



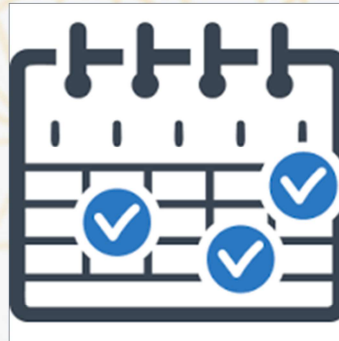
**Pay Schedules**  
Following the money

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**XLERANT**

## Goals

- Know what custom pay schedules are for
- Understand their financial impact
- Learn how to set them up



## Topics



- What are custom pay schedules?
- When to use custom pay schedules
- When *not* to use custom pay schedules
- Financial effects
- Process effects
- Usage scenarios

## Background: The fiscal year 'schedule'

### By default, BudgetPak uses your fiscal periods to model pay activity

- Compensation calculations: results of salaries, wages, raises, bonuses, etc
- Events automatically assigned to the calendar date
  - E.g. A bonus on 2/28 shows up in February

Fiscal year: 2011 Create default periods Base off of existing year

Period	Quarter	Description	Start Date	End Date
1	Q1	Jan	1/1/2011	1/31/2011
2	Q1	Feb	2/1/2011	2/28/2011
3	Q1	Mar	3/1/2011	3/31/2011
4	Q2	Apr	4/1/2011	4/30/2011
5	Q2	May	5/1/2011	5/31/2011
6	Q2	June	6/1/2011	6/30/2011
7	Q3	July	7/1/2011	7/31/2011
8	Q3	Aug	8/1/2011	8/31/2011
9	Q3	Sept	9/1/2011	9/30/2011
10	Q4	Oct	10/1/2011	10/31/2011
11	Q4	Nov	11/1/2011	11/30/2011
12	Q4	Dec	12/1/2011	12/31/2011

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- By default, BudgetPak uses your fiscal calendar to model payments. Things like salaries, wages, raises, bonuses, taxes, benefits, and so on, all get counted toward the budget on the day when they happen – each day accrues one day's worth of pay, bonuses show up on the day when they're given (unless you told the system to spread them, but we won't go into that here), raises take effect and change the salary on the day when they happen, and so on and so forth. For example, if you're using the calendar year for your fiscal periods, then a bonus on 2/28 will show up in period 2, since that's February. If you're using a July-June fiscal calendar, then a bonus on 2/28 will show up in period 8, since that's also February.

## What custom pay schedules are

### Custom pay schedules: When the fiscal periods do not match payroll

- Custom schedules
  - Defined for each year
  - Even pay per period vs pay by days per period
- Custom periods
  - Work start date
  - Work end date
  - Payment date

**Define pay schedules**

On this page, you can define the custom pay periods for your organization. If you are not using custom pay periods, you do not need to do anything on this page. If you are using custom pay periods, make sure you define pay periods for each year in the system where you have a budget version with headcount.

Company:

Fiscal year:

Schedule:

This schedule is 'even pay per period'

Work start date	Work end date	Payment date	
1/1/2009	3/31/2009	2/15/2009	<input type="button" value="Delete"/>
4/1/2009	6/30/2009	5/15/2009	<input type="button" value="Delete"/>
7/1/2009	9/30/2009	8/14/2009	<input type="button" value="Delete"/>
10/1/2009	12/31/2009	11/16/2009	<input type="button" value="Delete"/>

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• Custom schedules allow you to precisely define the schedule on which your employees are compensated. For many organizations, representing pay based on a per-diem basis makes sense; people did one day of work, one day's liability for work came onto the books. Some organizations need to model their compensation dollars to match their actual cash movements instead, and have a schedule that makes those movements not match well to the fiscal calendar. That's where custom pay periods comes in. This is an entirely optional feature, so if you're not using it, then you can just ignore it.

• If you're using custom pay periods at all, then for each year where you have employees, you need to have at least one custom pay schedule defined. Otherwise, BudgetPak doesn't have any information on how to distribute employee pay.

• You can decide for each schedule whether it's a per-diem schedule, or even pay per period. If you're paid a fixed amount twice a month, then you would want 'even pay per period.' Let's say you're paid on the 15<sup>th</sup> day of each month, and the last day of each month. This would mean that in January, your second pay period would cover sixteen days, from the 16<sup>th</sup> through the 31<sup>st</sup>, but in February the second pay period would cover only thirteen days – but get the same pay for both. If you have a compensation model that varies depending on the number of days actually worked, you would want to choose the per-diem option.

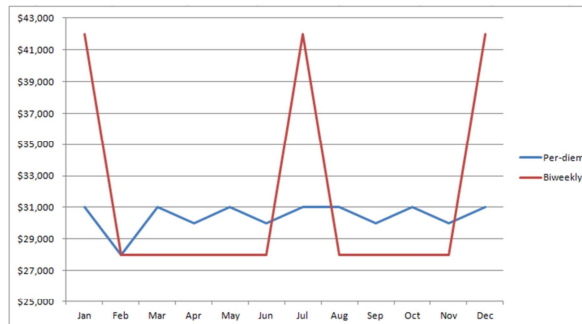
• If you're using employee classes, you'll also associate each employee class in each year with a custom pay schedule. A simple case is having one 'biweekly' employee class that gets paid every two weeks, and one 'monthly' employee class that gets paid once a month.

• Once you've defined your schedules, then you need to tell BudgetPak what time periods to actually use within that schedule. There are three key elements for each period. The work start date and work end date– that is, on what days does compensated work for this payment actually take place – and then the payment date, which is the day on which the cash movement happens. These numbers don't have to be overlapping or even connected at all, other than what makes sense for you. Some organizations might have a policy that payments take place three days after the work is completed; others might say that payment takes place on the last day; others actually record the cash movement ahead of time. In the example on this slide, I've defined a quarterly schedule, with even pay per period, where the work covers exactly three months regardless of number of days, and where the payment date is on the fifteenth day of the second month of each quarter, but adjusting to handle weekends. There's really no sensible way for BudgetPak to handle all those conditions in a bulk operation, so we let you define all of those pieces of data yourself.

## Impact

### Custom schedule may reflect periodicity

- Example: biweekly pay schedule, starting on January 1<sup>st</sup>
  - Most months have two paydays, covering 28 days
  - Some months have three paydays, covering 42 days
  - Variance between per-diem pay and actual cash can be significant in individual months



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Here we have an example of what a custom payroll can do. In this situation, we're comparing the cash impact on your budget over time of a single employee. This employee is paid on a biweekly schedule, starting on January first. The red line shows the cash impact of that employee – in most months, they have two paydays, but in some months they have three, so they have a large variation in how much they're paid in a given month. The blue line shows the impact of that employee when calculated per-diem – as you can see, doing it this way leads to a smoother distribution, but if you want to match salary to actual cash expenditures, using a custom pay schedule will get you a more exact model of your spending.

## Usage considerations

### When to use custom pay schedules

- High precision
- Non-monthly payroll
- Not per-diem pay
- Different schedules for different people

#### Examples:

- A company may have negotiated different pay schedules with different unions
- A university may have teacher pay spread out to pay only during the school year
- A seasonal facility may pay only during part of the year

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### Why?

1. If you want to compare budget to actuals and capture your cash position at a given point in time, then you may want to use custom pay schedules. The standard BudgetPak salary calculations operate on a per-diem basis, so that each day's pay is charged to the budget immediately. The custom pay schedules allow you to designate exactly when the salaries should be considered to apply.
2. If your salaries go out on a weekly or biweekly basis, or on an irregular basis, then you may want to use custom pay schedules so that you can track that flow. The standard BudgetPak salary calculations are based on your fiscal periods – defined for most people as the calendar months. If your pay goes out on a monthly or twice-monthly basis, then the standard calculations will tend to match your actuals.
3. Similarly, if you pay people a fixed amount for every pay period and want to capture that precision, then you might want to use custom pay periods.
4. If some people are paid monthly and others are paid biweekly, or any other non-matching pattern, then you might want to use custom pay schedules to capture that information.

## Why (and Why Not)?

### When *not* to use custom pay schedules

- Monthly or twice-monthly pay
- Per-diem pay
- Minimal differences
- Extra work

#### Examples:

- Employees are paid on the first and fifteenth of every month, so get paid monthly
- The organization's variances are only considered year-over-year, so monthly variances don't matter
- A company's payroll costs aren't large enough relative to other business to be important

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### Why not?

1. If you pay on a monthly or twice-monthly scheme, then custom pay schedules will come up with similar numbers to the standard calculations.
2. If you pay on a per-diem basis anyway, then the standard calculations match exactly what you're doing.
3. If the difference between the standard calculations and the custom pay schedules is minor enough to not be worth the extra work of setting up a custom pay schedule for each year and waiting for the longer, more complicated calculations to be performed during initialization.



## Effects on budgetholder

- Most headcount sections, such as Headcount Review, Raises, Bonuses, and Benefits, are not affected.
- Hourly new hire wage classes
- The Hourly Compensation section is affected.
  - Hourly pay is handled on a period-by-period basis
  - No custom schedule: 1 column per month
  - Custom pay schedule: 1 column per custom pay period.
  - Different periods per pay schedule

**Hourly compensation** Here you can view and edit hourly compensation information. Back Discard Close Save Next

**Hourly employees** Which pay schedule would you like to budget for? 2009 quarterly schedule Recalc Show/hide columns... Actions...

Filter	Employee/wage class/wage type	Employee ID	Wage class	Hours/rate actions	Pay period 1	Pay period 2	Pay period 3	Pay period 4	Total	Reset
+ ALL HOURLY EMPLOYEES				Total hours:					0.00	
				Total wages:					\$0	

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Most of the actual impacts from using custom pay schedules are all based around the financial outputs of the system – where do the dollars actually end up, and in what month? As a result, custom pay periods are *mostly* transparent to your end users. The main exception to this is if you're using hourly employees.

If you're using hourly employees, then there are two places where the end user interface can be affected.

The first is when entering hourly new hires, and are also using employee classes. All hourly employees within a wage class must share the same pay schedule. As a result, when entering hourly new hires, your users have to coordinate which wage classes they assign with which employee classes they assign. The simple way to handle this is to treat wage classes as a subcategory of a given employee class – for example, an employee class might be “Hourly workers” that follows a biweekly pay schedule, with wage classes of “Janitors”, “Temps” and “Carpenters” all fitting in that employee class.

The other place where your users can see an impact from using custom pay schedules is on the Hourly Compensation screen. If you're not using custom pay periods, then that screen will let them enter their pay rate and number of hours for each month in the system – the same months you have for the Spreading page or in reporting. If you are using custom pay periods, then that screen will let your users enter a pay rate and number of hours for each individual custom pay period. Since different pay schedules have different numbers of pay periods in them, we break up that page into the separate pay schedules.

## Creating custom pay schedules

### Creating custom pay schedules:

- Define the *schedule*
- Define the *periods* for each schedule
- Select schedules per employee class
- Moving to a new fiscal year

### Configuration:

- Activate custom pay schedules
- Select schedule per employee class

### Initialization:

- Initialization may take longer when using custom pay schedules, as BudgetPak has to perform more complicated date-based logic.

Please define this pay schedule. You must define the year, company, whether the payments will vary based on the number of days per period or be constant per paycheck, and give a code and description for the schedule.

Company: Acme Co: Acme Company

Year: 2011

Style: Even pay per period

Code: 2011Biweekly

Description: 2011 biweekly pay

OK Cancel

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### Defining custom pay schedules:

- You must define the schedule first
  - Code and description
  - Even pay per period vs per-diem pay
- Define the periods for each schedule
  - Since these are by definition custom and individual, BudgetPak cannot populate these automatically.
- When moving to a new fiscal year, you must define the custom schedules for the new year

### Configuration:

- Once you've defined your pay schedules, you can go to the Configure Specifics page and select 'Custom schedule' from the Employee Options tab.
- Each employee class (if used) may be associated with a different pay schedule each year, using the Configure Pay Schedules page.
- Even if you're not using employee classes, you still need to select which pay schedule to use for each year on that page.

### Initialization:

- Initialization may take longer when using custom pay schedules, as BudgetPak has to perform more complicated date-based logic.

**Q&A**

*Thank you!*

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