PENSION ADMINISTRATION BULLETIN

Reference No. 2012-03 Date: May 24, 2012

TO: All Pension Administration Contact Persons at Contributing Member Organizations

RE: NSAHO Pension Plan – Reporting Retros and Adjustments

Given the April, 2012 contribution rate increase, in order to calculate the required employee and employer contributions owing, Employers must be able to identify and report the earnings and hours applicable to each period, before and after, the contribution rate change date. Ability to access this information will be critical in situations where members receive increases or adjustments to their hourly rates that are applicable to an earlier pay period (i.e. *Retroactive increases* & rate A*djustments*).

For Pension Plan purposes, *Retroactive earnings* are defined as any earnings that are paid in the current reporting year that are applicable to a prior reporting year. Both Retroactive earnings and employee contributions paid on these Retroactive earnings must be included in the data for the year they are paid and the Retroactive earnings must be identified separately by both reporting year and dollar amount.

Note that any changes to earnings in a prior payroll period within the same year are defined as *Adjustments* rather than Retroactive earnings.

During the 2012 reporting year:
When calculating a wage or salary increase that is retroactive to 2011 or earlier reporting years, the portion that is defined as Retroactive earnings (2011 or earlier) must be reallocated to the applicable prior reporting year to determine the correct amount of contributions to be deducted (see also Administration Bulletin 2010-05). **This must also be identified and reported separately on the 2012 contribution report and when reporting final payroll information on a Notice of Termination, Retirement or Death.**

Remember – When calculating a wage or salary increase that is retroactive within the current reporting year, this portion is defined as an Adjustment, but must also be reallocated to the applicable pensionable hours, before and after, the rate change date in order to calculate the correct required contributions. If a portion of the Adjustment is related to hours earned before the contribution rate change, this portion of the Adjustment must be included with the total earnings for the period it was actually earned (not when paid), before or after the contribution rate change; even if it was all paid out during the period after the contribution rate change.

We have prepared the following example to illustrate this.

Example of how a 2012 Adjustment is **paid** during the Reporting Year:

Period 1 – PE $4,875.00 PC $344.50 PH 487.5/1950 average rate = $10.00

Period 2 – PE $16,575.00 PC $1,171.29 PH 1462.5/1950 average rate = $11.33
(Period two includes retro of $487.50 that is applicable to period one – PC are $34.45)

Example of how a 2012 Adjustment is **to be reported** to NSAHOPP:

Period 1 – PE $5,362.50 PC $378.95 PH 487.5/1950 average rate = $11.00

Period 2 – PE $16,087.50 PC $1,136.84 PH 1462.5/1950 average rate = $11.00
(Although the retro of $487.50 was paid in Period 2, it is reported to the Pension Plan in Period 1)

For reporting years 2013 and onwards:
When calculating a wage or salary increase that is retroactive to 2012, to calculate the required contributions to be deducted, it will be necessary to identify the portion of Retroactive earnings applicable to each period, before and after the April, 2012 rate change date. This breakdown of 2012 Retroactive earnings must also be identified and reported separately on the 2013 contribution report.

If you have any questions, please contact any of our staff at 832-8500 or1-866-400-4400 (Toll Free – if calling long distance).

NSAHO Pension Plan
May 24, 2012