Calculating Compensatory Time Cash-Out Payments for Terminating Employees

What is this procedure for?

This procedure is used to determine whether the system-calculated regular rate or the average regular rate should be used to calculate a terminating employee's comp time payment.

Who is this procedure for?

This procedure is for all agencies processing compensatory time payments at termination in HRMS. The user should be familiar with running payroll simulations (PC00_M10_CALC_SIMU), Wage Type Reporter (PC00_M99_CWTR), and retrieving report variants. Assistance is available by contacting the DES Service Center or OFM Statewide Accounting (see contact information at end of document.)

When should we use this procedure?

This procedure should **only** be used when processing compensatory time payments for terminated overtime-eligible employees. This procedure should *not* be used when processing annual or biennial compensatory time payments required under collective bargaining agreement, agency policy, or statute.

Why are we doing it this way?

Federal wage and hour rules require government employers calculating value of compensatory time payments to terminating employees to use as the hourly rate the higher of:

- · the Fair Labor Standards Act (FLSA) regular rate of pay for the last period compensated
- · the average FLSA regular rate for the last three years.

See State Administrative and Accounting Manual (SAAM) 25.30.50 for details.

How do we execute this procedure?

- ü **Are you using HRMS?**
  No: **STOP!** Do not use this procedure. Contact OFM (see below) for guidance.
  Yes: Move on.

- ü **Are you paying exchange time or any leave type other than compensatory time?**
  Yes: **STOP!** Only pay Compensatory Time with this procedure.
  No: Move on.

- ü **Is the employee you are compensating a terminated/terminating employee?**
  No: **STOP!** Do not use this procedure. Cash out using the HRMS Procedure **Quota - Time Quota Compensation (Buyout)**.
  Yes: Move to Step 1.

1. Determine the employee's FLSA Regular Rate of Pay for the current pay period.

   Overview: Use payroll simulation to find the system-calculated FLSA Regular Rate for the final pay period.

   a. Ensure all time and attendance information has been entered and transported for your employee, and that payroll is "ready to run."

   b. Run a payroll simulation for the employee for the final pay period using SAP Transaction **PC00_M10_CALC_SIMU**. See the DOP Payroll Simulation procedure for detailed instructions.

c.   In the log tree, find the entry for Wage Type **/R00 Regular Rate**, and note the first value. This is the employee's FLSA Regular Rate of Pay for the final pay period (see Fig. 1.)

```
*  /706 RE ER Medic  01                                    1,668.00
*  /710 RE ER Unemp  02                                    1,729.50
*  /732 RE ER Accid  02                                    1,729.50
*  /733 RE ER Medic  02                                    1,729.50
*  /734 RE ER Suplm  02                                    1,729.50
*  /742 RE EE Suplm  02                                    1,729.50
*  /743 RE EE Medic  02                                    1,729.50
*  /851 Actual hrs.01                            80.00
*  /R00 Regular Rat                      21.62   80.00     1,729.50
*  2266 P2 PERS 2  01          B 03                           67.45-
*  2366 P2 ER Pers             B 03                           91.84
*  2531 Uniform Pre01          B 02                           61.50-
*  2550 Health - ER            B 02                          372.50
```

Figure 1. Current Regular Rate of Pay

2.   Determine the employee's average FLSA Regular Rate of Pay for the last three years.

Overview: Run two instances of Wage Type Reporter over a period of three years, one to find total regular compensation, and the second to find total compensated hours. Divide compensation by hours to find average regular rate.

a.   Find total Regular Compensation:

i.   Execute Transaction **PC00_M99_CWTR** Wage Type Reporter.

ii.   Click "Get Variant" button [icon] in toolbar

iii.   Clear out "Created by" field if it contains the user's Personnel Number.

iv.   Enter "SWV COMP SALRY" in the "Variant" Field. Click "Copy" [icon] button (See Fig. 2.)

```
Find Variant                                        ⊠

Variant              SWV COMP SALRY        ⇨
Environment                                ⇨
Created by                                 ⇨
Changed by                                 ⇨
Original language                          ⇨

⊕  ✖
```
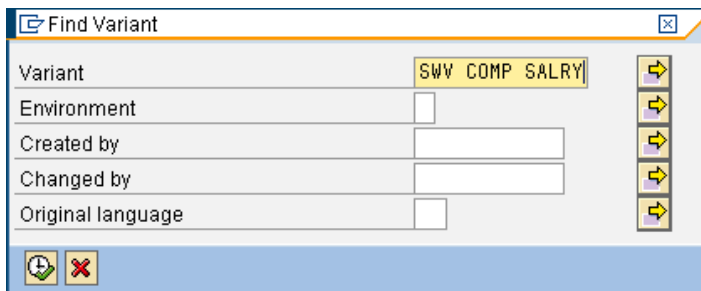
Figure 2. SWV COMP SALRY Report Variant

v.   Enter the employee's Personnel Number and the three year period ending on the last day of the last period on which the employee will be paid. Change no other data (see Fig. 3,4).

Wage Type Reporter

Figure 3. Personnel Number

Figure 4. Date Range

vi.   Click the "Execute" button.

vii. When results are displayed, scroll to bottom of report. Note total Regular Compensation (see Fig. 5).

Reporter

ne First name	PA	For-pe...	Pmt date	WT	Σ	Amount
I, GEOFFREY	3101	201001	01/11/2010	9100		0.00
I, GEOFFREY	3101	201002	01/25/2010	9100		0.00
I, GEOFFREY	3101	201003	02/10/2010	9100		0.00
I, GEOFFREY	3101	201004	02/25/2010	9100		0.00
I, GEOFFREY	3101	201005	03/10/2010	9100		0.00
I, GEOFFREY	3101	201006	03/25/2010	9100		0.00
I, GEOFFREY	3101	201007	04/09/2010	9100		0.00
					▪	135,968.99

Figure 5. Total Regular Compensation

b.   Find total Compensated Hours:

i.   Use exact same process for Compensation, except use variant "SWV COMP HRS" in the "Variant" field in step a.iv. above.

ii. Note total compensated hours (see Fig. 6).

Figure 6. Total Compensated Hours

      c. Divide Total Regular Compensation by Total Compensated Hours to find the Average Regular Rate. In this example, \$135,968.99 / 6,349.00 hrs = \$21.42/hr.

3. Compare the Current Regular Rate of Pay with the Average Regular Rate.

4. Which is higher?

      a. Current Regular Rate is higher: Pay Compensatory Time as normal. Follow HRMS Procedure Quota - Time Quota Compensation (Buyout) for Compensatory Time.

      b. Average Regular Rate is higher:

          i. Follow HRMS Procedure Quota - Time Quota Compensation (Buyout) for Compensatory Time.

         ii. Calculate the difference in the Current Regular Rate and higher Average Regular Rate (e.g. if Current Regular Rate = \$21.50 and higher Average Regular Rate = \$22.00 difference is \$0.50/hr.)

        iii. Multiply difference between rates by number of Compensatory Time hours compensated in i. to find additional payment amount. (e.g., if difference is \$0.50/hr and we're compensating 125 hours, additional payment would be \$62.50)

        iv. Create a one-time payment in IT0015 Additional Payments using **WT 1056 – Adjustment to Gross-All** for the difference in rate that will not be paid out through the Time Quota Compensation.

You have now completed this procedure.

Questions?

For questions on HRMS system processing and reports, contact:

      DGU Service Center (360) 664-6400 or Service.Center@dop.wa.gov.

For questions on SAAM policies or procedures or on special situations, please contact OFM Statewide Accounting:

      Steve Nielson (360) 725-0225 or steve.nielson@ofm.wa.gov