

Critical Retention Payments (SB 1523)

Questions and Answers

On May 7, 2012, the Governor signed into law a budget package which includes provisions authorizing critical retention payments to uncovered employees. Subject to available funding, the retention payments will be 5% of the employee's base pay. These retention payments will start on the pay period beginning September 29, 2012 for eligible employees and will appear on the paycheck of October 19, 2012 for a total of 19 pay periods. The following information is presented to answer questions regarding some of the details about the retention payments.

1. Who is eligible to receive retention payments?

An employee that is uncovered as of September 29, 2012, and is in a paid status is eligible to receive retention payments.

2. What if an employee is currently covered? Are they eligible to receive retention payments?

A covered employee may voluntarily elect to become uncovered as of September 29, 2012, and thus become eligible to receive retention payments. Employees that wish to voluntarily become uncovered must declare their intention during an "open enrollment" period. Additional details describing how covered employees will be able to declare their intention to become uncovered will be forthcoming.

3. Will employees that are hired after September 29, 2012 be eligible to receive retention payments?

No.

4. Will interns and employees in temporary positions be eligible to receive retention payments?

Yes. As long as they are uncovered as of September 29, 2012.

5. How will retention payments be administered and calculated?

Retention payments will be administered as a stipend, which will be an "add-on" to an employee's pay. It will be calculated on the employee's base rate of pay, excluding any other stipends or periodic overtime. A retention payment will be added to the employee's paycheck each pay week that the employee is eligible for the stipend.

6. How long will retention payments be provided?

The bill authorized retention payments beginning September 29, 2012 and through the remainder of the fiscal year for a total of 19 pay periods. The last pay period which will include the retention payments authorized under this bill will end on June 21, 2013 (which is paid on June 27, 2013). Any hours worked June 22, 2013 and thereafter would no longer be eligible for retention payments.

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7. Will retention payments be considered part of the employee's base salary?

No.

8. Will employees receive retention payments as a one-time payment?

No. The bill stipulates that retention payments be distributed evenly each pay period through the end of the fiscal year.

9. What salary information will be reflected on the employee's paycheck?

There will be a special line item reflecting the retention payment which will be calculated on the employee's base salary.

10. If an employee's salary changes for any reason after September 29, 2012, how will retention payments be calculated?

Retention payments will be calculated using the employee's base rate of pay at the time payroll is processed. Thus if an eligible employee moves into a new position and has a salary change, the retention payments will be calculated on the employee's new base rate of pay.

11. Will retention payments be included in the calculation of the overtime rate?

Yes.

12. Will retention payments be included in other stipend calculations?

No.

13. Will retention payments be included in the shift differential calculations?

No.

14. Will retention payments be applied to short-term disability?

No. Short-term disability payments are calculated on the employee's base salary. The retention payments are not part of base salary.

15. Will retention payments be applied to Worker's Compensation?

Yes. Workers' Compensation is calculated on total wages, which will include retention payments.

16. Will retention payments be calculated on annual leave taken?

Yes. Retention payments will be calculated on all paid hours in a pay period.

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17. Will retention payments be calculated on leave payouts?

No.

18. Will retention payments be applied to RASL (retiree accumulated sick leave) payments?

No. The calculations for RASL payments use the employee's base salary. The retention payments are not considered a part of base salary.

19. Will retirement contributions be taken from the retention payments?

If the employee is participating in the Arizona State Retirement System (ASRS), retirement contributions will be taken from the retention payments. If the employee is participating in the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) or the Corrections Officer Retirement Plan (CORP) retirement contributions will not be taken from the retention payments.

20. Will employees pay taxes on retention payments?

Yes.

21. How will retention payments affect employees on paid leave (e.g. annual, sick, holiday, compensatory)?

If an employee is on paid leave, the employee will receive a retention payment calculated on the hours paid.

22. How will retention payments affect employees on military leave?

If an employee is on paid leave for military reasons (e.g., paid military leave, annual leave, compensatory leave), the employee will receive retention payments. If the employee is on unpaid military leave, the employee will not receive retention payments unless they are receiving military differential pay. When the employee returns to a paid status, the employee will resume receiving retention payments.

23. How will retention payments affect employees on FMLA (Family Medical Leave Act) leave?

If an employee is on paid leave, the employee will receive retention payments. If the employee is on unpaid leave, the employee will not receive retention payments. When the employee returns to a paid status, the employee will resume receiving retention payments.

24. How will retention payments affect employees on LWOP (leave without pay)?

Retention payments will not be calculated on any LWOP hours.

25. If an employee is on LWOP (leave without pay) for a portion of the pay period, is the retention payment pro-rated accordingly?

Yes. Retention payments will be calculated on all paid hours in a pay period.

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26. If an employee is currently at the maximum of the range, will the employee be eligible for retention payments?

Yes. Retention payments are not part of the employee's base salary, therefore it will not be considered as exceeding the pay range.

27. If an employee leaves state employment between September 29, 2012 and June 21, 2013, will the employee forfeit the remainder of retention payments?

Yes.