

WHAT'S HAPPENING AND WHY?

Change is coming to Missouri State when the new SunGard SCT Banner Human Resources System begins in 2009. Beginning **December 15, 2008**, employees who now complete a time record (blue bubble sheet) will record their time online using the Self-Service Banner (SSB) time record or their department will be responsible for recording time worked through departmental time entry. Employees who complete time records are nonexempt and are eligible for overtime under the Fair Labor Standards Act (FLSA) when over 40 hours is worked in a week.

Currently, nonexempt salaried employees are paid a flat salary each month. Each month employees receive a set salary on the last banking day of the month for work performed from the first through the last working day of the month. This is called an anticipatory payroll. It is assumed that all days are either worked or covered with some type of paid leave. The first of the following month the time records are approved and turned in. This time reporting may include earned and used compensatory time, vacation and sick leave, leave without pay, etc. This 'exception' time from the previous month is processed and applied to the next month's paycheck.

With the introduction of Banner, nonexempt employees will be changing to a **lag** payroll that will pay for *hours actually reported* through Self-Service Banner time entry or departmental time entry. Instead of being paid a fixed salary amount for a calendar month, they will receive pay for time reported from the 16th through the 15th of the following month on the last banking day of that month. This is called a lag payroll.

The first Banner paycheck will be received January 30 and will be for time reported from December 15 through January 15. The last non-Banner payroll will be marked by the December 31, 2008 paycheck and it will contain pay for work between December 1 and December 15.

TRANSITION PAYMENT

Missouri State recognizes the transition to the new lag payroll could create hardships for employees. In order for these employees to receive whole month's pay in December and January, a **transition payment** of ½ of their normal monthly salary will be added to their December 31, 2008 pay. Any overtime pay or leave without pay reported on the December 2008 blue bubble time record will be adjusted on the January 30, 2009 pay.

The transition payment is intended to assist employees who have established their personal finances to match Missouri State's prior pay schedule. With the transition payment as a bridge, the migration to the lag payroll will be smooth for the employees affected and may not even be noticed by many.

Transition payments are not necessary for employees currently paid on an hourly basis (student and part-time employees), employees paid on an academic year basis rather than a fiscal year (faculty), fulltime exempt employees or those who begin employment after **December 15, 2008**.

HOW IT WORKS

With lag payroll processing, monthly paychecks will be based on actual hours worked during the monthly pay period, not one-twelfth of annual salary. All annual salaries for nonexempt employees will be converted to hourly rates by dividing their annual salary by 2,080 hours. Paychecks may have up to three days less pay in some months than when nonexempt employees were paid on a salaried basis due to the varying lengths of months (28, 30, or 31 days), causing a variation of the number of work days in the pay period.

The chart below demonstrates monthly fluctuations in gross pay for a nonexempt employee working Monday through Friday and earning the average annual salary of \$28,767 when transitioned to an hourly basis.

Pay Day	Work days	Hours	Per Hour	Gross Pay	Mo Salary	Variance
Jan 30	23	184	13.83	2,544.80	2,397.28	\$ 147.52
Feb 27	21	168	13.83	2,323.52	2,397.28	\$(73.76)
Mar 31	20	160	13.83	2,212.80	2,397.28	\$(184.48)
April 30	23	184	13.83	2,544.80	2,397.28	\$ 147.53
May 29	22	176	13.83	2,434.16	2,397.28	\$ 36.88
June 30	21	168	13.83	2,323.52	2,397.28	\$ (73.76)
July 31	22	176	13.83	2,434.16	2,397.28	\$ 36.88
Aug 31	22	176	13.83	2,434.16	2,397.28	\$ 36.88
Sept 30	22	176	13.83	2,434.16	2,397.28	\$ 36.88
Oct 30	22	176	13.83	2,434.16	2,397.28	\$ 36.88
Nov 30	21	168	13.83	2,323.52	2,397.28	\$ (73.76)
Dec 31	22	176	13.83	2,434.16	2,397.28	\$ 36.88
TOTALS		2088		28,878.03	28,767.39	\$ 110.64

In this example, there are 23 work days on the Jan 30 paycheck, 21 days on the Feb 27 paycheck, and 20 work days on the March 31 paycheck. For the nonexempt employee earning the average nonexempt annual salary of \$28,767, the monthly salaried amount is \$2,397.28. However the difference in the number of work days will result in gross earnings of \$2,544.80 on January 31, \$2,323.52 on February 27, and \$2,212.80 on March 31. The monthly variance in pay when compared to the salaried amount ranges from \$147.52 more pay in January to \$184.48 less pay in March. In fact, March will always have the lowest number of days paid

because of fewer days in the last half of February. One of the benefits to the transition from the employee's perspective is that on an annual basis, nonexempt employees paid based on hours reported on a lag payroll will be paid for eight more hours a year than they were paid while being paid on the anticipatory salaried basis, actually increasing their annual take home pay.

Adapting to fluctuations in pay will require personal budget adjustments by nonexempt employees. Employees may want to evaluate whether changes need to be made in bill payment schedules and payment due dates.

OVERTIME

Beginning December 15, 2008, regular hours reported through Banner Self-Service time entry or departmental time entry that add up to over 40 hours in one week are automatically paid at straight time and the additional half time will be banked as compensatory time.

GETTING STARTED

Training sessions for those who will be *completing and approving* the Time Record through SSB will be held in November. Open labs will be available in December and January for any employees who would like to take advantage of one-on-one help.