

IRIS HR/Payroll Information on Expected Differences in Net Pay

You may notice small differences in your net pay with the payroll run in IRIS HR/Payroll. These differences will not be due to errors, but rather will be the result of changes in the payroll process and particular calculations.

Most differences in net pay for UK employees will be due to changes in three areas: **Optional Life Insurance Coverage Amount and Premium, Flexible Spending Account Deductions for Biweekly Employees, and Average Weighted Overtime.**

Optional Life Insurance Coverage Amount and Premium

Until now the Optional Life Insurance coverage amount has been calculated by multiplying the employee's salary by 1, 2, or 3, and then rounding up (to the next thousand). The total amount of coverage **included** the \$10,000 basic life insurance that is provided by the University of Kentucky.

In HR/Payroll, the Optional Life Insurance coverage amount will be calculated the same way, except that the coverage amount will be **in addition** to the \$10,000 basic life insurance that all employees receive. For example, Jane Smith is 42 years old and her salary is \$33,500. She has elected Optional Life Insurance coverage in the amount of 3 times her salary. Note the differences between the two calculation methods:

| | HRS | IRIS HR/Payroll |
|-----------------------------------|-------------------|------------------|
| Salary | \$33,500 | \$33,500 |
| Coverage Option - Three Times | <u>X 3</u> | <u>X 3</u> |
| Total | \$100,500 | \$100,500 |
| | | |
| Coverage Amount | \$101,000 | \$101,000 |
| Less Basic | <u>(\$10,000)</u> | <u>\$0</u> |
| Optional Coverage Amount Paid for | \$91,000 | \$101,000 |
| X \$0.10 (per thousand) | <u>X\$0.10</u> | <u>X\$0.10</u> |
| Monthly Premium | \$9.10 | \$10.10 |
| | | |
| Coverage Amounts | | |
| Optional | \$91,000 | \$101,000 |
| Basic | <u>\$10,000</u> | <u>\$10,000</u> |
| Total Coverage: | \$101,000 | \$111,000 |

Flexible Spending Account Deductions for Biweekly Employees

When the Flexible Spending Account deductions were calculated for biweekly employees during Open Enrollment 2005, the Annual Goal Amount was divided by 26 pay periods to determine the per pay period amount to deduct. However, there are 27 pay periods in the current **plan** year (This happens about every 10 years.). In HRS, biweekly employees would not have had a deduction on their final June paycheck because their goal amounts would have been met on the June 16 pay check.

The new HR/Payroll system takes the Annual Goal Amount and subtracts what has been collected so far. That amount is divided by the remaining pay periods in the fiscal year to determine the deduction amount. For example, if a biweekly employee elected \$2,600 for the health care flexible spending account, the deduction amount in HRS equaled \$100 per pay period. At the time of conversion to the new system, the employee already will have paid \$2,000 into the plan. The remaining \$600 will be divided over the next 7 pay checks, resulting in a deduction of \$85.71 per pay period. Although the deduction amount is different, it is correct.

Average Weighted Overtime

Employees with multiple assignments may see a change in the rate that is automatically determined for overtime pay. In HRS, departments have had to calculate an overtime rate manually to account for different rates of pay. The new HR/Payroll system's time evaluation process will take all assignments into account and will determine the correct average weighted overtime rate to be paid on overtime hours.

Taxes

UK employees who work outside of Fayette County could see differences in the amount of some local taxes. Questions should be directed to the appropriate business officer or the Payroll Department.

Questions?

If you have questions about the first payroll results in the new system, ask your departmental business officer or time administrator for help and clarification. In the event that your pay is not correct, the regular Payroll Department Guidelines will be followed, with your business officer or time administrator overseeing any needed adjustments.