Office of Financial Compliance for Research Instruction Guide Retroactive Salary Increases

Note: These instructions were developed in FY 2020 when the salary cap was \$192,300. The cap amount may have changed since then, but the methods for updating SPARs for retroactive pay increases remains the same. These examples walk you through the process but understand that you must use the DHHS salary cap in effect for the period in which you are working.

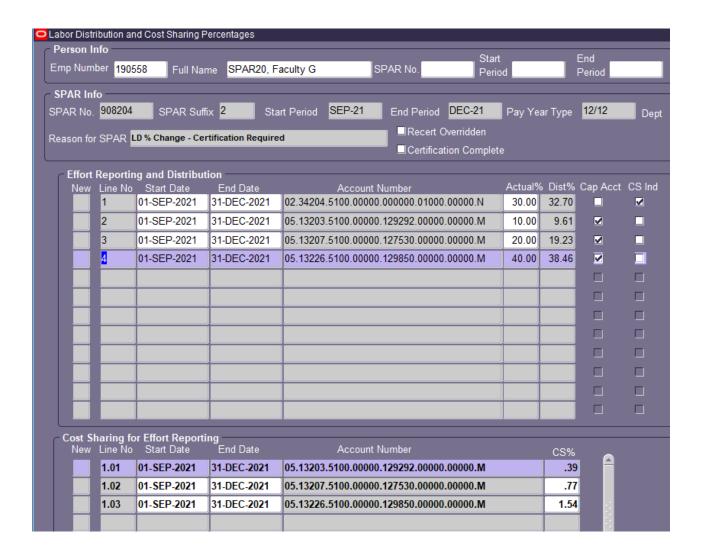
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**SCENARIO 1:** For employees with an Annual Salary above the DHHS salary cap prior to the current increase, follow the steps below to properly reflect MCS on the September – December SPAR.

## A. Original SPAR

The beginning SPAR will reflect the salary distribution based on the previous annual salary of \$200,000. See the <a href="Cost Sharing Template">Cost Sharing Template</a> calculation below confirming the Mandatory Cost Sharing (MCS) percentages at the \$200,000 rate.



UNIVERSITY OF PITTSBURGH					Revised Febru	iary 16, 2018
Template for Use in Calculating	Mandatory Cost Sh	aring				
Institutional Base Salary (IBS) C	alculation		Effective Salary Cap		192,300.00	
	200 000 00					
Contract Salary	200,000.00		Faculty Member:	SPAR20, Faculty G		
Length of Contract	12.00		Percentage FTE:	1.00		
Length of Contract	12.00		reiteiltäge i it.	1.00		
Annualized Salary	200,000.00		Effective Allowable Salary	Rate	96.15%	
,			,			
Percentage FTE	1.00					
Annualized Salary @ 1 FTE	200,000.00					
• -						
Administrative Supplements						
Annualized IBS	200,000.00					
						Annual Cost
						Sharing
						Charged to
					Monthly Cost	Department
					Share Dollars	Based on
		Proposed/Actual	Allowable Effort	Required Cost	Charged to	Length of
Proposal/Award #		Effort %	Distribution to Award	Sharing %	Department	Contract
Proposal/Awaru #		EHOIC 76	Distribution to Award	Silaring 70	Department	Contract
129292		10.00%	9.61%	0.39%	65.00	780.00
12,2,2		10.0070	5.0170	0.3370	05.00	700.00
127530		20.00%	19.23%	0.77%	128.33	1,540.00
			15,2570	217770		2,2 .3100
129850		40.00%	38.46%	1.54%	256.67	3,080.00

### B. Update SPAR to Reflect MCS at New Annual Salary

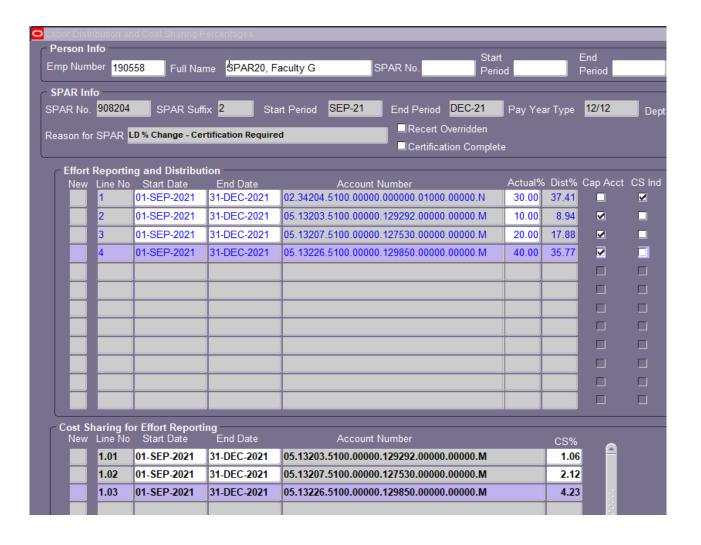
The new Annual Salary rate is \$215,000 and is entered into PRISM. Until action is taken on the SPAR, the Dist%'s and CS%'s will continue to represent the required MCS based on the former Annual Salary of \$200,000. The steps below must be taken on the Cap Acct lines (#2, 3, and 4) to adjust the MCS to the appropriate level for the new Annual Salary of \$215,000.

1. Zero out the Actual% for lines 2-4. Go back to each of these lines and re-enter the original Actual% values. It is important to zero out the line, leave the line, and then return to that line and re-enter the Actual%. The line will turn blue if this sequence has been followed properly. Dist% will be recalculated for each of the lines to the maximum allowable distribution based on the new Annual Salary.

TIP: For complex SPARs, you may want to do this process for each affected line individually.

- 2. Click the Refresh Shared Pcts button in the Cost Sharing portion of the screen to update the CS% values.
- 3. Click the Refresh/New Pct button on the top half of the screen to ensure the SPAR is in balance.

At this point all Cap Account lines are established at the MCS rate based on the new Annual Salary. Note the CS%'s agree with the template calculation for the new \$215,000 salary.



UNIVERSITY OF PITTSBURGH					Revised Febru	ary 16, 2018
Template for Use in Calculating M	landatory Cost Shar	ing				
Institutional Base Salary (IBS) Calc	<u>ulation</u>		Effective Salary Cap		192,300.00	
Contract Salary	215,000.00		Faculty Member:	SPAR20, Faculty G		
Length of Contract	12.00		Percentage FTE:	1.00		
Annualized Salary	215 000 00		Effective Allowable Salary R		00.449/	
Annualized Salary	215,000.00		Effective Allowable Salary K	ate	89.44%	
Percentage FTE	1.00					
Annualized Salary @ 1 FTE	215,000.00					
Administrative Supplements						
Annualized IBS	215,000.00					
		Proposed/Actual	Allowable Effort	Required Cost	Monthly Cost Share Dollars Charged to	Annual Cost Sharing Charged to Department Based on Length of
Proposal/Award #		Effort %	Distribution to Award	Sharing %	Department	Contract
129292		10.00%	8.94%	1.06%	189.92	2,279.00
						,
127530		20.00%	17.88%	2.12%	379.83	4,558.00
129850		40.00%	35.77%	4.23%	757.88	9,094.50

### C. Cost Sharing for Cap Acct Lines

Since the employee was already over the cap prior to the increase, all of the retroactive salary distributed in September is also over the cap and needs to be cost shared in its entirety with 'R' cost share code.

The September distribution must include regular and joint 'M' lines to satisfy the MCS requirement on the regular monthly salary. Regular and joint 'R' lines are required to cost share the entire retroactive salary increase.

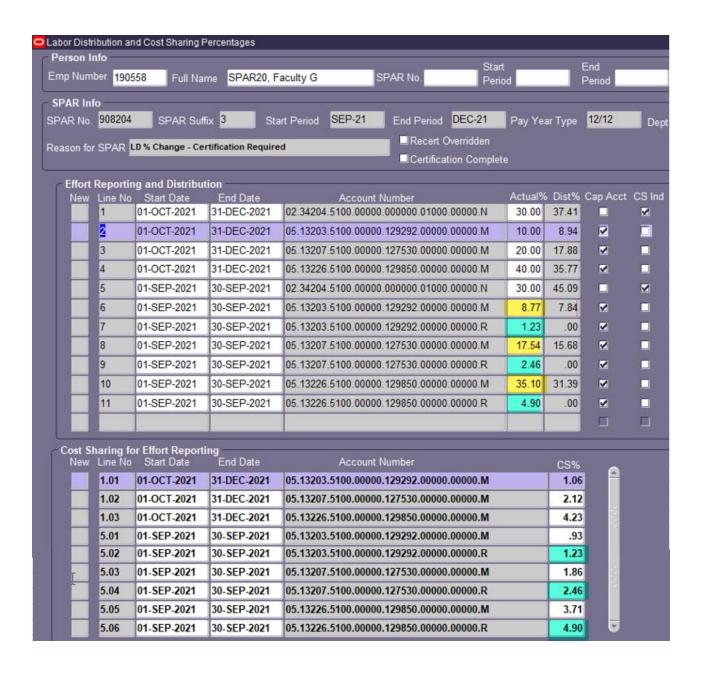
- 1. Lines 1-4 and the related joint lines currently reflect the MCS rate for the new salary. Change the Start Date for each line to 01-OCT-20XX. If the SPAR contains other non-CAP Accts that are cost shared to the same cost share recipient line, these lines and the related joint lines must also have the dates changed.
- A <u>Retroactive Salary Adjustment Template</u> is available to assist in the calculation of required **September** cost sharing under the 'Cost Sharing Templates' drop down menu on the <u>FCR Website</u>. Complete the fields highlighted in blue on the template. Below is a completed template for this example.

SCENARIO 1 - Over Salary Cap B	efore and After Re	troactive in	crease							
UNIVERSITY OF PITTSBURGH										
Retroactive Salary Adjustment T	Template									
DHHS Awards			Effective Salary Cap		192,300.00					
			Faculty Member:	SPAR20, Facult	y G					
Institutional Base Salary (IBS) Ca	<u>lculation</u>									
			Percentage FTE:	1.00						
Contract Salary	245,000.00				Retro Month	Regular Salary				
			Effective Allowable	Salary Rate	78.49%	89.44%				
Length of Contract	12									
Annualized Salary	245,000.00		Month of Pay IBS Calc	<u>ulation</u>						
D 1 575					245 222 25					
Percentage FTE	1.00		New Annual Salary		215,000.00					
Annualized Salary @ 1 FTE	245,000.00		Former Annual Salary		200,000.00					
Administrative Supplements	- '		Amount of Annual	Increase	15,000.00					
					12.00					
Annualized IBS	245,000.00		Monthly Increase		1,250.00					
			New Monthly Salary		17,916.67					
# of Months of Retro Adj	2.00		Retro Increase Include	ed in Pav	2,500.00					
-										
			Total Salary Paid Inclu	ding Retro	20,416.67					
						No	te: See SPA	P Do	tail tab for a	widanco -
					12.00	INC				guiuarice _
			Salary Plus Retro Ann	ualized for MCS	245,000.00		in updat	ing S	SPAR lines.	
				MCS - Month	of Retro Pay	MCS - All Subse	equent Months			
				Maximum						Month of
				Allowable		Allowable			Month of	Retro Pay 'R'
		Proposed/		Effort		Effort			Retro Pay 'M'	Line Actual
		Actual		Distribution to	Required Cost	Distribution to	Required Cost		Line Actual	Effort/Cost
Proposal/Award #		Effort %		Award	Sharing %	Award	Sharing %		Effort	Sharing %
129292		10.00%		7.84%	2.16%	8.94%	1.06%		8.77%	1.239
127530		20.00%		15.69%	4.31%	17.88%	2.12%		17.54%	2.46
129850		40.00%		31.39%	8.61%	35.77%	4.23%		35.10%	4.909
129000		40.00%		51.59%	0.01%	33.//%	4.23%		35.10%	4.90

Note: The SPAR Detail tab on the Retroactive Salary Adjustment Template provides the detail of SPAR entries for the September lines color-coded to the headings on the Template tab for use as a guide in modifying the related SPAR. See below for the entries associated to this example.

Retroactive Sa	alary Adjustmen	t Template			
SPAR Present	ation				
Effort Repor	ting and Distri	<u>bution</u>			
			Cost		
			Share	Actual	
<b>Begin Date</b>	End Date	Proposal/Award #	Code	Effort	Dist %
01-SEP-XXXX	30-SEP-XXXX	129292	M	8.77%	7.84%
01-SEP-XXXX	30-SEP-XXXX	129292	R	1.23%	0.00%
01-SEP-XXXX	30-SEP-XXXX	127530	M	17.54%	15.69%
01-SEP-XXXX	30-SEP-XXXX	127530	R	2.46%	0.00%
01-SEP-XXXX	30-SEP-XXXX	129850	M	35.10%	31.39%
01-SEP-XXXX	30-SEP-XXXX	129850	R	4.90%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
Cost Sharing	for Effort Rep	orting			
			Cost		
			Share		
<b>Begin Date</b>	End Date	Proposal/Award #	Code	CS%	
01-SEP-XXXX	30-SEP-XXXX	129292	M	0.93%	
01-SEP-XXXX	30-SEP-XXXX	129292	R	1.23%	
01-SEP-XXXX	30-SEP-XXXX	127530	M	1.85%	
01-SEP-XXXX	30-SEP-XXXX	127530	R	2.46%	
01-SEP-XXXX	30-SEP-XXXX	129850	M	3.71%	
01-SEP-XXXX	30-SEP-XXXX	129850	R	4.90%	

- 2. Using the values from the template's SPAR Detail tab, create new regular 'M' and 'R' SPAR lines for the month of September for each of the regular SPAR lines changed in Step 1 above. If a non-Cap Account line was changed in Step 1, a new regular line and any related joint line, if applicable, is required for that account. September 'M' line Actual% values (SPAR lines 6, 8, and 10 in this example) are identified in yellow on the SPAR Detail tab. September 'R' line Actual% values (SPAR lines 7, 9, and 11 in this example) are identified in green. The resulting 'M' line Dist % values should agree with the orange SPAR Detail values (plus or minus .01%).
- 3. Create the associated joint lines required for all new regular Cap Acct lines. MCS will be calculated for the joint 'M' lines based on the \$215,000 salary. Joint 'R' lines will have CS% values in green equal to Actual%. The Dist% for each of the 'R' regular lines will be 0%.
- 4. Save the SPAR.



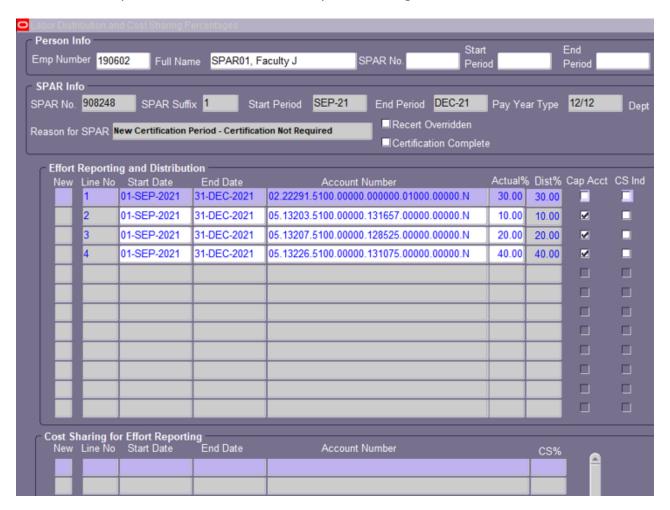
The Dist%'s for the September 'M' lines (lines 6, 8, and 10) agree to the percentages calculated in the template's "Maximum Allowable Effort Distribution to Award" column and are in compliance with the salary cap. Variations of .01% between the template and the SPAR are due to rounding and are acceptable.

The Actual%'s for each Cap Account, when adding the 'M' and 'R' line values, agree to the Actual Effort performed. For example, the Actual% for project 127530 on Lines 8 and 9 combined, agrees to the Proposed/Actual Effort % of 20% on the template.

**SCENARIO 2:** For employees with an Annual Salary below the DHHS salary cap prior to the current increase but with an Annual Salary above the DHHS salary cap after the current increase, follow the steps below to properly reflect MCS on the September – December SPAR.

#### A. Original SPAR

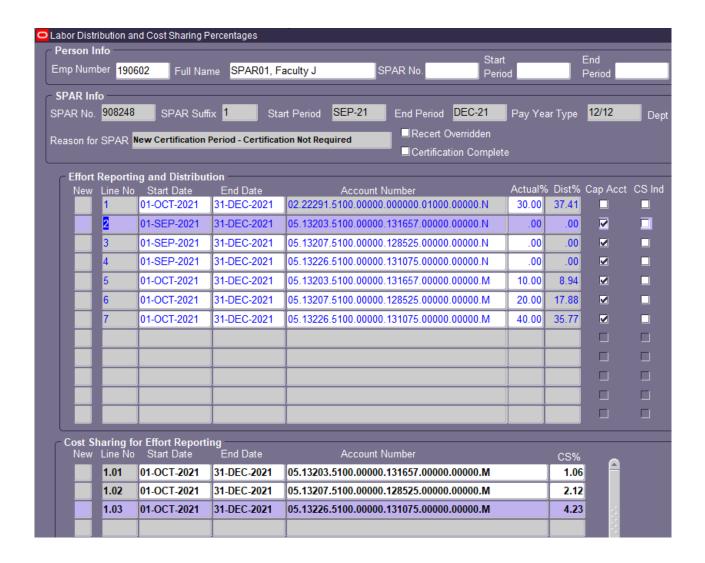
The beginning SPAR will reflect the salary distribution based on the \$185,000 previous annual salary with no entries for Mandatory Cost Sharing.



#### B. Update SPAR to Reflect MCS at New Annual Salary

The new \$215,000 Annual Salary rate, which exceeds the DHHS Salary Cap, has been entered into PRISM. The Cap Eligible box is checked. DHHS sponsored accounts are identified as Cap Accts with checkmarks in the "Cap Acct" column, a cost share code of 'N,' and Dist% equal to the Actual%. Because no action has been taken on these lines since the new Annual Salary was loaded into PRISM, there are no Mandatory Cost Sharing regular or joint lines. The steps below must be taken to recognize MCS at the new Annual Salary of \$215,000.

- 1. For any regular line identified as a Cap Acct with an 'N' cost share code (lines 2, 3, and 4 in the above example), zero out the Actual%.
- 2. For each 'N' line that was zeroed out, create a new regular 'M' line with a Start Date of 01-OCT-20XX and an End Date of 31-DEC-20XX (lines 5, 6, and 7 in the example below). The new regular 'M' lines will have a Dist% less than the Actual%, identifying the maximum allowable distribution based on the new Annual Salary limited by the DHHS salary cap.
- 3. Change the Start Date of the Institutional cost share recipient line (#1) and any other non-Cap Account line related to the Institutional cost share recipient line to 01-OCT-20XX. If the initial SPAR distribution did not include an Institutional cost share account (entity 02, 03, or 04), one must be created to fund the MCS required for the new portion of the Annual Salary over the DHHS salary cap.
- 4. Create joint 'M' lines (#1.01, 1.02, and 1.03) to recognize the MCS and change the Start Date on any existing non-MCS joint line(s) to 01-OCT-20XX as needed.



## C. Calculate the Effective Annual Salary for the September Pay and Required MCS

The September lines must reflect a higher percentage of cost sharing due to the inclusion of the retroactive salary adjustment. The "Retroactive Salary Adjustment Template – Newly Cap Eligible" is available to assist in this calculation and can be found under the 'Cost Sharing Templates' drop down menu on the FCR Website. Complete the fields highlighted in blue on the template.

This template is different from the one used in Scenario #1 above and is to be used for any employee whose new Annual Salary exceeds the DHHS salary cap for the first time. The portion of the retroactive increase that is below the salary cap is excluded from the determination of the MCS requirement. The rate of distribution for September is based on the sum of the DHHS salary cap and the annualized amount of salary below the cap that was earned in July and August but paid in September. In this example, both July and August were below the salary cap by \$608.33, therefore \$1,216.66 of the September distribution is not cap eligible. Annualizing \$1,216.66 results in \$14,600 that is excluded from any cost sharing. The effective base that can

be distributed in September with no cost sharing is therefore \$206,900 (the annualized difference between former salary and the salary cap plus the salary cap amount), identified on the template as Effective MCS Base.

The template includes MCS rates for both the FY 2020 Annual Salary and the September pay (which includes the retroactive increase). The two columns farthest right at the bottom of the template will provide the Actual% to be recorded on the September 'M' lines and the Actual% and related 'R' cost sharing % that must be recognized on the 'R' lines for the September retroactive increase.

#### Below is a completed template for this example:

SCENARIO 2 - Newly Cap Eligibl	e after Retroactiv	e Increase							
UNIVERSITY OF PITTSBURGH			Effective Salary Cap		192,300.00				
Retroactive Salary Adjustmen	nt Template - Ne	wly Cap Eli	Annualized Retro No	t Subject to CS	14,600.00				
For Faculty Newly Over the DH	HS Salary Cap		Effective MCS Base		206,900.00				
			Faculty Member:	SPAR01, Facul	ty J				
Institutional Base Salary (IBS) C	alculation								
			Percentage FTE:	1.00					
Computed Contract Salary	275,000.00		_		Retro Month	Regular Salary			
			Effective Allowable	Salary Rate	75.24%	89.44%			
Length of Contract	12								
			Month of Pay IBS Ca	culation					
Annualized Salary	275,000.00		New Annual Salary		215,000.00				
Percentage FTE	1.00		Former Annual Salar	V	185,000.00				
-									
Annualized Salary @ 1 FTE	275,000.00		Monthly Cap rate		16,025.00				
			Former Monthly Sala	iry	15,416.67				
Administrative Supplements	- '		Increase Not Subject	to Cost Sharing	608.33				
• •				_	2				
Annualized IBS	275,000.00		Retro Adj in Pay Not	Subject to MCS	1,216.67				
			New Monthly Salary		17,916.67				
# of Months of Retro Adj	2		Plus Retro Increase I		5,000.00				
			Total Salary Paid Inc	uding Retro	22,916.67				
					·	Note: 9	See SPAR Deta	il tab for guida	ance
					X 12		n updating SP	ΔR lines	
			Salary Plus Retro An	nualized for MCS	275,000.00		ii apaatiiig 51	Title S.	
				MCS - Month	of Retro Pay	MCS - All Subs	equent Months		
				Maximum					Month of
				Allowable		Allowable		Month of	Retro Pay 'R'
		Proposed/		Effort		Effort		Retro Pay 'M'	Line Actual
		Actual		Distribution to	Required Cost	Distribution to	Required Cost	Line Actual	Effort/Cost
Proposal/Award #		Effort %		Award	Sharing %	Award	Sharing %	Effort	Sharing %
131657		10.00%		7.52%	2.48%	8.94%	1.06%	8.41%	1.59%
20207		20.0070			2070	5.5470	2.0070	5.4170	2.337
128525		20.00%		15.04%	4.96%	17.88%	2.12%	16.82%	3.189
131075		40.00%		30.09%	9.91%	35.77%	4.23%	33.64%	6.369
1010.0				55.5576	2.2270	55.1170		55.0170	5.507

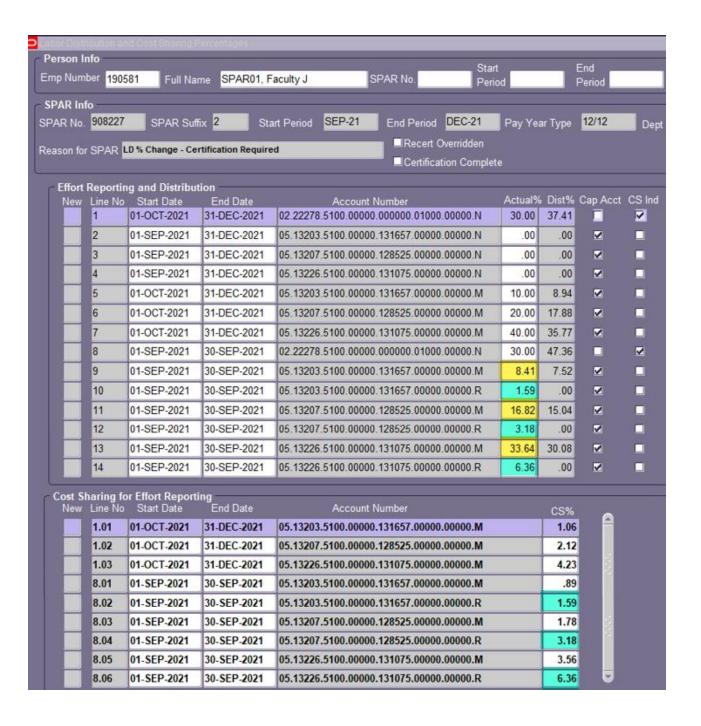
Note: The SPAR Detail tab on the Retro Salary Adj Template-Newly Cap Eligible provides the detail of SPAR entries for the September lines color-coded to the headings on the NCE Template tab for use as a guide in modifying the related SPAR. See below for the entries associated to this example.

Datus active Co		et Tamaniata - Navyly Can Elia	-: - -		
		nt Template - Newly Cap Elig	gible		
•	ewly Over the D				
SPAR Present	ation				
Effort Repor	ting and Distr	ibution			
			Cost		
			Share	Actual	
Begin Date	End Date	Proposal/Award #	Code	Effort	Dist %
01-SEP-XXXX	30-SEP-XXXX	131657	М	8.41%	7.52%
01-SEP-XXXX	30-SEP-XXXX	131657	R	1.59%	0.00%
01-SEP-XXXX	30-SEP-XXXX	128525	M	16.82%	15.04%
01-SEP-XXXX	30-SEP-XXXX	128525	R	3.18%	0.00%
01-SEP-XXXX	30-SEP-XXXX	131075	M	33.64%	30.09%
01-SEP-XXXX	30-SEP-XXXX	131075	R	6.36%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	M	0.00%	0.00%
01-SEP-XXXX	30-SEP-XXXX	0	R	0.00%	0.00%
01-3EP-XXXX	30-3EP-XXXX	U	N.	0.00%	0.00%
Cost Sharing	for Effort Re	porting			
			Cost		
			Share		
<b>Begin Date</b>	<b>End Date</b>	Proposal/Award #	Code	CS%	
01-SEP-XXXX	30-SEP-XXXX	131657	M	0.89%	
01-SEP-XXXX	30-SEP-XXXX	131657	R	1.59%	
01-SEP-XXXX	30-SEP-XXXX	128525	M	1.78%	
01-SEP-XXXX	30-SEP-XXXX	128525	R	3.18%	
01-SEP-XXXX	30-SEP-XXXX	131075	M	3.55%	
01-SEP-XXXX	30-SEP-XXXX	131075	R	6.36%	

#### D. Create September Lines

Because the employee was not over the cap prior to the increase, only a portion of the retroactive salary distributed in September is over the cap. Only this portion of the retroactive salary needs to be cost shared with the 'R' cost share code. An 'M' and an 'R' line are needed for each Cap Acct in September.

- 1. Create the September-only cost share recipient line (# 8).
- 2. Create new September-only regular 'M' and 'R' SPAR lines to reflect effort for this period as indicated on the SPAR Detail tab of the Template. September 'M' line Actual% values (SPAR lines 9, 11, and 13 in this example) are identified in yellow on the SPAR Detail tab. September 'R' line Actual% values (SPAR lines 10, 12, and 14 in this example) are identified in green. The resulting 'M' line Dist % values should agree with the orange SPAR Detail values (plus or minus .01%).
- 3. Create the associated joint lines required for all new regular Cap Acct lines. MCS will be calculated for the joint 'M' lines based on the \$215,000 salary. Joint 'R' lines will have CS% values in green equal to Actual%. The Dist% for each of the 'R' regular lines will be 0%.
- 4. Save the SPAR.



The Dist% for the September 'M' lines (lines 9, 11, and 13) agree to the percentages calculated in the template's September "Maximum Allowable Effort Distribution to Award" column, in compliance with the salary cap. Variations of .01% between the template and the SPAR are due to rounding and are acceptable.

The Actual% for each Cap Account, when adding the 'M' and 'R' line values, agree to the actual effort performed. For example, the Actual% for project 131075 on Lines 13 and 14 combined, agree to the Proposed/Actual Effort % of 40% on the template.

**Scenario 3:** For employees who have an Annual Salary below the DHHS salary cap both before and after the current increase; however, retroactive pay distributed in September causes the September only pay to be over the allowable monthly cap (\$16,025 for cap of \$192,300), no action is required.

No September cost sharing is needed in this scenario because the distribution of the retroactive salary increase represents payment of deferred salary. Payment of salary deferrals is not considered in the determination of Institutional Base Salary for purposes of computing mandatory cost sharing related to the DHHS salary cap. And, because the employee's new Annual Salary does not exceed the salary cap, there is no need to compute cost sharing for the months of July and August when the retroactive increase was earned.