**Understanding the 9% contribution to Massachusetts Teachers Retirement System from recipients’ federal grant funds**

**Basis for the 9% MTRS “surcharge.”** By statute (M.G.L. c. 40, §5D), the Commissioner of the Department of Revenue establishes procedures for recovering pension costs (including future liabilities) for city, town, county, and district employees paid through ***federal*** grant monies. This charge is in addition to individual contributions made by each member of the retirement system. The state similarly pays a portion of pension costs for teachers and state employees, in addition to their mandatory contributions, as part of the annual state budget.

These funds are then transferred to the respective federally funded employees’ pension reserve fund. For member teachers and certain other educational staff employed in schools and districts, these funds are collected by the Massachusetts Teachers Retirement System (MTRS).

In March of 1990, the DOR released guidelines, still in effect today, setting the surcharge rate for federal-grant-funded salaries at 9%. The DOR’s guidelines also expressly require the Department of Elementary and Secondary Education (DESE) to deduct 80% of the surcharge amount prior to releasing grant funds to districts, which is remitted to MTRS directly by DESE.

*Example (simplified for illustration): Teacher A’s salary for the year is budgeted at $80,000 and paid fully by Title I grant funds. Teacher A’s individual contribution to MTRS is 11% of her salary, and so a total of $8,800 comes from her paycheck annually. Because the position is funded by a federal grant, an additional amount equaling 9% of the $80,000 (or $7,200) of the district’s Title I grant goes to MTRS. Note that DESE sends 80% of this amount ($5,760) to MTRS directly. The district would then pay 20% ($1,440) just before the grant closes, assuming no adjustments to this teacher’s budgeted salary over the course of the grant.*

 **Resources**

* [*Policy Statement on Pension Charges to Federal Grants*](http://www.doe.mass.edu/grants/procedure/forms/j.doc)*,* Appendix J to DESE’s Grant’s Management Procedural Manual
* [*Pension Charges to Federal Grants*](https://www.mass.gov/files/documents/2016/08/no/90-106.pdf)*,* Department of Revenue, Informational Guideline Release, 90-106, March, 1990

**Which employees are included?** Districts are required to indicate on their grant application budgets which grant salaries are for employees who are members of MTRS. According to MTRS, in addition to teachers, some of the other titles that may be eligible include school psychologists and psychiatrists, school adjustment counselors, and school social workers. MTRS has developed [resources on its website](https://mtrs.state.ma.us/service/mtrs-membership-eligibility/?highlight=Eligibility) that describe who in a public school system is eligible for membership. Districts are ultimately responsible for reporting which staff are MTRS members.

**What is the process for paying the 9% to MTRS?**

* Both the ESSA consolidated workbook and the EdGrants budget page include a checkbox to identify salary expenses related to MTRS members.
* The workbook and EdGrants will automatically calculate the MTRS surcharge on the aggregated MTRS grant salary expense.
* DESE will automatically submit to MTRS 80% of the amount calculated on the EdGrants budget page for the MTRS during the first year of the grant. A district may find the amount that has been paid directly to MTRS by checking a grant’s project record card (see “How to find the amount paid to MTRS by DESE for your federal grant,” below).
* When the district is ready to close an entitlement grant and submit its FR-1 to DESE, the district should

“true-up” the total salaries qualifying for MTRS (including accounting for any amendments to these line items over the course of the grant) and remit the outstanding balance for the surcharge (20%, if no amendments to MTRS line items) **directly** **to MTRS**. DESE has a [form (FR-1(A))](http://www.doe.mass.edu/grants/procedure/forms/i.doc) that facilitates this calculation.

**What if MTRS is overpaid?** In the unusual circumstance where a district substantially amends its approved budget so that the MTRS allocation is reduced by more than 20% of the original amount, resulting in an overpayment by DESE, DESE will seek a refund of the overage from MTRS that it paid on the district’s behalf. However, if the district miscalculates and overpays its share at the end of the grant period, the district will be responsible for negotiating a refund of the overage from MTRS directly.

**How to find the amount paid to MTRS by DESE for your federal grant.**

* The district’s control user should log onto [EdGrants Front Office](https://edgrants.eoe.mass.edu/grantium/frontOffice.jsf)
* From the left-hand navigation menu, select “Submissions.”
* Locate the “Applicant Project Name,” the first of the filters, and use the dropdown list of all grants for the district to select the grant that the district would like to check for MTRS payments.
* One of the submissions listed will be the “Project Report Card.” Open by clicking on the orange folder icon.



* Once the payment to MTRS is made (usually in January or February of Year 1 of the grant), the “MTRS Payment Amount” box (highlighted) will show the amount paid directly to MTRS by DESE; before DESE makes this payment, this box will say “$0.” The amount, once paid, will equal 80% of the MTRS amount listed on the district’s approved budget for this grant. Note that if your district has an amendment open in EdGrants, the MTRS payment information may be temporarily unavailable, but will be restored once the amendment has been fully processed.

