Conversion Advance and Opt-Out – Bi-weekly Payroll Conversion Update

In April 2016 we announced that the University is required to move to a bi-weekly payroll cycle on January 1, 2018. If you missed that announcement, you can view it and any subsequent communications on the Human Resources website.

The final monthly pay day will be December 29, 2017 (covering the period of December 1-31 for salaried employees and November 16th-December 15th for hourly employees). Hourly employees who work from December 16-31, 2017 (and CUPE employees with overtime payable) will receive payment for that time early in January 2018 (date to be determined).

The first bi-weekly pay day will be January 12, 2018 covering the period of January 1-6 (short pay period) and the second bi-weekly pay day will be January 26, 2017 covering the period of January 7-19.

This communication will focus on the conversion advance being offered to salaried employees to ease the introduction of the 6-day lag and how to opt out of the advance if you do not want it.

Why is the University offering a conversion advance?
We are introducing a 6 day lag from the end of the pay period to pay day that did not exist for salaried employees in the monthly pay cycle. In order to introduce this lag and still fit 26 pay days into the year (which was necessary for statutory deduction calculations) the first pay period of 2018 is only 6 days (January 1-6, 2018). The introduction of this 6 day lag and short pay period has an inherent structural disadvantage to salaried employees in the initial conversion month (January 2018). Under the old monthly payroll system, salaried employees would have received one month’s pay (roughly four weeks) as of January 31, 2018. However, under the bi-weekly cycle, an employee will have only received 3 weeks of pay as of January 31, 2018.

Example:

Pay Period 1: January 1-6, 2018 (5 normal working days)
Pay Day: January 12, 2018

Pay Period 2: January 7-20, 2018 (10 normal working days)
Pay Day: January 26, 2018

Pay Period 3: January 21-February 3, 2018 (10 normal working days)
Pay Day: February 9, 2018

Total normal working days paid in January 2018: 15 = 3 weeks of pay

In order to ease any financial hardship resulting from the introduction of the bi-weekly payroll and the 6 day lag in pay, the University of Regina will be making a one-time advance of one week’s pay to salaried employees on the January 12, 2018 pay day. The advance will be recovered in 24 equal repayments (made through payroll deduction) starting on the third pay day of 2018 (February 9, 2018) and ending
on the last pay day of 2018 (December 28, 2018). This advance will effectively spread the impact of the introduction of the six day lag over the course of the calendar year.

**What are the terms of the advance?**

- The advance will be automatically applied to all salaried CUPE 5791, APT, faculty and out-of-scope employees who were employees employed on December 31, 2017 and who have continuing employment with the University into 2018 (and are expected to be employed until at least March 31, 2018).

- Each employee will receive a letter in early December 2017 outlining the amount of their advance, the payment date, the repayment installment amounts and the start and end dates of the repayments.

- The advance will be equal to one week’s pay for each employee as at December 1, 2017 (their annual salary divided by 52 weeks). The January 1, 2018 raises for CUPE 5791 will not be included in the advance.

- The advance will be paid on the first pay day of 2018 (January 12, 2018).

- The advance will be recovered in 24 equal repayments (made through deductions from payroll) starting on the third pay day of 2018 (February 9, 2018) and ending on the last pay day of 2018 (December 28, 2018). An employee with an annual salary of $50,000 will receive an advance of $961.44 and the repayment amount per bi-weekly pay period will be $40.06.

- The repayment schedule will be adjusted for term employees whose employment will end before December 22, 2018 (which is the end of the last pay period paid in 2018). Their repayment amounts will be adjusted to recover the advance (in equal deductions) over the remainder of the employee’s term. If an employee’s term is expected to be renewed during the 2018 calendar year, the applicable Dean or Director’s can request an extension to the repayment term.

- Term employees whose term is scheduled to end between January 1, 2018 and March 31, 2018 will not be given an advance. The advance offers little benefit when the repayment period is so short. However, an advance will be given to such term employees, at the request of the applicable Dean or Director, if the employee’s term is expected to be renewed.

- Employees on leave will not be eligible for the advance due to the uncertainty of the collectability of the advance. If an employee goes on leave during the repayment period and is not receiving payroll payments from the University the remaining balance will be treated as a an overpayment and the employee will be asked to make payment arrangements with the University.

- If an employee who has received an advance takes a maternity/paternity leave after the advance has been issued, the repayment schedule and payments will be adjusted (if necessary) to recover the advance from the supplementary employment benefits payments (top-up).

- The unrepaid amount of the advance becomes immediately due and payable upon the employee’s resignation or termination, and will be deducted from the employee’s final payroll payment. Any amount not covered by the final payroll payment will be considered an overpayment and will be treated as such.
The advance is taxable and applicable statutory deductions will be withheld from the advance. However each repayment will also reduce the statutory deductions. The net effect over the 2018 tax year will be nil.

The advance and repayment amounts will be clearly identified on the employee’s pay stub.

**Why is the advance being automatically applied?**
The University’s goal is to ensure that the terms of the advance do not create a taxable benefit. Through consultation with Saskatchewan Employment Standards, the CRA and the University’s legal counsel the University decided that the best way to ensure that the advance did not get assessed as a ‘taxable interest-free loan’ by the CRA was to automatically provide the benefit to all eligible salaried employees.

**Can I opt-out?**
After careful consideration the University has decided to offer the option to opt-out of the advance. The Opt-Out Form is available on the [Human Resources website](http://hr.uregina.ca). A reminder of the option to opt-out will be sent with the advance letters at the beginning of December 2017. The deadline for opting out is December 15, 2017 (all forms must be received in Human Resources by the end of the work day).

**Have more questions?**
Please feel free to contact us with any questions or concerns:

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