Office of Financial Compliance for Research
Instruction Guide
Retroactive Salary Increases

Note: These instructions were developed in FY 2013 when the salary cap was $179,700. The cap amount has been increased numerous times 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 the September – December SPAR.

**A. Original SPAR**

The beginning SPAR will reflect the salary distribution based on the previous annual salary of $192,000. See the Cost Sharing Template calculation below confirming the Mandatory Cost Sharing (MCS) percentages at the $192,000 rate.
### Institutional Base Salary (IBS) Calculation

<table>
<thead>
<tr>
<th>Contract Salary</th>
<th>Effective Salary Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>192,000.00</td>
<td>179,700.00</td>
</tr>
</tbody>
</table>

### Length of Contract

<table>
<thead>
<tr>
<th>Faculty Member: SPAR18, Faculty J - FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage FTE: 1.00</td>
</tr>
</tbody>
</table>

### Annualized Salary

<table>
<thead>
<tr>
<th>Effective Allowable Salary Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.59%</td>
</tr>
</tbody>
</table>

### Percentage FTE

<table>
<thead>
<tr>
<th>Annualized Salary @ 1 FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>192,000.00</td>
</tr>
</tbody>
</table>

### Administrative Supplements

<table>
<thead>
<tr>
<th>Annualized IBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>192,000.00</td>
</tr>
</tbody>
</table>

### Proposal/Award #

<table>
<thead>
<tr>
<th>Proposal/Award #</th>
<th>Proposed/Actual Effort %</th>
<th>Allowable Effort Distribution to Award</th>
<th>Required Cost Sharing %</th>
<th>Monthly Cost Share Dollars Charged to Department</th>
<th>Annual Cost Sharing Charged to Department Based on Length of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>116583</td>
<td>10.00%</td>
<td>5.35%</td>
<td>0.65%</td>
<td>104.00</td>
<td>1,248.00</td>
</tr>
<tr>
<td>122006</td>
<td>20.00%</td>
<td>18.71%</td>
<td>1.25%</td>
<td>206.40</td>
<td>2,476.80</td>
</tr>
<tr>
<td>120728</td>
<td>40.00%</td>
<td>37.43%</td>
<td>2.57%</td>
<td>411.20</td>
<td>4,934.40</td>
</tr>
</tbody>
</table>
B. Update SPAR to Reflect MCS at New Annual Salary

The new Annual Salary rate is $240,000 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 $192,000. 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 $240,000.

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 $240,000 salary.
### UNIVERSITY OF PITTSBURGH

Template for Use in Calculating Mandatory Cost Sharing

**Revised September 4, 2012**

**Institutional Base Salary (IBS) Calculation**

- **Effective Salary Cap:** 179,700.00

**Contract Salary:** 246,000.00

**Length of Contract:** 12.00

**Annualized Salary:** 240,000.00

**Percentage FTE:** 1.00

**Annualized Salary @ 1 FTE:** 240,000.00

**Administrative Supplements**

**Annualized IBS:** 246,000.00

<table>
<thead>
<tr>
<th>Proposal/Award #</th>
<th>Proposed/Actual Effort %</th>
<th>Allowable Effort Distribution to Award</th>
<th>Required Cost Sharing %</th>
<th>Monthly Cost Sharing Charged to Department Based on Length of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>116583</td>
<td>10.00%</td>
<td>7.48%</td>
<td>2.52%</td>
<td>564.00</td>
</tr>
<tr>
<td>133006</td>
<td>20.00%</td>
<td>14.57%</td>
<td>5.03%</td>
<td>1,005.00</td>
</tr>
<tr>
<td>120728</td>
<td>40.00%</td>
<td>29.83%</td>
<td>10.03%</td>
<td>2,010.00</td>
</tr>
</tbody>
</table>
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 Retroactive Salary Adjustment Template is available to assist in the calculation of required September cost sharing at http://www.cfo.pitt.edu/fcr/forms.php. Complete the fields highlighted in blue on the template. Below is a completed template for this example.
2. Using the values from the template, 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, 7, and 8 in this example) are found on the template under the heading “September ‘M’ Line Actual Effort” and September ‘R’ line Actual% values (SPAR lines 9, 10, and 11 in this example) are found under the heading “September 'R' Line Actual Effort/Cost Sharing %.”

3. Create the associated joint lines required for all new regular lines. MCS will be calculated for the joint ‘M’ lines based on the $240,000 salary. Joint ‘R’ lines will have CS% 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, 7, and 8) agree to the percentages calculated in the template’s “September 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 120728 on Lines 8 and 11 combined, agrees to the Proposed/Actual Effort % of 40% 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.

A. **Original SPAR**

The beginning SPAR will reflect the salary distribution based on the $175,000 previous annual salary with no entries for Mandatory Cost Sharing.
B. Update SPAR to Reflect MCS at New Annual Salary

The new $192,000 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 $192,000.

1. For any regular line identified as a Cap Acct with an ‘N’ cost share code (#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-2013 (lines 5, 6, and 7 in the example below).

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.

The new regular ‘M’ lines (#5, 6, and 7) 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.
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 at [http://www.cfo.pitt.edu/fcr/forms.php](http://www.cfo.pitt.edu/fcr/forms.php). 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 $391.67, therefore $783.33 of the September distribution is not cap eligible. Annualizing $783.33 results in $9,400 that is excluded from any cost sharing. The effective base that can be distributed in September with no cost sharing is therefore $189,100, identified on the template as Effective September Base.

The template includes MCS rates for both the FY 2014 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.
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 September-only regular ‘M’ lines to reflect effort for this period (# 9, 10, and 11) using the “September ‘M’ Line Actual Effort” values found on the template.

3. Create all required September-only joint ‘M’ lines (#8.01, 8.02, and 8.03). Note that MCS rates are reflective of the new Annual Salary.
4. Create new regular ‘R’ lines for each September Cap Acct line using the percentages in the template column entitled “September ‘R’ Line Actual Effort/Cost Sharing %” as the Actual% (lines 12, 13, and 14 below).

5. Create new joint ‘R’ lines for each of the regular ‘R’ lines using the same percentages from the “September ‘R’ Line Actual Effort/Cost Sharing %” column of the template (lines 8.04, 8.05, and 8.06 in the example below). The Dist% for each of the regular ‘R’ lines will be 0%.

6. Save the SPAR.
The Dist% for the September ‘M’ lines (lines 9, 10, and 11) 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 120728 on Lines 11 and 14 combined, agrees 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 ($14,975 for cap of $179,700).

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.