

The Perfect Pay Cycle

Midwest Regional Payroll Conference 2018

Presented by Bill Stephens, CPP
Senior Payroll Administrator
Axcet HR Solutions

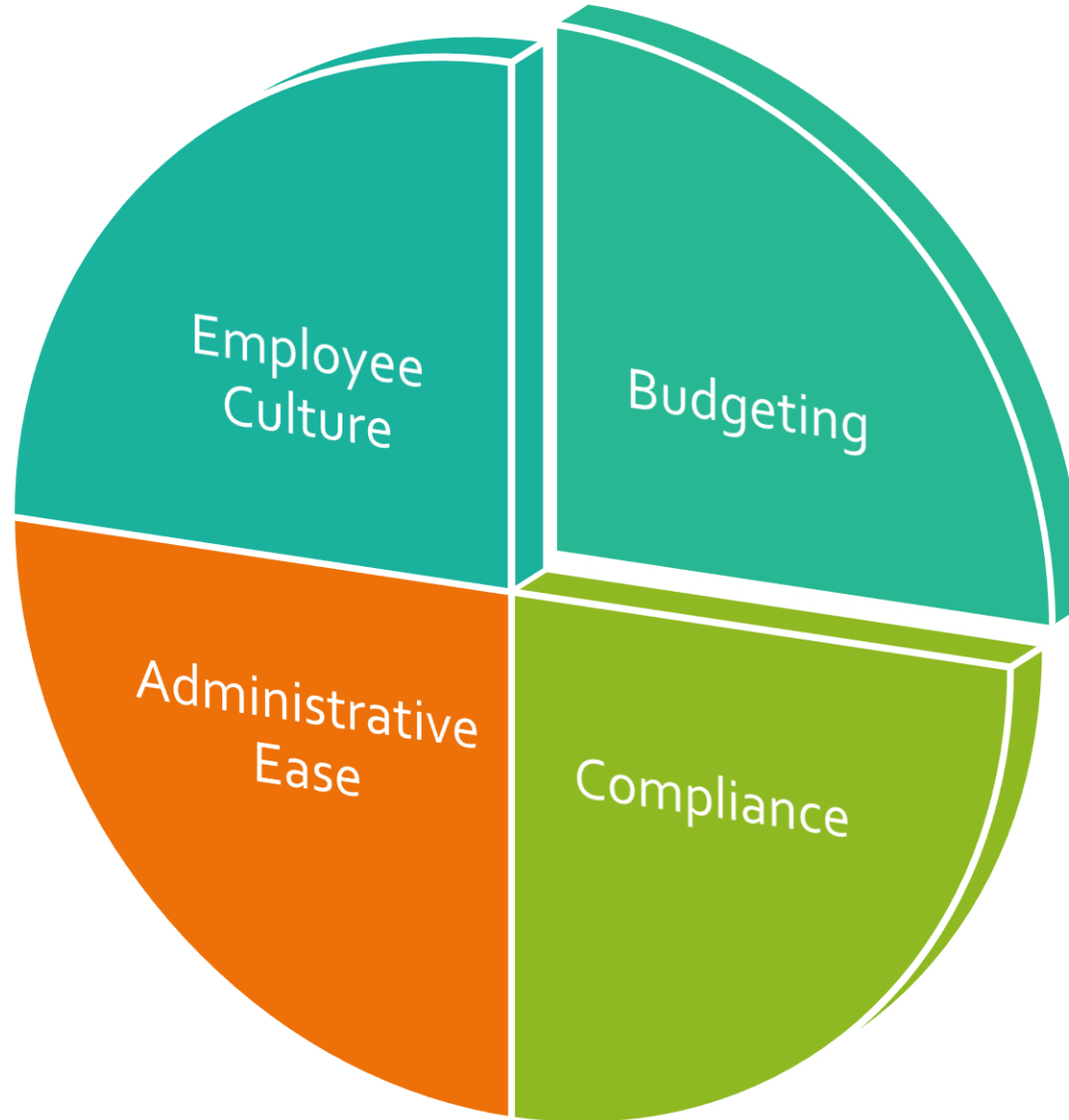
Agenda

- **What is a Perfect Pay Cycle?**
- **Pay Cycle Pros and Cons**
- **Other items to consider**
 - 27th/53rd check dates
 - State statutes
 - Miscellaneous
- **Changing a Pay Cycle**
 - Steps for Implementation
 - Notifying Employees
 - Some sample verbiage
- **Questions**

**Question
Time!**

**Why did you come to this
session today?**

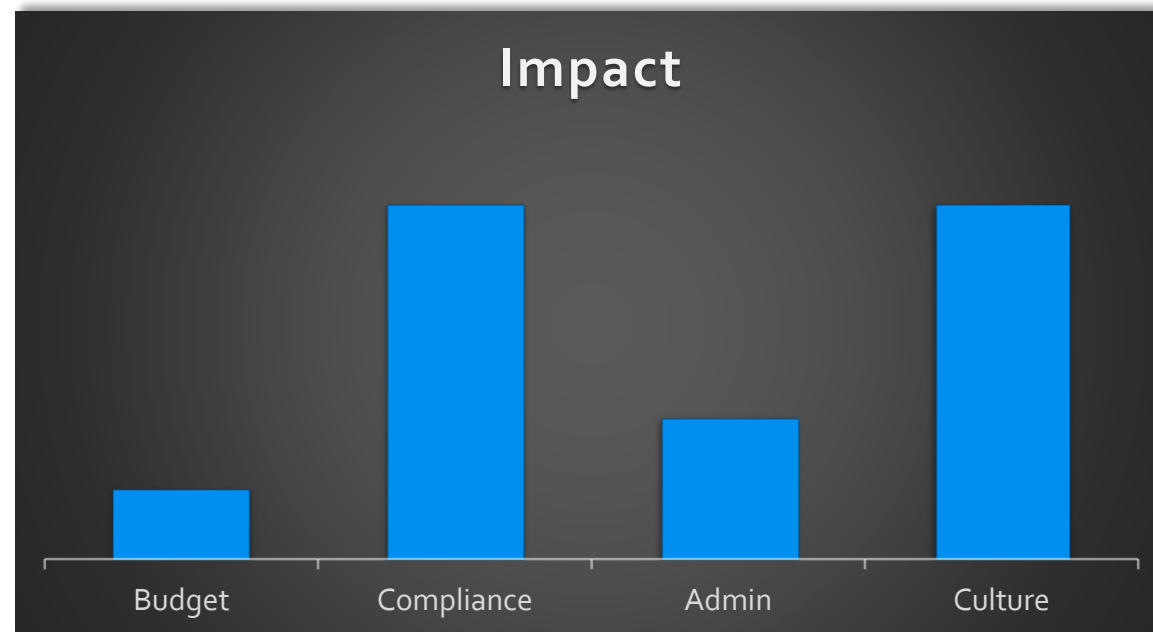
The Perfect Pay Cycle



What cycle is best for you?

Weekly

Pros	Cons
Union contracts and certified reporting	Strain on budget for some companies
Workweek runs parallel with pay period	27 th /53 rd check date issue
Overtime easily calculated	Increased administrative burden
Covers all levels of frequency compliance	5-check months
Employee morale/tradition	



What
cycle is
best for
you?

Biweekly

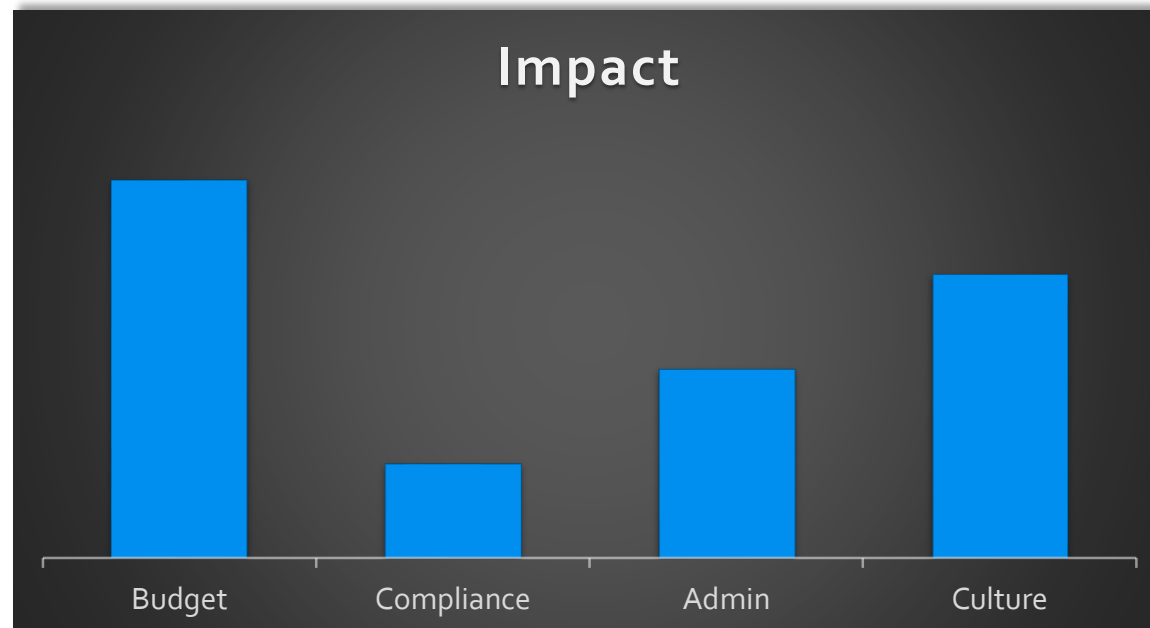
Pros	Cons
Workweek runs parallel with pay period	27 th /53 rd check date issue
Overtime easily calculated	3-check months (benefits, deductions)
Standard hours do not fluctuate	Watch state statutes for compliance
Reduced administrative burden	
Employees comfortable with cycle	



What
cycle is
best for
you?

Semi-Monthly

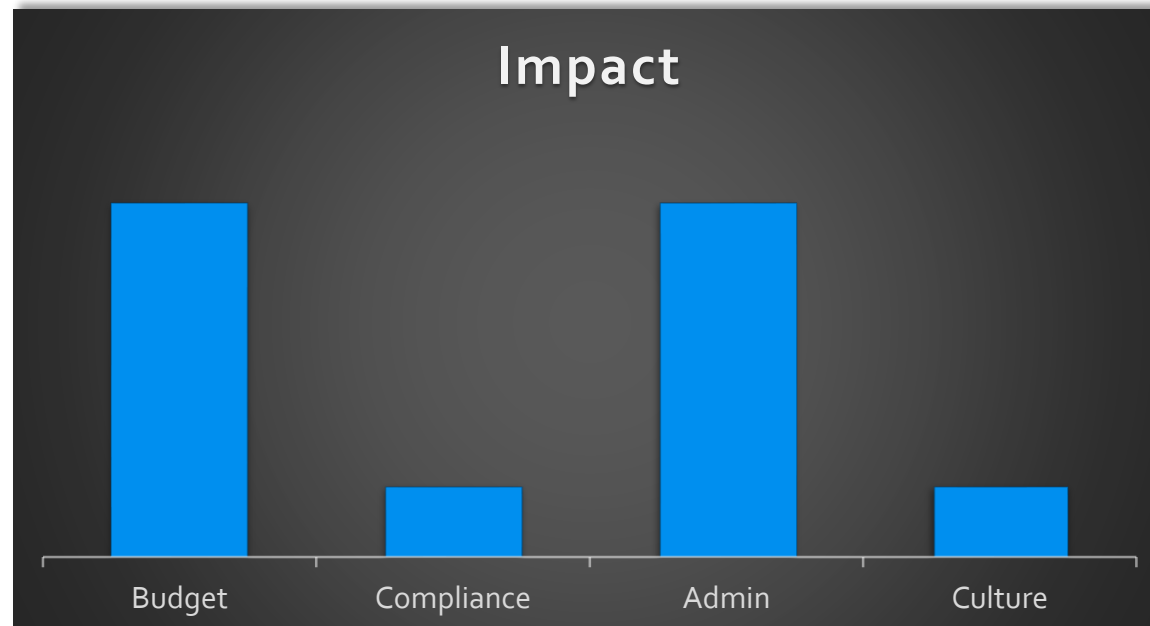
Pros	Cons
Simpler accounting and reconciliation	Workweek does not run parallel
No possibility of an extra pay period	OVERTIME
Reduced administrative burden	Non-exempt employees, 72-96 hours
	Watch state statutes for compliance
	EOY check date issues (1 st check date)



What
cycle is
best for
you?

Monthly

Pros	Cons
Simplest accounting structure	Workweek/Overtime issue
Easiest to budget	Non-exempt employee hours fluctuate
Highly reduced administrative burden	Many states do not allow
	Employee retention



Other items to consider

27th and 53rd check dates

- Every 5-6 years for weekly, 11 for biweekly
- Can affect budgets, annual wages, tax withholding, benefit deductions, calculation of bonus payments, retirement, time off calculations...
- Multiple options to circumvent (or face) issues
 - Change your pay cycle
 - Recalculate exempt salaries for 1 year
 - Let it ride...
 - Employment offer letters and guaranteed payment of wages
- Possible semi-monthly issue
 - Check pay policies when holidays occur

Other items to consider

Watch state statutes!

- Different states may require different pay cycles
- Many different considerations for pay cycle restriction by state
 - Type or industry in which work is performed
 - Exempt vs. Nonexempt
 - Number of employees
 - Wages paid
- Examples, you ask?
- Nexus, work state, employee home office locations DO matter
- If unsure, contact state labor departments

Other items to consider

Workweek changes to coincide with new pay cycle

- Often happens when transitioning current to arrears
- Overtime calculations
- New vs. old workweek
- Time and attendance

Multiple pay cycles

- Could possibly help with budget, state compliance
- Increases administrative burden

Garnishment fees

Changing a Pay Cycle



Federal Guideline s (FLSA)

- Must be a viable business reason to change pay cycles
- Change must be intended to be permanent
- Cannot be used to avoid paying overtime
- Does not violate minimum wage laws
- Doesn't unreasonably delay payment of wages

Changing a Pay Cycle

Step 1: Find the time frame of your change and evaluate impact

Changing a Pay Cycle

Business impact

- Verify with all departments
- Workload

Changing a Pay Cycle

Employee impact

Possible strategies

- Minimal impact periods
- Bonus payments
- Unused Paid Time Off
- Incremental changes
- Advances
- Nothing
 - **One-off solutions with employees**

Changing a Pay Cycle

Step 2: Update Systems.

- Is your current system capable of handling the change?
- Tax tables, frequencies
- Benefit deductions
 - Benefit holiday or update amounts
 - MTD deductions accurate during changeover
- Involuntary withholding orders – child supports
- PTO accrual policies
- Time and attendance system changes: workweek, pay period, standard hours for exempt employees
- 3rd party vendor discussion, help with implementation

Changing a Pay Cycle

Step 3: Employee Communication!

Inform, advise, prepare

- Company memo/letter/stuffer
- Employee Self-Service
- Possible meetings
- Time frame prior to change
 - *At least* one full pay period prior
- Discuss chosen time frame and provided solution for pay gap
- Prepare for one-on-one encounters
 - Consistency

Changing a Pay Cycle

Step 4: Implement the change and solicit feedback

- Double check, triple-check!
- Mock payrolls, parallels
- After the change: How did the transition go?
 - Department head feedback
 - Employee satisfaction and retention
 - Methods of collecting feedback

Question Time!

Now that you have listened to this presentation, if you were considering changing cycles, do you feel more or less ready to do so?

In Summary

- Have a concrete business reason to change
- Watch those state laws
- Leave no stone unturned!
- Change management and communication

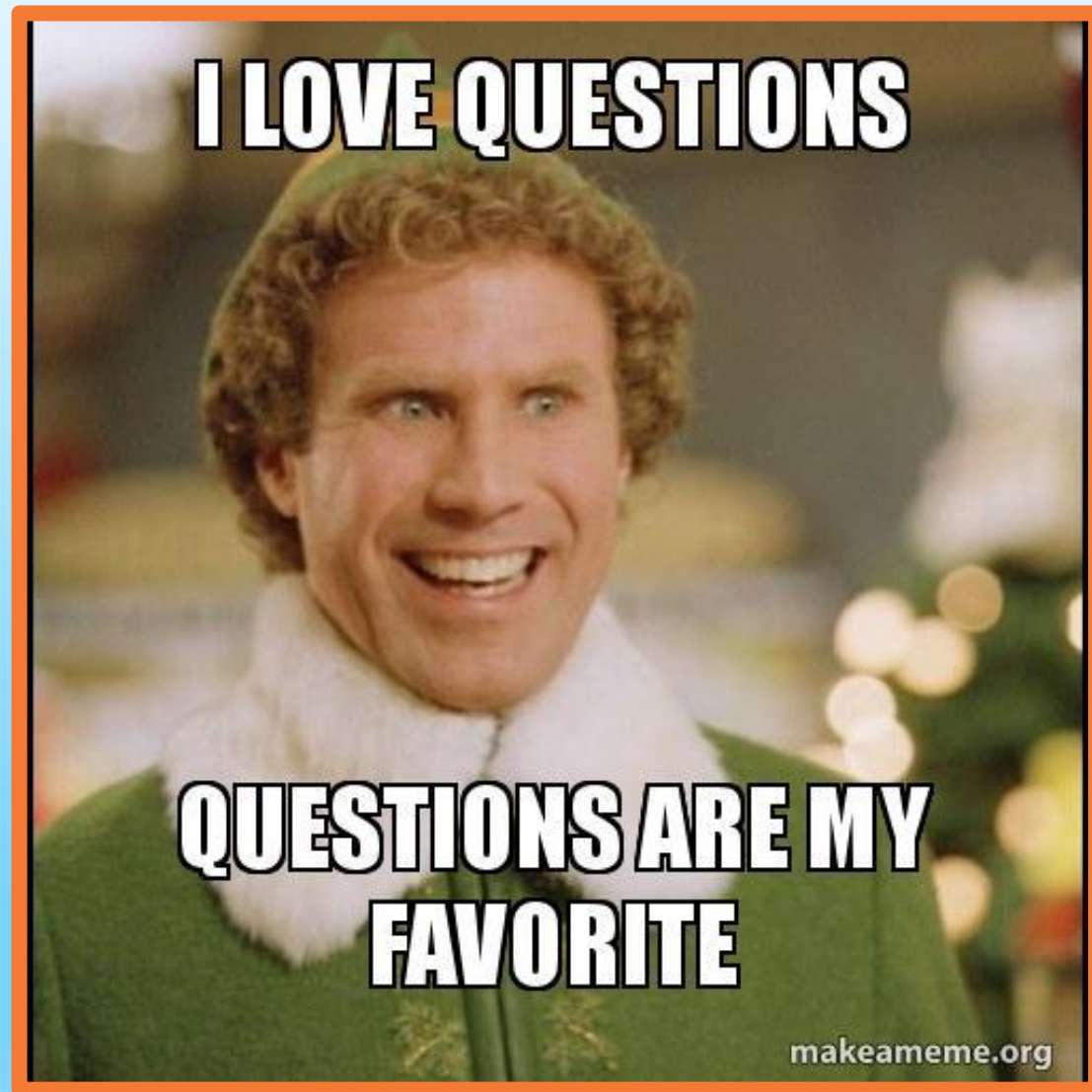
Helpful Resource s

- Information on state statutes for pay frequency:

<https://www.dol.gov/whd/state/payday.htm>

- State Department of Labor websites
- Bloomberg BNA – Payroll Decision Support Network <https://www.bna.com/payroll/>

Questions?



Thank you
for
coming!



Bill Stephens, CPP
Sr. Payroll Administrator
(913)754-5333
bstephens@axcethr.com

For more information about our services and blog, visit:
www.axcethr.com

