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Faculty Paycheck Schedule

Kathleen Comerford
Georgia Southern University

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Submitted by Kathleen Comerford

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Question: Why are faculty paid at the end of every month except May and December, when they are paid at the beginning? And why can faculty not elect a 12-paycheck schedule instead of a 10- paycheck schedule?

Rationale: Now that HR has begun direct deposit of almost all funds to faculty--Flex spending refunds, travel expenditure refunds, and paychecks--the schedule of paychecks for faculty related to the last working day of the month no longer makes sense. Can it be changed to the same time of month every month? This would make much more sense and would certainly make life easier for faculty. Administrators are paid on this schedule, after all.

As for the 12-paycheck schedule, why is this not an option? Many colleges and universities around the country have this setup.

Response: 11/19/2009 update. Periodically, the question of allowing us to be paid over 12 months rears its head. If you look below, it seems that due to IRS regulation changes (and TRS retirement calculations for those in that system), this is no longer a viable option.

--Pat

----- Original Message -----
From: Adrian Childs
To: usgfc@list.gcsu.edu
Sent: Thursday, November 19, 2009 9:13 AM Subject: Re: Question concerning pay periods

We had this for one year (2007-08) at UGA, but it was rescinded when IRS regulations changed and problems with TRS were discovered. I've copied below the message that was distributed at the time the program was rescinded.

....Adrian

November 13 , 2007

What is changing?

University faculty members with 9-month appointments previously had the option of receiving 10 monthly paychecks (August through May) or 12 monthly paychecks (one each month). This option will no longer be available for nine-month employees who will now receive 10 paychecks (August through May). Of course, these employees may also be paid a summer salary if funding is available.

Why isn’t the 12-month pay choice continuing for 9-month contract faculty?

The 12-payment choice is being eliminated for two reasons. First, new tax legislation governing deferred compensation will take effect in 2008 and it contains provisions that can potentially create severe tax penalties for UGA faculty electing the 12-month pay option.

Second, Teachers Retirement System (TRS) faculty members who retired during the year they were paid on the 12-month plan were extremely adversely affected in their retirement income.

Need more details? Tax regulations:

The new tax regulations require that an election by a faculty member to defer his/her income is irrevocable and cannot be changed once the contract period begins. If faculty do not make the election prior to the contract start date or if, for some reason, they need to change the 12-month payment election during the course of the contract period, that faculty member will incur a 20% income tax penalty. This tax penalty is most significant in the case of the TRS faculty member who sets a retirement date in a year in which he/she elected the 12-month payment option. If a modification is made to return the faculty member to a 9- month payment election in order to reduce the negative impact of the 12-month payment option on their retirement benefits, the 12-month election has been revoked and per IRS regulations the 20 percent tax penalty applies.

TRS retirement issue:

The TRS formula for calculating retirement benefits uses a person’s monthly payroll payments, which are reduced with the 12-month plan. Additionally, a person opting for the 12-month plan who retires at the end of an academic year (in May) has two more months of paychecks coming (June and July). TRS will not begin that person’s retirement benefits until those monthly pay checks have ended, so the faculty member’s retirement benefits would be delayed for two months.

This delay results in those two months of benefits being lost forever to the retiree.

When does this change take effect?

Faculty members who have selected the 12-month option for the current academic year (August 2007-May 2008) will remain on the 12-month pay plan through July 2008. These faculty members will then begin receiving 10 monthly payments effective August 2008.

Does this change impact all faculty members electing the 12-month option, or just those who are members of TRS?

This change will impact all faculty members electing the 12-month option. The University will no longer offer the 12-month option for faculty members with a 9-month appointment. All faculty members are impacted because of the significant tax penalty associated with the new tax legislation regarding deferred compensation described above.

The University of Tennessee, for example, offers faculty members 12 monthly payroll checks, so why can’t the University of Georgia make the same offer?

The University of Tennessee does not allow faculty members a choice. At UT, all faculty members are paid over a period of 12 months for their 9-month appointments. The option of being able to choose to defer income to the summer months triggers the requirement for compliance with new tax regulations on deferred income and could result in a tax penalty to faculty members, so UGA removed the option to ensure that faculty members would not be negatively impacted by the new regulation. How will this impact my benefits deductions for the summer months?

Faculty paid on 9-month contracts (10 monthly checks) will have triple deductions for health, dental, life, AD&D, and LTD coverage (if applicable) taken from their May paychecks, to cover the June and July premiums.

What can I do to address this problem? I need funds during the summer months to pay my bills.

At least two options exist that can help you to prepare for the summer months. The University has an established payroll deduction option that will allow you to have funds deducted from your paycheck each month during the academic year (August through May), and deposited into a personal interest bearing account at the Georgia Federal Credit Union (GFCU). GFCU is a nonprofit institution that exists to assist employees with their financial needs. They have agreed to work with interested faculty members to determine the amount of the deduction they will need in order to ensure they have sufficient funds in the summer to meet their obligations. As another option, faculty members may contact their personal banks and inquire about establishing automatic monthly transfers from their existing accounts to special savings accounts for the purpose of accumulating funds for the summer.

I would like to establish a payroll deduction to fund an account at Georgia Federal Credit Union. How do I start?

You should contact an account representative at (888) 493-4328 or uga@gfcuonline.org at the GFCU to establish your account and create the payroll deduction. The phone extension for the UGA Branch is 1700 and the Athens Branch is 1400. Both of these offices are prepared to assist you. The Credit Union will transmit the deduction information to the University's Payroll Department and amounts will be deducted and transmitted per your instructions. You may change your deduction at any time by notifying the Credit Union directly. The Credit Union personnel are happy to meet personally with UGA faculty and staff to assist in establishing the payroll deduction. You may begin this deduction at any time.

I feel like I am losing a benefit that I previously enjoyed.

Are there any benefits to me as a result of this change?

If you choose to establish a payroll deduction and fund an account in your name to meet your summer needs:

1. YOU get the interest earned on the money you put aside for the summer months. With the previous 12-month pay method, you were not only deferring receipt of your earned compensation by two months, you received no interest on the deferred monies.

2. You may change the deductions as necessary during the year. With the previous 12-month pay method, the pay plan was in effect the entire academic year, with no changes possible.

3. You also avoid potential significant tax penalties that exist with the new tax regulation, and if you are a member of the Teachers Retirement System, you will avoid a substantial reduction in your retirement benefits that results from the 12-month election.

On Nov 19, 2009, at 8:59 AM, Robert Lightfoot wrote:

Hello: My faculty was wondering if any of the other groups on the board allowed 12-month pay- outs for 10-month employees, and how they were handled. I know with the recent ADP problems this may be a moot question, but any input would be appreciated.

Thanks

Dr. Robert C. Lightfoot

Division of Sciences Sociology and Criminal Justice

Waycross College

2001 South Georgia Parkway,

Waycross, GA, 31503

Telephone: (912) 449-7573

Adrian P. Childs, Ph.D.

Associate Professor and Chair, Composition and Theory Director, Contemporary Chamber Ensemble

Hugh Hodgson School of Music

University of Georgia http://www.music.uga.edu/

Mail: 250 River Road * Athens, GA 30602-7287 Phone: (706) 542-2765 [office] * (706) 542-2773 [fax] Email: apchilds@uga.edu * apchilds@alum.mit.edu * apchilds@alumni.uchicago.edu

The following comes from Joe Franklin, VP for Business and Finance. It should be noted that the current practice of paying faculty over 10 months began with the change to semesters in 1998. Also, while the majority have pay directly deposited, there are still some who receive a paper check.--pbh

Faculty are paid at the middle of the month of December because the University closes down before the end of the month. It is also thought that receipt of the paychecks prior to the holiday season is advantageous. Faculty are paid at the beginning of May because many faculty depart for the summer and wish to be paid before their departure.

Paying faculty over ten months rather than twelve is a practice and not a policy. There is no policy that prevents this. There are several reasons why the current practice is followed, which are listed below:

1. Georgia Southern payroll software and processes originate with PeopleSoft HRMS Software. This software is managed by the University System of Georgia's (USG) Office of Instructional and Information Technology (OIIT). The model for all schools on this software is for faculty to be paid over ten months. To change this practice would require a change in the model for all schools.

2. Faculty are on a ten month contract and to some degree, it makes sense to be paid over the period of the contract.

3. To pay faculty over twelve months, would mean that the University would withhold 1/6th of the faculty earnings for eleven months of the year. This could be

very advantageous to the University in that it could invest those funds and earn considerable interest on them. However, that would come at a cost to the faculty who could take those same funds and invest them and earn the interest for themselves. There are many faculty members who would strongly object to the University withholding 1/6th of their paycheck in order to spread it over twelve months.

Several schools have inquired into a twelve month pay schedule for faculty. This will be a subject for discussion at a future Chief Business Officers meeting.