

Service Excellence & Efficiency **SE<sup>2</sup>**

## Human Resource Services Service Excellence & Efficiency Initiative

Semi-Monthly Pay Change



UNIVERSITY OF ALBERTA *"uplifting the whole people"*

### Service Excellence & Efficiency Initiative Overview

- Multi phased program designed to improve the services, processes and systems Human Resource Services offers to all university stakeholders.
- Program goals
  - Improve service to customers
  - Streamline current business processes
  - Introduce new efficient and effective processes
  - Capitalize on functionality within PeopleSoft HCM
  - Reduce system customizations
- First phase – Semi-monthly pay cycle implementation

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### What Is Changing?

- On July 1, 2012, the University will implement a semi-monthly pay cycle for all NASA employees, graduate students, excluded students and postdoctoral fellows
- The semi-monthly pay cycle will integrate the current monthly and biweekly pay cycles into a combined pay cycle featuring two pay periods and two pay dates per month
- Pay dates will be 10 days after each pay period end date
  - Payment for the 1st to the 15th of the month will be paid on the 25th, and payment for the 16th to the last day of the month will be paid on the 10th of the next month
  - If 10<sup>th</sup> or 25<sup>th</sup> non-banking day, pay date previous banking day

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### Why Change Pay Cycles?

- Careful analysis of current payroll processes was completed
- Each monthly pay cycle requires about 10 calendar days of payroll processing time to complete pay. Payroll completes pay about the 7-8 days before the end of the month.
- Deadlines to departments must be approximately 10<sup>th</sup> of each month to ensure HRS/Payroll can complete pay.
- Changes for employees that occur between cutoff and end of the month may not be processed in that month.
- Forecasting is required for transactions between cutoff and end of month. Results in overpayments, underpayments and off-cycle cheques.

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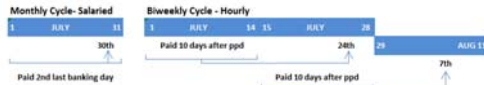
### Why Change Pay Cycles?

- Employees/students frequently paid incorrectly due to forecasting of transactions. Results in underpayment, overpayment and late payments.
- Off-cycle cheques are required to correct payments. Each off-cycle requires 7-9 persons and costs the University \$90. Last year, payroll completed over 8000 off-cycle cheques.
- Goal is to pay all employees/student correctly, on-time, the first time by direct deposit.
- Increase service to staff and students and make entire process more efficient for all employees and departments.

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### Why Change Pay Cycles?

- Currently process monthly and biweekly pay cycles for NASA staff
  - Salaried employees paid on 2<sup>nd</sup> last banking day of the month.
  - Hourly employees paid 10 days after each pay period.



- To pay staff correctly, accurately and on time each time we pay, we must move to a payment system where we pay after the pay period ends.

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### Why are NASA staff and Graduate Students the first groups to move?

- NASA staff and graduate students are the groups most impacted by the negative affects of the current payroll system. Most of the off-cycle cheques are for non-academic staff.
- NASA Collective Agreement contained Memorandum of Agreement added to the agreement in 2000 based on member's request to change to a more frequent pay cycle.
- Memorandum allowed the University to change pay cycles with six months notice of the change to the Association.

### Who Is Not Changing to Semi-monthly pay at this time?

- Employees in the AASUA agreements will remain on the monthly payroll cycle and will not change pay frequencies unless they also have a concurrent appointment outside AASUA. In this case, the AASUA appointment will be paid monthly and the non-AASUA appointment will be paid semi-monthly.
- AASUA has 7 staff agreements that must be negotiated in bargaining to get language changed to allow semi-monthly pay. Discussions with AASUA are occurring.
- Long-term goal is to have all University payments on a semi-monthly pay cycle, paid 10 days after the pay period.

### New Cycle

- Two semi-monthly pay periods
  - 1<sup>st</sup> pay period 1<sup>st</sup> – 15<sup>th</sup> of the month, paid on the 25<sup>th</sup>.
  - 2<sup>nd</sup> pay period 16<sup>th</sup> – last day of month, paid on the 10<sup>th</sup> of the next month.



### How does this impact NASA staff, students and PDFs?

- Salary rate will not change, but monthly salaries will be divided by two and paid in each pay period.
- Staff will be paid for all time worked in the pay period.
- Semi-monthly pay will not result in a loss of earnings, just payment after the pay cycle.
- Exception pay (ex. Overtime) will be paid in the same pay period that it is worked.
- Pay will reflect all changes to the employee's pay in that pay period.
- Pay dates will be the 10<sup>th</sup> and 25<sup>th</sup> of each month (or previous banking day)

### How does this impact paycheques?


- Semi-monthly salary is monthly salary / 2
- Hourly rate remains the same.
- Employee paid deductions (parking, computer purchase plan, garnishees, United Way, Canada Savings Bonds, etc) will be split in two and equal amounts taken each pay period.
- Employer paid benefits processed in the first pay period of each month only. Exception: pension taken each pay period.
- Optional benefit deductions (ex. Optional life insurance) taken first pay period only.
- Income taxes, CPP, EI will be half of monthly amount.
- NASA dues taken to maximum of \$12/ppd rather than \$24/month

### How does this impact paycheques for hourly staff?

- Hourly employees will still be paid for all hours worked each pay period.
- Timesheet deadline will be 1-2 days after each pay period is over.
  - Allows accurate reporting of all time worked in the pay period.
- Semi-monthly pay is hourly rate times number of hours worked in period.
- # of hours worked differs based on length of each pay period.
- Online timesheet will be changed to semi-monthly.


### The transition challenge

- July 2012 is the transition month.
- Salaried NASA employees, graduate students and postdoctoral fellows will only receive one pay cheque/deposit for period July 1-15.
- Payment made on July 25.
- Gross salary will be 1/2 of the monthly salary.
- Next pay will be on August 10 for time worked between July 16-31.
- First pay five days earlier in July than normal but second pay not till 10<sup>th</sup> of August.
- No loss of salary or earnings, everyone paid for all days earned, just paid 10 days later.




### The transition challenge

- Hourly employees will receive last biweekly payment on July 10, then first semi-monthly payment on July 25.
- Only receiving one payment in July will lead to financial concerns for staff & students.
  - How will salaried staff and students make mortgage payments, car payments, utility payments with only half the normal take home pay in July?
- Financial assistance will be offered to eligible salaried staff, postdoctoral fellows and students in the form of a one-time optional cash advance.
- Advance designed to provide approximately the same amount of net pay in July on semi-monthly cycle as on a monthly cycle.




### The cash advance

- Option to choose up to 70% of July 1, 2012 semi-monthly gross salary.
  - No taxes, CPP or EI withheld from the advance.
- 70% of gross is approximately the amount of net pay received after taxes from your gross salary.
  - Ex. Salary of \$5,000 per month is \$2,500 per semi-monthly period. 70% of \$2,500 = \$1,750 advance.
- Advance is paid on July 25, 2012.
- Advance must be repaid in equal installments over a maximum of 24 pay periods.
- Repayment will begin August 24



### The cash advance


- Cash advance is not a payroll advance, more like a short-term interest free loan.
- CRA requires the University to assess a taxable benefit on the value of the interest not paid on the advance.
- Interest at CRA prescribed rate of 1%
- Taxable benefit reported on each pay cheque with a repayment.
- Tax on the taxable benefit of the interest is minimal.
- Ex. On a \$2,000 cash advance repaid over 24 pay periods in equal payment of \$83.33, taxable benefit on first repayment is \$0.83. Each subsequent taxable benefit declines. Actual tax impact depends on tax bracket. If someone in 26% tax bracket, actual tax is \$0.83 \* 26% or \$0.22. Total tax impact over 24 ppd less than \$5.00.
- Advance is paid from a central account, not department budgets



### Estimated Semi-Monthly Pay Calculator with Cash Advance Option


Instructions for Use:  
 1. Using the information available on your Bear Tracks Pay advice, please complete steps 1 to 4 below. A sample pay advice to the right will illustrate where to obtain the appropriate figures.  
 2. If you would like the one-time cash advance complete step 2-4.

Step	Item	Without Cash Advance	With Cash Advance
1	Monthly Pay Rate	4,500.00	4,500.00
	Cash Advance (from option chosen below)	-	1,750.00
	Advance Repayment (from calculation below)	-	(75.00)
	TOTAL	4,500.00	4,500.00
2	100 (Maximum Tax)	400.00	400.00
	PSPP (Group Term Life Plan)	100.00	100.00
	SI (Employment Insurance)	44.87	44.87
	TOTAL	544.87	544.87
3	Medical Fees	20.00	20.00
	Provision	200.00	200.00
	Canada Savings Plan - RSP	-	-
	TOTAL	220.00	220.00
4	Net Pay	3,755.13	3,755.13
	Medical Fees	20.00	20.00
	Provision	200.00	200.00
	TOTAL	3,975.13	3,975.13




### How does this impact pension?

- Pension is not negatively impacted by the change to semi-monthly.
- Pensionable service to 2012 will be reduced by 1/24.
- Total pensionable service or salary is not impacted.
  - All eligible service up to the last day of employment is pensionable.
  - Average highest five consecutive years salary is not impacted.
- PSPP uses five years of service from date of retirement, not from the pension year.




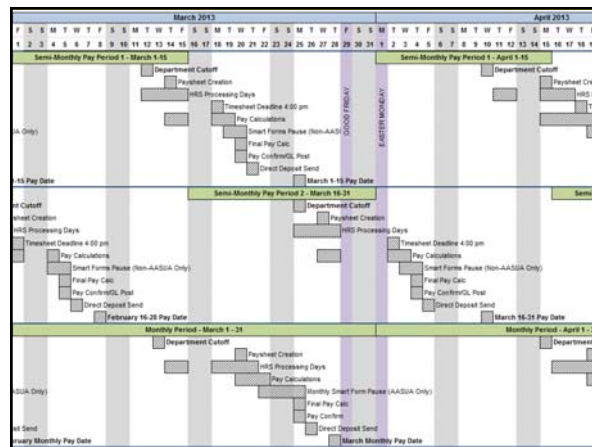
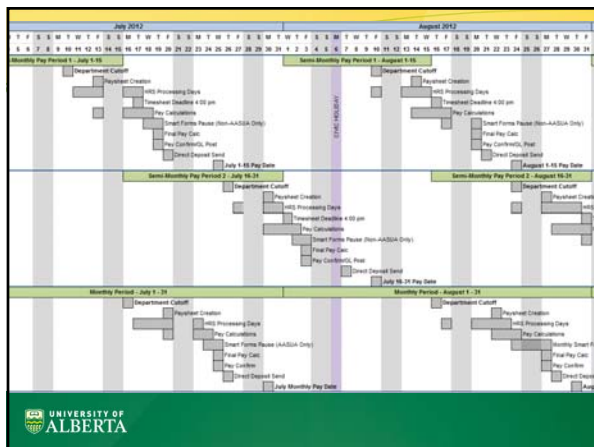
### How does this impact GL?

- GL for monthly pay cycle (AASUA employees) will continue to run on last day of the month.
- GL for each semi-monthly pay period will run on night of payroll confirm (approximately 3 working days before pay date)
- GL for second semi-monthly pay period will run on or before the 4<sup>th</sup> working day of the next month. Example, GL for pay period July 16-31<sup>st</sup> will run on August 3<sup>rd</sup>.
- GL expenses will always be attributed to the month of the pay period end date, not the pay cheque date. Ex. GL for July 16-31 tracked to July expenses.
- Financial Services will extend the month-end close until after payroll transactions are posted.




### How does this impact GL?

- Automation in PeopleSoft Finance is being added to automatically receive the Payroll GL file.
- Automated emails from PeopleSoft Financials to FS Bulletins list serve will be generated when the Payroll file has completed posting to the GL.
- Journal masks for semi-monthly pay will be created beginning with PYS
- Indirect Cost Process will run after payroll posts to the GL.
- TEEF processing is being updated to run based on pay end date, not pay cheque date.
- Year-end processing calendar will be reviewed in 2013 to determine if process run dates need to be modified.


### What impact to department processes?

- Payroll deadlines will change.
- Pay dates and pay periods change.
- Smart forms will be paused only for the specific pay cycle processed.
- While semi-monthly pause is on, Academic forms can still load and vice versa.
- Online and printed timesheets modified to be full length of the pay period.
- Salary rates within PeopleSoft still expressed as monthly and hourly rates. No change to offer letters, etc.
  - Semi-monthly pay rate added for reference.
- Pay Action forms being updated to reflect semi-monthly rates for additional pay amounts, allowances, etc.
- No change to vacation entitlements.




### What impact to department processes?

- Minor change to PeopleSoft reporting, distributed access.
- Semi-monthly salary rate added to a couple reports and pages.
- One common pay date for all non-academic staff, students, PDFs.
- Graduate student fee payments from semi-monthly salary.
- Push for staff to get onto direct deposit immediately upon employment resulting in fewer cheques.
- Fewer off-cycle cheques.
- Limited or no future need for payroll advances.



**Communicating The Change?**

- Email to impacted staff, graduate students and PDF's as well as DDC, APO's, personnel contacts on February 10.
- Website with up-to-date information about the project, the change and advance program is available.
- Posters and pamphlets will be developed to support the communication of the change
- Ads/articles in campus publications (e.g. Folio, Gateway, etc)
- Meetings with key stakeholder groups to brief on the change
- Town hall sessions will be held to support information sharing and allow for staff to ask their questions directly



**Upcoming Town Halls**

- March 13, noon-1 pm  
Dentistry/Pharmacy  
DP 2104
- March 19, noon-1pm  
ECHA 2-190

**More Information**

- <http://se2.ualberta.ca>
- 780-492-4395
- se2help@ualberta.ca




**Questions?**

