



Understanding *myVRS* Navigator's Calculations and Business Rules

myVRS Navigator is a Web-based tool VRS employers use to submit and manage employee data for VRS benefits. The system automatically calculates employees' **creditable compensation (cred comp)**, service credit, contributions, and purchase of prior service costs based on information employers provide. This document helps employers understand *myVRS* Navigator's calculations and business rules that determine when employees earn service credit and provides a basis to determine employers' VRS-related costs.

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Note: This document is specific to 12-month employees only. For information on applying these concepts to employees on contracts of less than 12 months, please refer to Understanding *myVRS* Navigator's Calculations and Business Rules for Employees Who Work Less than 12 Months.



1. Creditable Compensation, Service Credit and Contributions

This section explains how *myVRS Navigator* adjusts creditable compensation automatically when an employee's annual salary changes during the middle of a month, such as at the start of employment, end of employment or when receiving a salary change.

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Summary of New Calculations for Creditable Compensation and Service Credit

Creditable compensation is one-twelfth of the employee's annual salary, not the amount he or she is paid monthly. The calculation of a fixed monthly amount is similar to the way deductions for life and group health insurance are determined.

IN <i>myVRS</i> NAVIGATOR	
Annual salary ¹	An employee's full compensation payable annually, not including overtime pay, extraordinary pay, bonus pay, non-permanent shift differentials or termination pay for annual or sick leave.
Monthly creditable compensation	An amount equal to one-twelfth of an employee's annual salary. Calculation: Annual salary ÷ 12
Monthly service credit	An amount based on the employee's monthly creditable compensation. Calculation: (Monthly creditable compensation ÷ Annual salary) x 12

¹ If employee's annual salary exceeds the 401(a)(17) compensation limit, *myVRS* Navigator automatically calculates creditable compensation and contributions using the limit. Employers should report the employee's actual salary.



Calculating Creditable Compensation When Employment Changes

Some employment changes trigger a change in an employee’s creditable compensation. These include the start and end of employment and changes in salary, job name and employment status. *myVRS Navigator* determines how to implement the change based on the date the change occurs, as described in the table below.

Table of Business Rules

ACTION	EFFECTIVE DATE	
	If the effective date of the change is on or before the first business day ¹ of the month, <i>myVRS Navigator</i> :	If the effective date of the change is after the first business day ¹ of the month, <i>myVRS Navigator</i> :
Hire/contract start date	Posts a full month of cred comp in the current month	Posts no cred comp in the current month Posts a full month of cred comp in the following month
Employment change (e.g. salary, job name, unpaid leave ²)	Recognizes the impact of the change on cred comp in the current month	Recognizes the impact of the change on cred comp in the following month
Separation of employment (last day worked)	Posts a full month of cred comp in the current month	Posts a full month of cred comp in the current month

¹ Saturdays, Sundays and banking holidays are not business days.

² Start date of unpaid leave acts like a separation of employment. End date of unpaid leave acts like a hire/contract start.

Please note: service credit earned prior to the implementation of *myVRS Navigator* is not affected by this change in methodology.



Example 1. New hire

On August 12th, Joe begins employment; his annual salary is \$36,000. What is his monthly creditable compensation? What member and employer contributions are due? What service credit does he earn each month? What business rule is in effect?

CALCULATIONS									
Monthly cred comp	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Annual salary</td> <td style="text-align: right;">\$ 36,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>÷ 12</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 3,000.00</td> </tr> </table>	Annual salary	\$ 36,000.00		<u>÷ 12</u>		\$ 3,000.00		
Annual salary	\$ 36,000.00								
	<u>÷ 12</u>								
	\$ 3,000.00								
Monthly member contribution	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Monthly cred comp</td> <td style="text-align: right;">\$ 3,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x 5%</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 150.00</td> </tr> </table>	Monthly cred comp	\$ 3,000.00		<u>x 5%</u>		\$ 150.00		
Monthly cred comp	\$ 3,000.00								
	<u>x 5%</u>								
	\$ 150.00								
Monthly employer contribution (assume 6%):	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Monthly cred comp</td> <td style="text-align: right;">\$ 3,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x 6%</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 180.00</td> </tr> </table>	Monthly cred comp	\$ 3,000.00		<u>x 6%</u>		\$ 180.00		
Monthly cred comp	\$ 3,000.00								
	<u>x 6%</u>								
	\$ 180.00								
Monthly service credit	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">(Monthly cred comp ÷ Annual salary)</td> </tr> <tr> <td></td> <td style="text-align: right;">(\$ 3,000.00 ÷ \$ 36,000.00)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x 12</u></td> </tr> <tr> <td></td> <td style="text-align: right;">1.0000</td> </tr> </table>	(Monthly cred comp ÷ Annual salary)			(\$ 3,000.00 ÷ \$ 36,000.00)		<u>x 12</u>		1.0000
(Monthly cred comp ÷ Annual salary)									
	(\$ 3,000.00 ÷ \$ 36,000.00)								
	<u>x 12</u>								
	1.0000								
BUSINESS RULE IN EFFECT									
Hire/contract start date	<p>If the effective date of the change is after the first business day of the month, <i>myVRS Navigator</i>:</p> <ul style="list-style-type: none"> • Posts no cred comp in the current month (August) • Posts a full month of cred comp in the following months (September to June) 								



Joe's VRS account for the fiscal year looks like this:

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
July				
August				
September	\$ 3,000.00	\$ 150.00	\$ 180.00	1.0000
October	3,000.00	150.00	180.00	1.0000
November	3,000.00	150.00	180.00	1.0000
December	3,000.00	150.00	180.00	1.0000
January	3,000.00	150.00	180.00	1.0000
February	3,000.00	150.00	180.00	1.0000
March	3,000.00	150.00	180.00	1.0000
April	3,000.00	150.00	180.00	1.0000
May	3,000.00	150.00	180.00	1.0000
June	3,000.00	150.00	180.00	1.0000
Total	\$30,000.00	\$ 1,500.00	\$ 1,800.00	10.0000



Example 2. Termination

Shannon earns an annual salary of \$48,000. On April 10th, she resigns from her position. What is her monthly creditable compensation? What member and employer contributions are due? What service credit does she earn each month? What business rule is in effect?

CALCULATIONS		
Monthly cred comp	Annual salary	$\$ 48,000.00$ $\div \quad 12$ $\$ 4,000.00$
Monthly member contribution	Monthly cred comp	$\$ 4,000.00$ $\times \quad 5\%$ $\$ 200.00$
Monthly employer contribution (assume 6%)	Monthly cred comp	$\$ 4,000.00$ $\times \quad 6\%$ $\$ 240.00$
Monthly service credit	(Monthly cred comp \div Annual salary) ($\$ 4,000.00 \div \$ 48,000.00$)	$\times \quad 12$ 1.0000
BUSINESS RULE IN EFFECT		
Separation of employment (last day worked)	If the effective date of the change is after the first business day of the month, <i>myVRS Navigator</i> : <ul style="list-style-type: none"> • Posts a full month of cred comp in the current month (April) 	



Shannon's VRS account for the fiscal year looks like this:

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
July	\$ 4,000.00	\$ 200.00	\$ 240.00	1.0000
August	4,000.00	200.00	240.00	1.0000
September	4,000.00	200.00	240.00	1.0000
October	4,000.00	200.00	240.00	1.0000
November	4,000.00	200.00	240.00	1.0000
December	4,000.00	200.00	240.00	1.0000
January	4,000.00	200.00	240.00	1.0000
February	4,000.00	200.00	240.00	1.0000
March	4,000.00	200.00	240.00	1.0000
April	4,000.00	200.00	240.00	1.0000
May				
June				
Total	\$40,000.00	\$ 2,000.00	\$ 2,400.00	10.0000



Example 3. Salary change

Kiara earns an annual salary of \$48,000. On December 1st, she receives a salary increase to \$52,000. What is her monthly creditable compensation? What member and employer contributions are due? What service credit does she earn each month? What business rule is in effect?

CALCULATIONS															
Monthly cred comp	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Original annual salary</td> <td style="text-align: right;">\$ 48,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">\div 12</td> </tr> <tr> <td style="text-align: right;">Cred comp, original salary</td> <td style="text-align: right;">\$ 4,000.00</td> </tr> <tr><td colspan="2"> </td></tr> <tr> <td style="text-align: right;">New annual salary</td> <td style="text-align: right;">\$ 52,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">\div 12</td> </tr> <tr> <td style="text-align: right;">Cred comp, new salary</td> <td style="text-align: right;">\$ 4,333.33</td> </tr> </table>	Original annual salary	\$ 48,000.00		\div 12	Cred comp, original salary	\$ 4,000.00			New annual salary	\$ 52,000.00		\div 12	Cred comp, new salary	\$ 4,333.33
Original annual salary	\$ 48,000.00														
	\div 12														
Cred comp, original salary	\$ 4,000.00														
New annual salary	\$ 52,000.00														
	\div 12														
Cred comp, new salary	\$ 4,333.33														
Monthly member contribution	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Cred comp, original salary</td> <td style="text-align: right;">\$ 4,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 5%</td> </tr> <tr> <td style="text-align: right;">Member contribution, original salary</td> <td style="text-align: right;">\$ 200.00</td> </tr> <tr><td colspan="2"> </td></tr> <tr> <td style="text-align: right;">Cred comp, new salary</td> <td style="text-align: right;">\$ 4,333.33</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 5%</td> </tr> <tr> <td style="text-align: right;">Member contribution, new salary</td> <td style="text-align: right;">\$ 216.67</td> </tr> </table>	Cred comp, original salary	\$ 4,000.00		\times 5%	Member contribution, original salary	\$ 200.00			Cred comp, new salary	\$ 4,333.33		\times 5%	Member contribution, new salary	\$ 216.67
Cred comp, original salary	\$ 4,000.00														
	\times 5%														
Member contribution, original salary	\$ 200.00														
Cred comp, new salary	\$ 4,333.33														
	\times 5%														
Member contribution, new salary	\$ 216.67														
Monthly employer contribution (assume 6%)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Cred comp, original salary</td> <td style="text-align: right;">\$ 4,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 6%</td> </tr> <tr> <td style="text-align: right;">Employer contribution, original salary</td> <td style="text-align: right;">\$ 240.00</td> </tr> <tr><td colspan="2"> </td></tr> <tr> <td style="text-align: right;">Cred comp, new salary</td> <td style="text-align: right;">\$ 4,333.33</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 6%</td> </tr> <tr> <td style="text-align: right;">Employer contribution, new salary</td> <td style="text-align: right;">\$ 260.00</td> </tr> </table>	Cred comp, original salary	\$ 4,000.00		\times 6%	Employer contribution, original salary	\$ 240.00			Cred comp, new salary	\$ 4,333.33		\times 6%	Employer contribution, new salary	\$ 260.00
Cred comp, original salary	\$ 4,000.00														
	\times 6%														
Employer contribution, original salary	\$ 240.00														
Cred comp, new salary	\$ 4,333.33														
	\times 6%														
Employer contribution, new salary	\$ 260.00														
Monthly service credit	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Original salary (Monthly cred comp \div Annual salary)</td> <td style="text-align: right;">(\$ 4,000.00 \div \$ 48,000.00)</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 12</td> </tr> <tr> <td></td> <td style="text-align: right;">1.0000</td> </tr> <tr><td colspan="2"> </td></tr> <tr> <td style="text-align: right;">New salary (Monthly cred comp \div Annual salary)</td> <td style="text-align: right;">(\$ 4,333.33 \div \$ 52,000.00)</td> </tr> <tr> <td></td> <td style="text-align: right;">\times 12</td> </tr> <tr> <td></td> <td style="text-align: right;">1.0000</td> </tr> </table>	Original salary (Monthly cred comp \div Annual salary)	(\$ 4,000.00 \div \$ 48,000.00)		\times 12		1.0000			New salary (Monthly cred comp \div Annual salary)	(\$ 4,333.33 \div \$ 52,000.00)		\times 12		1.0000
Original salary (Monthly cred comp \div Annual salary)	(\$ 4,000.00 \div \$ 48,000.00)														
	\times 12														
	1.0000														
New salary (Monthly cred comp \div Annual salary)	(\$ 4,333.33 \div \$ 52,000.00)														
	\times 12														
	1.0000														
BUSINESS RULE IN EFFECT															
Employment change (e.g. salary, job name, unpaid leave)	<p>If the effective date of the change is on or before the first business day of the month, <i>myVRS Navigator</i>:</p> <ul style="list-style-type: none"> • Posts a full month of cred comp in the current month (December) 														



Kiara's VRS account for the fiscal year looks like this:

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
July	\$ 4,000.00	\$ 200.00	\$ 240.00	1.0000
August	4,000.00	200.00	240.00	1.0000
September	4,000.00	200.00	240.00	1.0000
October	4,000.00	200.00	240.00	1.0000
November	4,000.00	200.00	240.00	1.0000
December	4,333.33	216.67	260.00	1.0000
January	4,333.33	216.67	260.00	1.0000
February	4,333.33	216.67	260.00	1.0000
March	4,333.33	216.67	260.00	1.0000
April	4,333.33	216.67	260.00	1.0000
May	4,333.33	216.67	260.00	1.0000
June	4,333.33	216.67	260.00	1.0000
Total	\$ 50,333.33	\$ 2,516.69	\$ 3,020.00	12.0000



Example 4. Leave without pay

William’s annual salary is \$42,000. He begins a leave of absence without pay on February 8th; he returns to work March 4th. What is his monthly creditable compensation? What member and employer contributions are due? What service credit does he earn each month? What business rule is in effect?

CALCULATIONS		
Monthly cred comp	Annual salary	\$ 42,000.00
		÷ 12
	Cred comp	\$ 3,500.00
Monthly member contribution	Cred comp	\$ 3,500.00
		x 5%
	Member contribution	\$ 175.00
Monthly employer contribution (assume 6%)	Cred comp	\$ 3,500.00
		x 6%
	Employer contribution	\$ 210.00
Monthly service credit	(Monthly cred comp ÷ Annual salary)	
		(\$ 3,500.00 ÷ \$ 42,000.00)
		x 12
		1.0000
BUSINESS RULE IN EFFECT		
Employment change (e.g. salary, job name, unpaid leave ²)	If the effective date of the change is after the first business day of the month, myVRS Navigator:	
² Start date of unpaid leave acts like a separation of employment. End date of unpaid leave acts like a hire/contract start.	<ul style="list-style-type: none"> • Recognizes the impact of the change on cred comp in the following month • Start date of unpaid leave (2/8): <ul style="list-style-type: none"> ○ Posts a full month of cred comp in the current month (February) • End date of unpaid leave (3/4): <ul style="list-style-type: none"> ○ Posts no cred comp in the current month (March) ○ Posts a full month of cred comp in the following month (April) 	



William's VRS account for the fiscal year looks like this:

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
July	\$ 3,500.00	\$ 175.00	\$ 210.00	1.0000
August	3,500.00	175.00	210.00	1.0000
September	3,500.00	175.00	210.00	1.0000
October	3,500.00	175.00	210.00	1.0000
November	3,500.00	175.00	210.00	1.0000
December	3,500.00	175.00	210.00	1.0000
January	3,500.00	175.00	210.00	1.0000
February	3,500.00	175.00	210.00	1.0000
March				
April	3,500.00	175.00	210.00	1.0000
May	3,500.00	175.00	210.00	1.0000
June	3,500.00	175.00	210.00	1.0000
Total	\$ 38,500.00	\$ 1,925.00	\$ 2,310.00	11.0000



2. Retroactive Adjustments and Corrections

myVRS Navigator calculates automatically any necessary changes for retroactive adjustments and corrections. This section illustrates additional examples of *myVRS Navigator*'s calculations for creditable compensation and provides you a basis to determine your VRS-related costs.

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Submitting Retroactive Adjustments and Corrections

Both retroactive adjustments and corrections are changes to a data element that occur in the past. The key difference is the timing of other changes to that element.

TYPE OF CHANGE	DEFINITION	EXAMPLES	SUBMITTING THE CHANGE
Retroactive adjustment	A change to a data element that has a known start date; the end date has not yet been defined.	<ul style="list-style-type: none"> • Contract renewal • Salary change • Employment status change for a separation 	<ul style="list-style-type: none"> • Online • Via batch using Enrollment and Maintenance File
Correction	A change to a data element that has known start date and a known end date.	<ul style="list-style-type: none"> • Start and end dates for a period of active employment or a leave of absence • Incorrectly -reported or omitted salary change • Incorrectly-reported or omitted employment status change for a leave of absence or separation 	<ul style="list-style-type: none"> • Online •



Example of a Retroactive Adjustment

Example 5. Retroactive salary increase

In March, Oliver is granted a salary increase retroactive to January 1. The employer enters the new salary and effective date into myVRS Navigator. myVRS Navigator calculates the additional creditable compensation and contributions due for January and February. When the employer reviews his or her March contributions snapshot, myVRS Navigator presents the revised calculations for January and February and includes the incremental contributions due with the total due for March.

Examples of Corrections

Example 6. Employment status change not reported

Anthony is an active employee of New England County with a salary of \$60,000. His monthly creditable compensation is \$5,000. For Anthony’s retirement benefit, New England County pays member contributions of \$250 per month and employer contributions of \$300 per month (assuming 6 percent for this example).

Anthony’s account on May 14th

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
January	\$ 5,000	\$ 250	\$ 300	1.0000
February	5,000	250	300	1.0000
March	5,000	250	300	1.0000
April	5,000	250	300	1.0000

On May 15th, New England County submits a retroactive change to Anthony’s account for his leave of absence without pay that started February 10th. myVRS Navigator automatically includes adjustments to Anthony’s account when New England County next requests a monthly contribution snapshot in early June.

- Because Anthony worked a partial month in February, he earns his regular \$5,000 creditable compensation for the month. New England County also pays the \$250 and \$300 contributions for February.*
- Since he did not work in March or April, he does not earn creditable compensation in those months and his employer does not owe the member and employer contributions.*



When New England County confirms the May contribution snapshot on June 12th, myVRS Navigator posts these changes to Anthony’s member account. The member contributions of \$500 and employer contributions of \$600 already paid will be credited against the total amount New England County owes in the May contribution snapshot.

Anthony’s account on June 12th

	CRED COMP	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION (assume 6%)	SERVICE CREDIT
January	\$ 5,000	\$ 250	\$ 300	1.0000
February	5,000	250	300	1.0000
March	0	0	0	0
April	0	0	0	0

Example 7. Salary increase not reported

Lily has worked for the Mayberry Public School System as an administrative assistant for ten years. During that time, she has gotten regular salary increases, most recently in September 2009.

Lily’s account on January 9, 2010

SALARY	START DATE	END DATE	NOTES
\$56,000	9/1/2009		¹ myVRS Navigator derives end date from next employer-entered start date
52,000	6/1/2007	8/31/2009 ¹	
50,000	5/15/2006	5/30/2007 ¹	

When entering another change to Lily’s account on January 9, 2010, Mayberry School’s human resource department notices that Lily’s account does not reflect the salary increase to \$54,000 she received on July 1, 2008. Since Mayberry Schools had already submitted a salary increase on August 15, 2009, the 2008 salary increase is a change in previously-reported data and must be submitted as a correction. Mayberry Schools submits the new salary, effective start date of the change AND effective end date.



Lily's account on January 10, 2010

SALARY	START DATE	END DATE	NOTES
\$56,000	9/1/2009		¹ myVRS Navigator derives end date from next employer-entered start date
54,000	7/1/2008 ²	8/31/2009 ¹	
52,000	6/1/2007	6/30/2008 ³	² new data supplied by employer
50,000	5/15/2006	5/30/2007 ¹	³ myVRS Navigator derives end date from new data entered above, changing previously derived end date

Since a pay increase was not reported for 14 months, the monthly creditable compensation and contributions calculated were understated for the same period of time, based on the lower salary of \$52,000 effective June 1, 2007. myVRS Navigator calculates the increase in creditable compensation owed to Lily and updates her account for July 2008 through August 2009. It also calculates the increased contributions due for July 2008 through August 2009 based on the rates in effect for each month. (The months may have different costs due to rate changes.)

CALCULATIONS		
Annual salary for the correction period	Salary for July 1, 2008-Aug. 31, 2009	\$ 54,000
Total incremental creditable compensation		\$ 54,000
		- <u>52,000</u>
<i>Subtract previously reported salary for this period from new salary.</i>		\$ 2,000
Monthly incremental creditable compensation		\$ 2,000
		÷ <u>12</u>
<i>Divide difference by 12.</i>		\$ 166.67
Contribution rates due	Increased cred comp	\$ 166.67
	x <u>contribution rates in effect for each month</u>	varies
<i>Multiply the monthly creditable compensation by the rates established for the employee's benefit structure to determine the contributions due.</i>		

myVRS Navigator presents the calculated changes to Mayberry Schools as part of the January contribution snapshot. After Mayberry Schools confirms the snapshot on February 2nd, the information is posted to Lily's account. The additional contributions are due by March 10th.