under “Earnings”. No rate of pay is listed since the retro amount is a calculation of the difference between your old rate and new rate at the number of hours/days worked.

HOURS AND EARNINGS			
<u>Description</u>	<u>Rate</u>	<u>Current</u>	
		<u>Hours</u>	<u>Earnings</u>
Overtime Pay at 1.5	46.470000	1.00	46.47
Regular Pay	30.980000	79.50	2,462.91
Retroactive Pay - Regular			326.77
Retroactive Pay - Overtime			14.64