

Payroll and Related Personnel Issues



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Leadership, Service & Support in Education

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Materials



Can be found at:

<https://www.msbo.org/msbo-certification-class-materials/>

Today's Overview



- ✓ **Employee or Independent Contractor?**
- ✓ **Wage and Hour Laws**
- ✓ **Collective Bargaining Agreement Administration**
- ✓ **Teacher Pay Options**
- ✓ **Employee Benefit Plans**
- ✓ **Administering 403(b) & 457 Plans**
- ✓ **Processing New Employees**
- ✓ **Pay for Employee Leaves**

Today's Overview



- ✓ **Communicating with Employees**
- ✓ **Working with the Personnel Office**
- ✓ **Staffing the Payroll Office**
- ✓ **Scheduling Issues**
- ✓ **Payroll Oversight Responsibilities**
- ✓ **Internal Controls Over Payroll**
- ✓ **REP and FID Reporting**
- ✓ **Payroll Processing Trends**
- ✓ **Wages, Taxes, and Withholding**

Today's Overview



- ✓ **Payments and Reporting**
- ✓ **MPERS Issues**
- ✓ **Year End Reporting**
- ✓ **Payroll Records Retention**
- ✓ **Additional Resources**
- ✓ **Parting Thoughts**

Employee or Independent Contractor?



- ✓ In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered.
- ✓ **Behavioral Control**
 - Does the district have a right to direct or control how the work is done through instructions?
 - When, where, and how work is done?
 - Does the district provide training?

Employee or Independent Contractor?



✓ Financial Control

- Does the district have a right to direct or control the financial and business aspects of the worker's job?
- The extent of whether the worker has unreimbursed business expenses
- The extent of the worker's investment in facilities/equipment used in performing services
- The extent of which the worker makes his/her services available in the marketplace
- How the worker is paid
- The extent to which the worker can realize a profit or loss

Employee or Independent Contractor?



✓ Type of Relationship

- How do the parties perceive their relationship?
- Written contract describing the parties' relationship?
- Fringe benefits provided?
- The extent to which the worker is available to perform services for other districts?
- The permanency of the relationship
- Are the worker's services a key aspect of regular business of the district?

Employee or Independent Contractor?



- ✓ **Employee wages reported on W-2**
- ✓ **Independent contractors**
 - W-9 Request for Taxpayer Identification Number should be kept on file
 - Report to IRS on 1099-NEC or 1099-MISC and 1096 if payments during calendar year are greater than or equal to \$600
- ✓ **Watch for employees doing separate independent contractor work**

Employee or Independent Contractor?



✓ There is not always an easy answer.

✓ What can you do?

- Can file Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- Refer to IRS Publication 1779, Independent Contractor or Employee?
- <https://www.irs.gov/pub/irs-pdf/p1779.pdf>

Wage and Hour Laws



- ✓ **Fair Labor Standards Act - federal wage and hour law**
- ✓ **Michigan wage and hour law**
- ✓ **Current Michigan minimum wage**
 - \$10.10/hour as of January 1, 2023
 - Scheduled to increase to \$10.33 on January 1, 2024.
 - Scheduled to increase each subsequent January 1 until it reaches \$12.05 in 2031, unless the state unemployment exceeds 8.5% for the calendar year preceding the increase – MINIMUM WAGE RULES MAY CHANGE – CURRENTLY IN APPEALS.
- ✓ **Employees exempt from wage and hour laws (there are proposed changes to raise the standard salary level from \$23,660 or \$455 per week; to \$55,068 or \$1,059 per week and also increased highly compensated employee threshold from \$100k to \$143,988, but unlikely to be finalized soon):**
 - Executive
 - Administrative
 - Professional
 - Outside Sales
 - Computer Employees (Technical)

Wage and Hour Laws



- ✓ **The Paid Medical Leave Act– passed December 13, 2018 (IN APPEALS CURRENTLY)**
 - Effective March 29, 2019
 - Applicable for employers of 50 or more individuals
 - Not applicable to all employees. 12 categories of employees not eligible (temporary, seasonal, part time workers working less than 25 average hours per week, etc)
 - Accrue 1 hour of paid medical leave for every 35 hours worked, but no more than 1 hour per calendar week
 - Can provide 40 hours of leave at the beginning of the year as an alternative
 - Employers can limit the accrual and use to 40 hours in a benefit year
 - Paid leave begins accruing when the act is effective, however new employees can be required to wait 90 days after employment to use the accrued time.
 - Must display a poster that has the information and terms relating to this act.
 - **THIS IS SUBJECT TO CHANGE – MAY REQUIRE ALL EMPLOYERS TO OFFER UP TO 15 WEEKS OF LEAVE**
 - [Michigan Chamber article with details](#)
 - [Change Comparison](#)
 - https://mimfg.org/Portals/0/Documents/GA/ewp_fmla-comparison-chart-091923.pdf

Wage and Hour Laws



Exempt employees:

✓ Executive duties

- Primary duty is management of a department or subdivision and directs the work of two or more employees

✓ Administrative duties

- Primary duty is management or general business operations and uses discretion and independent judgment

Wage and Hour Laws



Exempt employees:

✓ Learned professional duties

- Primary duty requires advanced knowledge in a field of science or learning

✓ Creative professional duties

- Primary duty involving invention, imagination, originality or talent in a recognized field of artistic or creative endeavor

Wage and Hour Laws



✓ Automatically exempt employees:

- Teachers
- Doctors
- Lawyers
- Certain computer-related occupations

[Fact Sheet #17A: Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees Under the Fair Labor Standards Act \(FLSA\)](#)

Wage and Hour Laws



- ✓ **Employers must pay overtime compensation at a rate of time-and-one-half for hours worked over 40 per week by non-exempt (hourly) employees**
- ✓ **Wage and hour laws do not mandate:**
 - Overtime pay for hours worked > 8 per day
 - Frequency or duration of breaks or lunch periods
 - Vacation, holiday, sick day, personal day, longevity, or severance pay
 - Pay raises and fringe benefits
 - These items are contractual or local district decisions
- ✓ **Pay overtime at blended rate for employees working at multiple pay rates**

Wage and Hour Laws



Blended Overtime Example:

Joe the bus driver drove his regular bus runs for 35 hours one week at his regular driving rate of \$15.00 per hour. He also drove field trips totaling 10 hours at the \$10.50 per hour trip rate in the same week. Compute Joe's regular pay and overtime pay for the week.

Driver Pay	35 hours @ \$15.00/hour	\$525.00
Trip Pay	<u>10</u> hours @ \$10.50/hour	<u>\$105.00</u>
	45 hours	\$630.00
Overtime	5 hours @ \$7.00/hour (*)	\$ <u>35.00</u>
TOTAL GROSS PAY		<u>\$665.00</u>

(*) Blended O/T Rate = $\$630.00 / 45 \text{ hours} = \$14.00 \times 0.50 = \$7.00$

Wage and Hour Laws



- ✓ Hours worked by non-exempt employees over 40 in a week that are occasional or sporadic may be exempt from overtime, if:
 - The extra work falls in a different occupational category from the employee's regular work
 - The employee's decision to work in a different capacity is made freely without coercion and without retribution by employer
 - *Occasional or sporadic* means infrequent, irregular, or occurring in scattered instances

Wage and Hour Laws



- ✓ **Employers must maintain records of actual hours worked for all non-exempt (hourly) employees.**
 - All hours worked must be complete and accurate, including overtime hours
 - Time records should be signed by employees.
 - Employees cannot “donate” time or volunteer to work additional hours
 - This extra time worked must be recorded on time records
 - Time clock systems automated with HR software

Wage and Hour Laws



- ✓ **Non-exempt (hourly) employees must work only their scheduled working hours. Watch for:**
 - Working through lunch hours
 - Working before or after scheduled work hours without prior approval
 - Employees taking work home without prior approval
 - There are times when an employee may be required to come in early or stay late, depending on unforeseen circumstances. This should be worked out with supervisors in advance.
- ✓ **Overtime hours should be approved by employee's supervisor in advance.**

Wage and Hour Laws



✓ Other Issues

- Compensatory time programs must be written documents according to wage and hour laws.
- Flex time programs may prove useful.
- Overtime hierarchy provisions in union contracts cannot “trump” wage and hour laws.

✓ Are you monitoring compliance?

✓ Are you paying blended overtime rates?

✓ Are you running game help work performed by employees through payroll?

Wage and Hour Laws



✓ Enforcement

- Wage and Hour Division of the State of Michigan's Department of Licensing and Regulatory Affairs oversees Michigan Wage and Hour Laws
- Random audits are done by State wage and hour staff.
- Employee complaints ARE investigated by the State.
- These complaints can be very time consuming.
- Class action complaints have been filed by employee groups.
- If complainants prevail, back pay can be required of employers for current year plus two prior years.

Collective Bargaining Agreement Administration



✓ Busy Year Repealing Legislation

- PA 113 of 2023 (HB 4044) – Repealed PA 54 of 2011 which mandated:
 - Step freezes when contracts expire
 - Employees paying all health insurance cost increases when contracts expire
 - Prohibition on retroactive pay and benefits when a contract is settled
- PA 114 of 2023 (HB 4233) – Repeals the prohibition on districts collecting union dues

These bills were not given immediate effect, meaning they take effect February 13, 2024

Collective Bargaining Agreement Administration



✓ Busy Year Repealing Legislation

- PA 115 of 2023* (HB 4354) – Repeals prohibitions against certain subjects being included in a collective bargaining agreements:
 - decisions about a public school employer's performance evaluation system
 - decisions made by a public school employer regarding teacher placement
- PA 143 of 2023* (HB 4356) – Repeals the prohibition on bargaining whether to contract non-instructional services.
- PA 147 of 2023 (HB 5021) - changes the default retirement option to Pension Plus 2 for employees who first work on or after July 1, 2024 ([ORS Summary](#))

* - These bills were not given immediate effect, meaning they take effect February 13, 2024

Collective Bargaining Agreement Administration



✓ Teachers, Administrators, and other Salaried Employees

- Teacher Schedule A salary – how many days work does this represent? Break down into daily and hourly pay rates.
- Teacher Schedule B extra duty pay.
- 21 or 26 pay options
- Severance pay issues – maximum payout amounts, minimum years of service for eligibility
- Early retirement incentive payments
- Watch for special pay arrangements in Superintendent's contract

Collective Bargaining Agreement Administration



- ✓ Other contractual pay rates for teachers – PD, driver education, summer curriculum pay, pay for working during planning periods, etc.
- ✓ Hourly employee contracts usually have unique language with payroll implications.
 - Secretaries, Custodians, Paraprofessionals/Aides, Bus Drivers, Cooks, Playground Supervisors/Monitors
- ✓ How is longevity pay handled?
- ✓ Overtime for work more than 8 hours/day or 40 hours/week?
- ✓ Are bus drivers paid by the run or by the hour?

Collective Bargaining Agreement Administration



- ✓ **Contract settlement timelines – Give your payroll person time to do adjustments.**
- ✓ **At the table, identify and communicate issues that create practical problems for payroll person.**
 - Know your payroll person's concerns before bargaining!
 - The contract implementation materially affects the payroll person's job most of the time!
- ✓ **Bargain with processing issues in mind.**
- ✓ **Know the contract.**
- ✓ **Follow the contract.**
- ✓ **Be consistent.**

Employee Benefit Plans



- ✓ **HIPAA compliance – annual notification to employees during open enrollment when employer sponsors a group health plan**
- ✓ **Medicare Part D compliance – annual notifications by October 15 of each year for any that provide prescription drug coverage to Medicare eligible employees**
- ✓ **Flexible Spending Accounts in Section 125 Plans**
 - Dependent Care Expenses
 - Medical Reimbursement Accounts
- ✓ **403(b) and 457 Plans**
- ✓ **Make sure your payroll person knows how these issues affect payroll**

Administering 403(b) & 457 Plans



✓ 403(b) rules require a written plan document

- Plan document must contain all terms and conditions for eligibility, limitations, and benefits.
- Vendor agreements need to be in place.
- One plan document must govern all vendors offering funds under the plan – new rules do not allow for separate plans for each vendor.
- Sample plan documents are available from IRS.

Administering 403(b) & 457 Plans



- ✓ **All eligible employees must be allowed to participate in district 403(b) program**
 - Part-time employees working 20 hours/week generally.
 - Meaningful notification to eligible employees must be provided to demonstrate universal availability of plan participation. Must be done at least once per year.
- ✓ **403(b) plan administration is required to be monitored by employer or designated party.**
 - Contributions
 - Plan Loans
 - Withdrawals
 - Hardship Distributions
 - Transfers

Administering 403(b) & 457 Plans



- ✓ **Tax-free contract exchanges (transfer) of 403(b) assets only allowed if plan document allows**
 - Inside vendor pool
 - Outside the vendor pool you must have an information sharing agreement in place
- ✓ **Consider utilizing a third-party administrator to handle plan administration functions.**

Administering 403(b) & 457 Plans



- ✓ **Agreements with vendors spell out which party will perform each function of plan administration.**
- ✓ **457 Deferred Compensation Plans**
 - Plans can be discriminatory for certain employee groups
 - Plan assets held in trusts - Annuity and custodial accounts can meet the trust requirement
 - Distributions from plan can be done earlier than 59^{1/2}, unlike 403(b), based on qualifying event
 - Eligible 457 plan salary reduction limits are on the same schedule as 403(b) plan

Administering 403(b) & 457 Plans



- ✓ **Limits on employee elective deferrals**
 - 2023 - \$22,500 plus applicable catch-up amounts
 - 2024 - \$23,000 plus applicable catch-up amounts
- ✓ **Catch-up contribution limitations**
 - 2023 - \$7,500
 - 2024 - \$7,500
- ✓ **Limitation on total contributions (employee and employer)**
 - 2023 - \$66,000 (\$73,500 including catch-up)
 - 2023 - \$69,000 (\$76,500 including catch-up)
- ✓ **These are calendar year limits**

Administering 403(b) & 457 Plans



✓ Common problems:

- Incorrect deferral computations provided by annuity providers
- Failure to identify and report defaulted loans
- Failure to satisfy the requirements for hardship distributions
- Loans across multiple annuity programs that exceed federal loan limits
- High turnover of annuity provider representatives

Processing New Employees



- ✓ **INS I-9 Employment Eligibility Verification Form**
 - Must retain for a minimum of 3 years after date of hire or one year after termination of employment, whichever is later
- ✓ **State of Michigan New Hire Online Reporting**
(<http://mi-newhire.com/MI-Newhire/default.aspx>)
- ✓ **Federal Form W-4 Employee's Withholding Allowance Certificate** (www.irs.gov) (new form in 2018)
- ✓ **Michigan Form W-4 Employee's Withholding Allowance Certificate**
(http://www.michigan.gov/documents/taxes/MI-W4_370050_7.pdf)
- ✓ **Local Withholding Allowance Certificate** (if applicable)

Processing New Employees



- ✓ **MPERS Beneficiary Nomination Form R315C**
 - Must elect online through miAccount
- ✓ **MPERS Tax Deferred Payment Forms (if applicable)**
- ✓ **Criminal Background Checks**
 - Fingerprinting for all new employees on Michigan State Police & FBI databases
 - Prohibits persons convicted of certain listed offenses from working in the school district.
 - Employees should NOT be on the job or be paid until fingerprinting has been completed.

Processing New Employees



- ✓ **Personnel Transaction Form (goes by many names):**
 - Documents all pertinent information for employee
 - Pay rate
 - Work hours
 - Start/end dates
 - Leave accrual computations
 - General ledger account numbers
 - Documents fingerprinting date
 - REP Assignment codes

Processing New Employees



✓ Personnel Transaction Form:

- Documents supervisor and personnel office approval
- Use for all employees
 - Regular positions, seasonal help, coaches, substitutes, etc.
- Use for any employee changes
 - Position changes, work hours, new hires, terminations, long-term suspensions, long-term leaves, etc.
- Copies for personnel file, payroll file, employee, supervisor
- <https://www.msbo.org/msbo-online-library-human-resources>
 - Payroll Section - New Employee Checklists I, II, III & IV, New Employee Date Sheet & New Hire Pay Form

Processing New Employees



PERSONNEL TRANSACTION FORM

INSTRUCTIONS: SUPERVISOR, COMPLETE TOP HALF OF FORM AND FAX TO ADMINISTRATION OFFICE IMMEDIATELY.

Employee ID #

EMPLOYEE NAME: _____ JOB TITLE: _____

BUILDING ASSIGNMENT: _____ GRADE: _____

SCHEDULED START DATE: _____ SCHEDULED END DATE (This school year.): _____

HRS PER DAY: _____ HOURLY RATE: _____
(For Non Salaried Employees Only)

THIS EMPLOYEE WILL BE SCHEDULED TO WORK: (CHECK ALL THAT APPLY.)

- ☐ All Student Days
- ☐ All Teacher Days
- ☐ Other (Please specify): _____

EDUCATIONAL SETTING (If appropriate)

- ☐ Alternative Education (AltEd)
- ☐ Special Education (SpEd)
- ☐ Early Childhood and Parenting Programs (ECPD)
- ☐ Career/Tech Education (CT)
- ☐ Administrative or Support Staff (All levels) (Admin)

- New Employee ☐
- New Employee (Substitute) ☐
- Current Employee (taking a different position) ☐
- Current Employee (taking an additional position) ☐
- Pay Rate Change ☐
- Temporary Employee ☐
- Termination ☐
- Specify Reason for Termination/Give Date _____

Processing New Employees



NOTES AND OTHER INFORMATION

SUPERVISOR'S SIGNATURE

DATE

PERSONNEL OFFICE SIGNATURE

DATE

CENTRAL OFFICE USE ONLY

BUDGET # _____

APPROXIMATE SALARY _____

REP ASSIGNMENT CODE _____

(Include Degree/Step for Teachers, Supervisors, Administrators)

BENEFITS AND/OR FRINGES

FINGERPRINT DATE _____

PAID LEAVE PROVISIONS:

NUMBER OF DAYS ALLOTTED HOURS ALLOTTED

SICK: _____

PERSONAL: _____

BEREAVEMENT: _____

VACATION: _____

UNION AFFILIATION: (Circle one)

EA ESA MESPA NON-AFFILIATED

Copies to: Personnel Office
Payroll Office
Employee
Board Personnel Report

INSURANCE PROVISIONS:

CIRCLE "Y" FOR YES AND "N" FOR NO

HEALTH: Y N

DENTAL: Y N

VISION: Y N

LTD: Y N

LIFE: Y N

CASH OPTION: Y N

Supervisor (if appropriate)
Union Treasurer (if appropriate)
Technology Office

Processing New Employees



✓ Social Security Number Privacy Act

- Must have a privacy policy for Social Security numbers.
- Policy should be published in employee handbook, procedural manual or similar document.
- Must limit access to documents with Social Security numbers.
- Employment applications, I-9 Forms, Paychecks, payroll records, and personnel files should be locked and have limited access.
- Cannot show more than four digits of SS# on paychecks (XXX-XX-1234).
- Knowingly violating the Act can result in up to 93 days imprisonment and/or \$1,000 fine.
- www.michigan.gov/documents/Social_Security_Number_Privacy_Act_118553_7.pdf

Pay for Employee Leaves



✓ **Communication and coordination with Personnel Office is key on administering leaves for:**

- FMLA
- Worker Compensation
- Long-term disability
- Bereavement
- Sick leave and Sick Banks
- Personal leave

Communicating with Employees



✓ What to do?

- Ensure that all new employees understand deductions, pay cycles, timing, etc.
- Publish your payroll dates for the year and the periods they cover (put on webpage).
- Periodic reminders to staff regarding payroll issues.
- Consider having a staff technology page developed on the district website.
- Communicate!

Communicating with Employees



- ✓ **What can be done to help employees understand the “hidden” costs they don’t see in their paycheck?**
 - Do you provide annual total compensation statements to employees?
 - Check your master agreements for contractual requirements.
 - Do unions publish dues schedules for their members?
 - Provide employer contributions on pay stubs.
 - Health/Life/LTD insurance premiums
 - Dental/vision insurance premiums
 - Employer FICA Contribution
 - Employer MPERS Contribution

Communicating with Employees



✓ New hires

- All required withholdings
- All optional withholdings
- Eligibility dates (including open enrollment) for all benefits

✓ Annual updates

- Timing of changes to optional withholdings
- Changes to withholding amounts for all withholdings

Working with the Personnel Office



- ✓ **Personnel office should handle:**
 - Tracking FMLA leaves
 - Sick leaves and sick bank administration
 - Worker compensation
 - Other employee leaves
 - Employee benefits administration
 - Fingerprinting
 - New hire paperwork
 - Termination
 - Employee discipline
 - Unemployment
 - All these areas affect payroll!

Working with the Personnel Office



- ✓ **There are lots and lots of overlapping issues between personnel and payroll**
 - Must have a clearly defined job responsibilities for all
 - Know who does what and when
 - Must have effective processes in place for smooth exchange of information
 - Pay attention to the interaction between the key players – they have to work together!

Working with the Personnel Office



✓ REP Reporting

- Know who updates what in HR software for good REP data
- Basic employee data
- Credentials
- Building codes
- Assignment codes
- Grade codes
- Pay rates
- Function codes
- FTE's
- Garbage in = Garbage out

Staffing the Payroll Office



- ✓ **What can be done to make sure you have the right person in the job?**
 - Have candidates share specific past work experience
 - Test their skills
 - Do thorough background checks, including previous employers
 - Try to talk with references not listed
 - Credit checks

Staffing the Payroll Office



✓ Testing candidates

- Various package software applications that can be purchased to test employees
- These can test for analytical and technical skills
- Test basic computer skills – spreadsheets, databases, word documents
- Test basic typing skills
- Be sure you know skill levels *before* you hire!

Staffing the Payroll Office



✓ Outsourcing Payroll

- Many ISD's or districts provide services through shared service agreements with other districts
- Related issues:
 - Logistics issues
 - Coordination of submitting payroll information (timesheets, pay rate changes, etc.)
 - Timing of the process and data processing
 - Access to employee personal data (SS#, etc.)
 - Each district's situation is different
 - District size is a key factor
 - Paperless timekeeping makes easier

Staffing the Payroll Office



- ✓ **Accuracy is critical**
 - Is 99.9% good enough?
 - How do you correct that error?
 - Payroll, FICA, and Retirement costs account for 70-80% of the school district's annual operating budget
- ✓ **Don't underestimate – they know stuff**
- ✓ **Hands on knowledge of software capabilities**
- ✓ **Most likely to remember who/when**
- ✓ **Accurate and timely filing is essential for quick retrieval of information**

Staffing the Payroll Office



✓ What can be done to help the payroll person?

- Listen to their ideas and suggestions
- Payroll procedure manual
 - Documents payroll processing procedures
 - Must be kept current
 - Specifies what to do each payroll period, monthly, quarterly, and at year-end
- Cross training of staff is important for back-up
- Allow them professional development opportunities
- Encourage attendance at payroll or software users group meetings
- Acknowledge their contribution to your district.
- Payroll staff usually only hear about problems.

Staffing the Payroll Office



✓ What is your back up plan?

- Do you have appropriate cross training within the business office?
- How do you handle vacations?
- What happens if the payroll person goes on sick leave?
- Are payroll processing procedures documented?
- Someone else needs to know how to process payroll for your district
- You may be the back up plan!

Staffing the Payroll Office



Standard Federal Reserve Bank Holidays

Holiday	2023	2024	2025	2026	2027
New Year's Day	January 1**	January 1	January 1	January 1	January 1
Martin Luther King Jr. Day	January 16	January 15	January 20	January 19	January 18
Washington's Birthday (Presidents Day)	February 20	February 19	February 17	February 16	February 15
Memorial Day	May 29	May 27	May 26	May 25	May 31
Juneteenth National Independence Day	June 19	June 19	June 19	June 19	June 19*
Independence Day	July 4	July 4	July 4	July 4*	July 4**
Labor Day	September 4	September 2	September 1	September 7	September 6
Columbus Day	October 9	October 14	October 13	October 12	October 11
Veterans Day	November 11*	November 11	November 11	November 11	November 11
Thanksgiving Day	November 23	November 28	November 27	November 26	November 25
Christmas Day	December 25	December 25	December 25	December 25	December 25*

*For holidays falling on Saturday, Federal Reserve Banks and Branches will be open the preceding Friday.

**For holidays falling on Sunday, Federal Reserve Banks and Branches will be closed the following Monday — January 2, 2023.

Scheduling Issues



- ✓ **Set firm cutoff timelines for submission of timesheets or payroll changes**
 - Work with personnel office on reasonable cutoff timelines
 - Stick to the deadlines!
- ✓ **Provide sufficient processing time between time sheet due dates and pay date**
- ✓ **Timesheets should be provided to payroll office after the pay period ends**

Scheduling Issues



- ✓ **Consider a two-week turnaround between payroll end date and pay date**
 - Takes pressure off quick payroll turnaround of a one-week schedule (especially with holidays)
 - Conversion can be tricky
- ✓ **Consider publishing and distributing a schedule of payroll information for the year. Include:**
 - Payroll period dates
 - Pay dates
 - Timesheet due dates
 - Factor in early pay dates due to holidays
 - Plan ahead for shortened processing periods

Scheduling Issues



- ✓ **When do teachers get their first check each year?**
 - May need to shift pay date due to change in first day of school (especially when considering change to Pre-Labor Day start)
- ✓ **Watch for 27 pays in a year for salaried employees spread over the year**
 - Be careful, can impact teachers and administrators in different years
- ✓ **How will you distribute paychecks during non-school periods, such as summer and breaks?**
- ✓ **Mail those checks!**
- ✓ **Go paperless!**

Payroll Oversight Responsibilities



- ✓ **If you can, review timesheets and payroll reports every pay period.**
 - Cross check labor distribution reports to general ledger posting
 - Review timesheets and special pay requests for supervisor approval
 - Scan payroll registers for appropriateness
 - Spot check information in payroll software
 - Cross check ACH reports to bank account debit
 - This protects both you and the payroll person

Payroll Oversight Responsibilities



- ✓ Periodically review FICA/MC and MPERS accounts tied to salary accounts in HR software
- ✓ Review bank reconciliations
- ✓ Are tax withholding tables updated before first payroll of calendar year?
- ✓ Crosscheck employee salary amounts and pay rates with master agreements and board approved amounts
- ✓ Are labor distribution accounts appropriate?
- ✓ Is anyone reconciling attendance leave requests to timesheets?
- ✓ Take an active role in the oversight!

Internal Controls over Payroll



- ✓ **Who has access to HR system and what are their permissions?**
 - Are their permissions in system appropriate for their position?
 - Customize permissions
- ✓ **Segregation of duties**
 - Who sets up new employees in system? personnel office or payroll person?
 - Who can make an employee active or inactive in the system?
 - Are employee changes made in the system timely?
 - REP implications

Internal Controls over Payroll



✓ Who has access to payroll and personnel files?

- Are employee files kept in a secure location?
- Social Security number confidentiality issues
- Other confidential employee documents (garnishments, employment verifications for loans, child support, annuity information, etc.)
- This information must be safeguarded

REP and FID Reporting



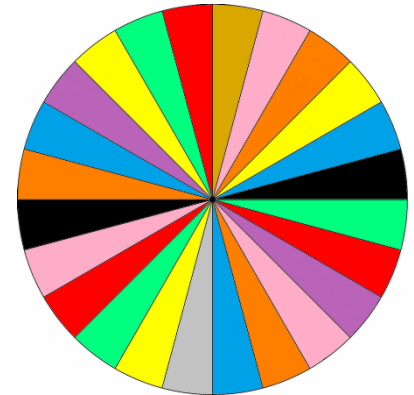
- ✓ **Understand the relationship between data reported on FID and data reported on REP**
 - Function codes
 - Staff FTE's
 - Building codes
 - Average teacher salaries
 - Terminated employees
- ✓ **Review REP data before each submission!**
- ✓ **Decisions are being made at the state level based on your data. Make sure it's right!**
- ✓ **Garbage in = garbage out!**



15-minute Break



When we
return, we'll
spin the
wheel for a
gift card
prize!



Payroll Processing Trends



✓ Benefits of Direct Deposit:

- Employees receive wages quicker and are happier
- Reduced bank fees for employees
- More secure
- Payroll tax payments and some vendor payments (TSA and Benefits) can be included
- No more lost checks
- No more outstanding checks
- Simplifies payroll bank account reconciliation
- Helps prevent fraudulent employees as a bank account must be associated with each employee

Payroll Processing Trends



✓ Direct Deposit

- Set limit on number of institutions or accounts per employee
- Use a standard enrollment form
- Plan for time to pre-note your first run!
- Michigan employers can require employees to either use direct deposit or receive pay on a payroll debit card.
 - Payment of Wages and Fringe Benefits – Act 390 of 1978 (Section 408.476(4))
 - [http://www.legislature.mi.gov/\(S\(znry5gtk1w3satd2uleyfgb5\)\)/mileg.aspx?page=getObject&objectName=mcl-408-476](http://www.legislature.mi.gov/(S(znry5gtk1w3satd2uleyfgb5))/mileg.aspx?page=getObject&objectName=mcl-408-476)
- Set up all new employees for direct deposit when they fill out new employee paperwork

Payroll Processing Trends



✓ Employee Web Access to Payroll Information

- Web based application providing employee information that pulls data from HR software
- Allows employees with an Internet connection to access from anywhere using secure login ID and password
- Eliminates paper pay stubs for direct deposit
- Employees can print stub information if they want
- Employees can also view other information online – attendance accruals and usage, district paid benefits, emergency contact, etc.
- There may be software limitations – check with your IT staff and software vendor

Payroll Processing Trends




Employee Web Example:

Bay-Arenac ISD HR Portal

Powered by Tyler Technologies

HOME	MY HR	TIMESHEET	BENEFIT ENROLLMENT	TIME OFF REQUEST	LOGOUT
------	-------	-----------	--------------------	------------------	--------



- » Accrual Information
- » Benefits
- » Contacts/Dependents
- » Deductions
- » Direct Deposits
- » Personal Information
- » Positions & Pay Rate
- » Taxes
- » Paychecks
- » Print W-2 Forms
- » Print 1095-C Forms
- » Print 1099-R Forms
- » Upload Documents

Paycheck Information

Year selected 2020

Select a Pay Period ...

PRINT PAY CHECK

Payroll Processing Trends



✓ Paperless Payroll

- Require all new employees to sign up for direct deposit or payroll debit cards.
- Use web-based application for employees to look up their payroll information
- Reduces check stock or paper usage for printing pay stubs.
- Reduces check and direct deposit stub printing, sorting, and distribution time.

Payroll Processing Trends



✓ 24 Pays Per Year

- Consistency in payment of payroll each month (example: pay on the 10th and 25th of each month)
- Set pay period dates every month (example: pay period runs 11th through 25th is paid on the 10th of the following month)
- Allows district to set longer processing time between period end date and payroll date
- Easier to manage district cash flows due to consistency
- Reduced time processing payroll each year (2 fewer payrolls per year to process), which frees up time for other responsibilities

Payroll Processing Trends



✓ 24 Pays Per Year

- No more 3 pay months
- Watch for overtime issues with hourly employees, as pay period end dates fall during the week (on a date not a day of the week)
- No more 27 pay issues that creep up every few years
- Some districts have moved all teachers to 26 pay arrangements for cash flow purposes
- Employees would need to modify their personal budgeting (automatic loan payments, etc.)
- Individual paychecks would be larger than traditional 26 pay arrangements

Wages, Taxes, and Withholdings



✓ Gross Wages

- Wages
- Overtime
- Salaries
- Sick pay
- Longevity pay
- Severance pay
- Fringe Benefits
- Expense stipends

Wages, Taxes, and Withholdings



- ✓ **Business expense reimbursements are not included in gross pay if under an accountable plan**
 - Incurred deductible expenses while performing services as your employee
 - Adequately account for these expenses within a reasonable period of time (60 days)
 - Return any amounts in excess of expenses within a reasonable period of time (120 days)

Wages, Taxes, and Withholdings



✓ Social Security

- 2023 base is \$160,200
- 2024 base will be \$168,600
- Social Security (FICA, OASDI) withholding 6.2% of amounts up to the base in a calendar year with an employer match of 6.2%.

✓ Medicare tax

- 1.45% of all wages plus .9% (2.35%) for those over the threshold of \$200,000 filing single or \$250,000 filing jointly (Part of Affordable Care Act)

✓ Federal withholding tax is required based on information provided by employee on W-4

- A W-4 claiming exemption from withholding is only valid for one calendar year, if a new one is not received by February 15th, the employer needs to start withholding.

Wages, Taxes, and Withholdings



- ✓ **Michigan withholding tax is required based on information provided by employee on MI W-4 (reminder of reduced rate of 4.05% vs 4.25% in 2023)**
- ✓ **Local withholding tax is required for some cities, depending on location of workplace or employee residence in applicable city.**
- ✓ **Other withholdings must be made according to legal documents:**
 - Garnishments and wage liens
 - Child support payments
 - Other deductions
- ✓ **All deductions must have written order for withholdings**

Payments and Reporting



✓ Retirement Reporting

- Each district has a web administrator who grants access to ORS system for district staff
- Retirement wages and hours are submitted electronically over the Internet each payroll period
- Worker compensation benefits paid by carrier need to be reported to ORS, along with hours employee would have worked during the pay period
- Records are error checked in ORS system for compliance and corrections are often required

Payments and Reporting



- ✓ **Federal tax payments are done through electronic deposits in EFTPS**
- ✓ **Retirement payments are made each payroll**
 - Retirement detail reports are due on the 5th State of Michigan business day after the pay period in which the wages are paid.
 - Don't forget to pay retirement on worker comp benefits made by carrier (State used to bill the employee directly)

Payments and Reporting



✓ EFTPS

- Up to a 15% penalty if you do not use as required
- Initiate transaction one day before it's due
- Use www.eftps.com (retains tax deposit history)
- For information on EFTPS call (800) 555-4477 or visit www.eftps.gov

✓ Don't forget to pay employer share of taxes on 3rd Party Sick Pay

✓ Estimate additional deposit amount if additional information unavailable.

Payments and Reporting



✓ Federal Tax Due Dates (Notice 931):

- Look back period July 1 through June 30 (for 2024 taxes, July 1, 2022 through June 30, 2023)
- Semiweekly depositor if \$50,000 or more of employment taxes in the look back period, otherwise monthly depositor
- Over \$100,000 of employment taxes on any day, must deposit the next banking day
- If you are a monthly depositor and accumulate \$100,000 of employment taxes, then you automatically become a semiweekly schedule depositor for the rest of that year.

Payments and Reporting



✓ Federal Tax Due Dates:

- Semiweekly Depositor
 - Taxes from Wednesday through Friday payment days are due the following Wednesday
 - Taxes from Saturday through Tuesday payment days are due the following Friday
- Monthly Depositor
 - Taxes due by the 15th of the following month

Payments and Reporting



✓ Penalties for Late Payments and/or late filing:

- If your required payroll tax deposit is between one and five days late, the IRS charges your business a penalty of two percent of the required payment. Deposits made between six and 15 days late have a five percent penalty and a ten percent penalty for deposits more than 16 days late, plus interest.
- If you file Form 941 late, the IRS imposes a penalty of five percent per month or partial month you are late, up to a maximum of 25 percent.
- Tax payments generally applied to most RECENT liability and not on a FIFO basis
- IRS can recover taxes from “responsible persons” if not paid and/or withheld

Payments and Reporting



✓ State Withholding Taxes

- Required to withhold based on MI W-4 form
- Due the 20th of the next month
- Annual reconciliation due February 28th with copies of Form W-2

Payments and Reporting



✓ State Unemployment Tax (SUTA):

- Quarterly reporting of all employee wages on form UIA 1017
- Reimbursing Employers
 - Pay unemployment costs on a reimbursement basis to the state based on actual claims made during the year
 - No contributions made during the year
 - Most schools are reimbursing employers

Payments and Reporting



✓ State Unemployment Tax (SUTA):

- Contributing Employers
 - File quarterly returns UIA 1020 by the 25th of the month following the end of each calendar quarter
 - Pay tax on the first \$9,500 paid to each employee each year
 - MI UI law requires the base increase to be \$9,500 for any calendar year that the state's UI trust fund balance was less than \$2.5 billion
 - State determines employer's contribution rate based on employer's claims history



✓ MPERS Service Credit Purchase

- Discontinued for employees hired after July 1, 2010.
- Public Act 92 of 2017 discontinued most types of service credit purchase as of September 29, 2017. Only exceptions are for active employees for:
 - Active Duty Military Service
 - Workers' Compensation – if receiving weekly workers compensation as result of duty-incurred disability

MPSERS Issues



✓ MPSERS Service Credit Purchase

- Agreements started after 7/1/11 must be paid off within 15 years. Minimum monthly payment is computed so that purchase is paid off in 15 years
 - \$50 minimum payment still applies.
 - Employee can choose larger payment to pay off sooner. This election can be made after payments have started, as well, but it is irrevocable.

MPSERS Issues



2 Main Sources of Information for the ORS Public School Employees Retirement System (MPSERS)

✓ **Employees** – www.michigan.gov/orsschools

- miAccount online account access
- FAQ
- Ready to Retire planning information
- Benefit Estimator
- Tutorials, Webinars & Seminars
- Employee Forms and Publications

MPSERS Issues



2 Main Sources of Information for the ORS Public School Employees Retirement System (MPSERS)

✓ **Employers** – www.michigan.gov/psru

- Administration & Compliance (Contribution Rates)
- Reporting Resources
 - Reporting Instruction Manual
 - Contribution Rates (including history)
 - Reporting Website
- Employer Communications (What's New updates)
- Retirement Act

MPERS Issues




Employer Communications

 > Employer Communications

[Click here for pre-2022 employer communications](#)

Search by keyword



Communication Topic 

Date Range 

[Clear All Filters](#)

51 News items

MPERS Employer News - November 2023

November 16, 2023

Should you report a student teacher?

November 07, 2023

MPERS Employer News - October 2023

October 19, 2023



Small Steps Campaign Information

- Applies to employees in Pension Plus, Pension Plus 2, Defined Contribution (DC), and Personal Healthcare Fund (PHF) plans
 - Applies to any person not currently contributing **15%** to their 457 plan (had been 10% in prior years)
 - Unless employee opts out, their contribution rate increases by 1%, **effective 3/1**
 - Mailer going out in mid-December
 - [Small Steps Campaign Mailer](#)

MPERS Issues



✓ **Defined Contribution plan (updated by PA 169 of 2018)**

- Enrollment results in an automatic 3% employee contribution, with a resulting 3% employer match
- Employer also makes a mandatory 4% contribution
- Employees can change their contribution amount at any time (employer will only match 100%, to 3% cap)

✓ **Personal Healthcare Fund (PHF)**

- For ALL employees first working on or after 9/4/12
- Automatic 2% employee contribution, with a resulting 2% employer match
- Employees can also change this contribution amount at any time (employer will match 100%, to 2% cap)



Pension Plus 2 (Hybrid) Plan option became effective 2/1/18

- Similar to Pension Plus plan, with both a pension component (DB) and savings component (DC) and same eligibility for pension benefits
- New employees must now elect into the Hybrid Plan, with DC plan the default (as mentioned earlier).
- New employees have 75 calendar days from first payroll date to make this election (If no election is made, default to remaining in the DC plan)

MPERS Issues



www.pickmiplan.org

✓ [Retirement Plan Election Guide](#)

- A summary of your retirement plan election options

✓ [Retirement Plan Decision Guide](#)

- A worksheet to help you decide which retirement plan to choose.

✓ [Get to know the Plan](#)

- A section of the website with a more detailed look at the plan features.

MPERS Issues



✓ Retirees Returning to Work

- PA 147 of 2023 took effect on October 10, 2023 and determines when a retiree can return with no effect on your pension or insurance premium subsidy
- Whether you return directly or indirectly
- Must have a bona fide termination
 - Cannot work during the month of your retirement effective date, even as a volunteer.
 - You cannot have a promise of reemployment or a contract for future employment in place.
- Retired superintendents have different restrictions
- In effect until October 10, 2028 (5 years)
- Different restrictions during and after a 6-month “sit-out “ period

MPERS Issues



✓ Retirees Returning to Work

- During the initial 6-month sit-out period
 - Can't earn more than \$15,100 in a calendar year
 - Retired superintendents can only return to work in a position other than superintendent.
- After the 6-month sit-out period
 - No earnings limit
 - Retired superintendents can return to any position
- Retirees employed at a district on July 25, 2022 immediately had no earnings limit.
- <https://www.michigan.gov/orsschools/after-retirement/working-after-you-retire>

Year End Reporting



✓ End of Year Adjustments:

- Group Term Life Insurance over \$50,000
 - Amount to include is based on a table
- Personal use of district owned automobile
 - Calculation of the value of company provided automobile which is used for personal purposes
 - Rates change annually
- FICA Wage Limits
- 3rd Party Sick Pay

Year End Reporting



- ✓ Quarterly file Form 941 by the last day of the month following the end of the quarter
- ✓ Annually file all W-2's, Form W-3 and Form 1096 with Social Security Administration by January 31st of the following year
- ✓ Distribute employee copies of W-2 by January 31
- ✓ Submit transmittal forms for 1099-NEC to the IRS by January 31 (make sure to use the right form – **January 2022**)
- ✓ Submit transmittal forms for 1099-MISC to the IRS by February 28 (make sure to use the right form – **January 2022**)
- ✓ Look ahead at next years ACH calendar (days the Federal Reserve Banks are closed)

Year End Reporting



✓ Penalties for late filling 1099s and W-2s

Charges for Each Information Return or Payee Statement

Year Due	Up to 30 Days Late	31 Days Late Through August 1	After August 1 or Not Filed	Intentional Disregard
2024	\$60	\$120	\$310	\$630
2023	\$50	\$110	\$290	\$580
2022	\$50	\$110	\$280	\$570

Year End Reporting



- ✓ **Must reconcile Form W-3 to quarterly Form 941s**
 - 403(b) retirement plans included in Social Security and Medicare wages, not included in Federal or State taxable wages
 - Cafeteria Plans not included in Social Security, Medicare, Federal, or State taxable wages
- ✓ **Keep copies of any undeliverable W-2s including original envelope**
- ✓ **You can charge for additional copies if requested and look to develop a request process**

Year End Reporting



✓ Form W-2 and W-3 Processing:

- Order required paper copies of forms early
- Do a test run and check output
- Verify that state and local jurisdictions are correct – may need multiple if employee moved
- Verify special deduction codes are reporting correctly
- Employers can issue electronic W-2's to employees if they consent
- Employers submitting more than 10 returns must submit electronically online through SSA Business Services Online website at www.ssa.gov/bsa/bsowelcome.htm.
 - This is a change from prior year of 250 returns and includes multiple form types such as 1099s, W-2s, 1095, etc.

Year End Reporting



- ✓ **Requirement to report the cost of coverage under an employer-sponsored group health plan on Form W-2:**
 - Part of the Affordable Care Act passed in March, 2010.
 - IRS Notice 2011-28 and 2012-9 implementation
 - Amount reported is not taxable.
 - Intended to be informational only, providing employees with greater transparency into overall health care costs.
 - Guidance on what to report:
 - <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>

Year End Reporting



✓ Verify Social Security Numbers

- Employer is responsible for ensuring SSN and name on W-2 match up
- This can be done by comparing Social Security card
- Can also be done by logging into SSA site at www.socialsecurity.gov/bsowelcome.htm.
 - Must be preregistered
- See publication 2108: Federal Agency TIN Matching Program

Payroll Records Retention



✓ 2006 Record Retention and Disposal Schedule for Michigan Public Schools:

- Updated in September 2006
- Supersedes the March 1997 schedule
- By law, records must be kept in accordance with this schedule, at a minimum
- Additional retention beyond schedule is acceptable
- New schedule is very comprehensive and covers all school records, including payroll
- Schedule can be found on state website at <http://www.michigan.gov/recordsmanagement/>

Additional Resources



✓ IRS Publications:

- Publication 15 Circular E, Employer's Tax Guide
- Publication 15-B Employer's Tax Guide to Fringe Benefits
- Publication 15-A Employer's Supplemental Tax Guide
- All available online at IRS Website at www.irs.gov

Additional Resources



✓ Websites:

- Social Security Administration: www.ssa.gov
- Department of Labor: www.dol.gov
- State of Michigan: www.michigan.gov
- Michigan Department of Treasury:
www.michigan.gov/treasury
- MPERS: www.michigan.gov/orsschools
- Michigan Wage and Hour Division
http://www.michigan.gov/lara/0,4601,7-154-61256_11407_59886---,00.html

Parting Thoughts



- ✓ Are you letting your software do the work?
- ✓ Do your time sheet forms and leave request forms need a makeover?
- ✓ Are you actively involved in the oversight of payroll activities?
- ✓ Your district principals/administrators and other supervisory employees need to play an active role too!
- ✓ Keep yourself current with payroll issues.
- ✓ Communication is key!

Contact Us With Any Questions



Macomb Intermediate School District
Leadership, Service & Support in Education

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Finalize Credit for Attendance



- **Return form to MSBO by December 11**
 - E-mail – cbyam@msbo.org
- **Receive e-mail from MOECS-noreply@michigan.gov to fill out an evaluation for SCECHs**
- **Receive an email from survey monkey for the MSBO evaluation.**

Thank You!



Payroll and Related Personnel Issues

Presented for MSBO by
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December 7, 2023



Macomb Intermediate School District
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