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The Go Live! Date  
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# Benefits Bulletin

To Inform and Educate Archdiocesan Leadership

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## IPBS Project Update Payroll & Time Keeping Systems

*I want to update you on our new payroll and time keeping systems project. We are making great strides in moving to the new payroll system. The Payroll Services Office has completed the first of two conversions and is currently running our first parallel test.*

*As we work our way through the transition, we have found two key issues that will affect employees: a payroll lag and pay cards. This update describes these issues, the steps the Payroll Services Office (PSO) is taking to eliminate any hardship and the plan to communicate the pay and timekeeping issues to employees. Be sure to read this newsletter in order to understand the issues and solutions, and timing of communications. Your employees may have questions and we want you to be prepared.*

*Thank you,  
Geraldyn Mirante-Marley, CEBS  
Benefits Services Director*

## Benefits of the New Pay & Timekeeping System

- **Supports Catholic values** – To offer benefits in accord with Catholic teaching, we want the increased flexibility for vendor contracting and program design that we can only get with an integrated pay and benefits system.
- **Long term cost control** – To curb medical cost increases, we require an integrated system to offer benefits that control long term costs (e.g. health FSA, HSA, wellness program).
- **Keep up with changing regulations** – Given the healthcare reform environment and our organizational complexity, we need an integrated system to be able to keep up with ever-changing regulatory requirements.
- **Risk control** – To avoid fines, legal liability and costly mistakes, we require a rules-based integrated system that prevents most entry errors, under the oversight of the Benefits Services Office.
- **Ease of use** – The new system will provide a pay and benefits system that is simpler, consistent (e.g., easy to track vacation, no more estimating hours worked), easier to use and more efficient for pastoral assistants, bookkeepers and employees.
- **It is greener** – Paycheck stubs will be posted on the Ultipro employee self-service portal website.

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# Bi-Weekly Pay Periods

The new integrated payroll system uses bi-weekly pay periods. This means all employees will receive one paycheck every other week for a total of 26 paychecks in a year. Here are some other aspects of the new payroll system:

- The Payroll Services Office will be processing payroll for all employees.
- In order to handle this workload, it is necessary to split the payroll into two groups and each group will be paid on alternating weeks.
- The locations will be divided into the two groups and all employees at each location will be paid on the same dates and frequency.
- All flat dollar deductions will be taken from the first two paychecks of the month (in two months of the year, there will be three paychecks). Percentage based deductions (such as 403(b) contributions) will be taken from all 26 checks.
- All employees will be paid through December 31, 2013 using the current ADP payroll system.

## The Goals

Project team leadership considered several solutions and the adjustment and recovery approach meets our goals in the best way because it:

- Is fair for employees
- Applies the same solution to all employees
- Allows us to be good stewards of resources
- Is simple to administer
- Accommodates the solution without complicated system modifications.

# Payroll Lag

The issue that has troubled senior leadership and the project team the most during this transition is a necessary payroll lag that will be created in January because of the change to the new payroll system. If we did not do something to address this, all employees would see a smaller amount in their paychecks for the month of January. Here’s how this lag works.

- Employees in Group 1 will be paid twice in January for a total of 13 days of work (instead of 23 days). Their paydays will be on January 14 and 28.
- Employees in Group 2 will be paid once in January for a total of 8 days of work (instead of 23 days) and their payday will be on January 21.

## Payroll Adjustment

To reduce the hardships caused by this transition, employees will receive a payroll adjustment equal to what they would have received under two full bi-weekly pay periods if the payroll lag had not occurred.

### Examples

#### Suzie is in Pay Group 1 (paid twice in January)

Suzie is a full-time employee making \$40,000 per year. In January, if there had been two full bi-weekly pay periods, Suzie would have been paid \$3,076.92 gross pay. However, during the transition, she will be paid \$2,000 gross pay in January 2014 (\$1,076.92 less). Suzie’s adjustment will make up the difference.

In February through June, and August through November, Suzie will receive \$3,076.92 in gross pay; **in July and December**, she will receive an “extra” paycheck (remember: all employees are paid 26 times in a year) and her monthly gross pay will be \$4,615 .38 for those two months. For the full year, Suzie’s gross pay will be \$40,000.

#### Barb is in Pay Group 2 (paid once in January)

Like Suzie, Barb is also a full-time employee making \$40,000 a year. In January, if there had been two full bi-weekly pay periods, Barb would have been paid \$3,076.92 gross pay. However, during the transition to the new payroll system, she will be paid \$1,230.77 in January 2014 (\$1,846.15 less). Barb’s adjustment will make up the difference.

Barb will receive the same pay as Suzie (\$3,076.92) in most months after January, but in April and September, she will receive her “extra” paychecks and her monthly gross pay will be \$4,615.38 for those months. Barb’s gross pay will be \$40,000 for the full year.

The payroll adjustment will be paid with the first paycheck employees receive in January. There will be no interest or fees charged for the adjustment, however, the adjustment is taxable.

When an employee leaves Archdiocesan employment, the amount of the adjustment will be recovered from their final paycheck. Because of the lag in processing being implemented in the new system, an employee’s final paycheck will reflect pay for the difference in hours caused by the shift in January of 2014. The recovery will offset this additional amount. In most situations, an employee’s last paycheck will be enough to cover the adjustment recovery, resulting in gross pay that is appropriate for the employee’s final pay period. However, if an employee has a reduction of pay or hours, the employee’s final paycheck may not cover the advance. In this situation, we could draw from unused vacation (if any), which is usually paid out in final paychecks.

## Potential Impact on Cash Flow for Parishes and Schools

Those parishes and schools that currently pay employees on a lagged basis will have an additional payroll in order to pay them in full through December 31, 2013. Fortunately, the change is occurring at a time when most Parishes’ cash balances are at maximum levels. We hope that with enough adjustment notice, locations will be able to make arrangements to have the cash available. The PRF will be standing by for those locations that need a short-term loan.

## Communication Plan

- In late October, we will send all employees a **personalized** letter showing them the amount of their adjustment and an **Adjustment Agreement**. In order to receive the adjustment, an employee must sign and return the Agreement. If an employee does not return the Agreement, there will be no adjustment.
- To help employees understand the impact of this conversion, we will also make a bi-weekly pay conversion calculator available.
- We will provide PAAs with a training session on the payroll lag issue in early October so they can answer most of the questions employees may ask.
- In November, we will send employees a reminder of the payroll lag and the Adjustment Agreement. We’ll also provide information about the pay card (see the next column for details).

# Pay Cards

The second issue that may affect employees is that we will no longer issue paper paychecks after December 31, 2013. To reduce costs and administrative burden, our goal is for all employees to receive their pay via direct deposit. However, we cannot force an employee to accept direct deposit; as a result, any employee who does not choose direct deposit will receive their pay via a pay card, which is similar to a reloadable ATM/debit card. Approximately 80% of our employees already choose direct deposit.

We’ve chosen Global Cash Card to be the supplier of pay cards. The benefits of a pay card to the employee include:

- No check cashing fees
- No lost checks
- Every card is FDIC protected so the employee is protected from theft or loss
- Instant access to money 24-7
- Free first transaction each pay period and no point of service fees (for example, using the pay card to purchase groceries at a store); employees who haven’t yet elected direct deposit will be given a fee schedule at the same time they are given the option to elect direct deposit
- Access to surcharge-free ATMs at over 1,000 locations in Washington and 1,250 in Oregon. There are more than 50,000 surcharge-free ATMs in the United States.

We will send out a pay card enrollment form for this service to all employees, even if they currently have direct deposit, because some employees may want to split their pay between direct deposit and a pay card.

Please send your comments, questions and other feedback to:  
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