

Payroll

Guide to Retrospective Pay

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Introduction

Overview

Retrospective (retro) pay processing provides automated calculation of retrospective pay increases, sometimes called backpay, payable to a group of employees as a result of a backdated pay agreement.

The system calculates the retro pay by looking at the actual amounts in income history that were earned during the period concerned, for the relevant incomes, and applying the appropriate percentage increases that have been defined in retro pay tables.

There are 3 main stages involved:

- Building the retro pay tables
- Calculation of the retro pay increase amounts by generating retro pay transactions
- Closing these retro transaction amounts to a payroll cycle so they can be paid

Retrospective Pay Tables

The retrospective pay tables are used to define:

- The percentage increase that is to be applied to each job code/income amount combination in income history.
- The income code to be used to actually pay the retro payment in the pay cycle.
- The effective date of the increase and the factor to be used to prorate the increase for the first pay period, if the effective date falls in the middle of a pay period.
- The G/L method of expensing the retro pay.

The table allows different percentage increases by income code and by job code because many income types in Infinium PY, such as overtime incomes, derive their rates from payroll rate 1 to 3 on the employee payroll master record. Since these rates usually change as a result of promotion, this means that the same income code in history for an employee can have different originating rates, dependent on the employee's job code at the time. For retro pay calculations, therefore, the system needs to be able to potentially apply different percentage increases to each.

An Agreement code is also part of the retro pay table so that the job codes affected by a particular union negotiated agreement can be grouped together under this agreement code.

Calculation of Amounts

This is a batch run that processes all employees who worked in job codes covered by the selected agreement code and reads through their income history and for the affected income codes, that is, those with retro table entries, calculates the retro pay amounts using the percentage increase values. Any retro increase amounts are created as records in a retro pay transactions file.

Print Retro Pay Transactions

When these retro pay transactions have been created, a print program then prints a report of these transactions in employee name order within payroll cycle.

Review Retro Transactions

The retro pay transactions report can be reviewed to ensure the retro pay is correct and if the table values need adjustment, the calculations can be rerun.

Modeling

This process can also be used for pay modeling during union negotiations to project pay cost increases.

Close to Payroll Cycle

When the retro pay transactions have been reviewed and approved for payment, they can then be interfaced or closed into the payroll cycle as employee incomes via a batch close process. The employee income codes created will be those which were defined in the retro pay table. In this way it is possible to have special retro incomes so they can appear separately on the payslip.

Employees Who Have Left

When you close the retro pay to a cycle you can include, or exclude, or process only, employees who left during the period covered by the retro agreement. In this way if your company has a policy of paying retro pay to employees who have left. These can be processed and printed out separately, for example, so that manual checks can be written.

Retrospective Pay Table

Overview

This function can be used to define the following control information relating to a retrospective pay calculation:

- The percentage increase that is to be applied to each job code/income amount combination in income history.
- The income code to be used to actually pay the retro payment in the pay cycle.
- The effective date of the increase and the factor to be used to prorate the increase for the first pay period, if the effective date falls in the middle of a pay period.
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An Agreement code is also part of the retro pay table so that the job codes affected by a particular union negotiated agreement can be grouped together under this agreement code.

Screen 1

```
7/12/94 17:03:12 Update Retrospective Pay Tables PYGRBM10 PVDRBM10
Type selections, press Enter.
Employer . . . . . 111 + Software 2000 Limited
Agreement . . . . . ANN +
Job Code . . . . . *ALL + (*ALL for job codes)

F3=Exit F4=Prompt F10=QuikAccess F12=Cancel F16=Effective date/Factor
```

Key Information

The *Agreement* code should be established via *Update Employer Codes*, using code type **AGR**.

When you first build the table, you must type the *Employer* and *Agreement* codes and press **F16** to enter more information about the pay agreement. The following screen is displayed.

Screen 2

```
7/12/94 17:06:18 Update Retro Pay Effective Date PYGRBM10 PVDRBM10
Employer . . . . . : 111 Software 2000 Limited
Agreement . . . . . : ANN
Type selections, press Enter.
Effective Date . . . . 010994
First Period Factor . .
G/L Expense Method . . 1 (1/2)
G/L Account Mask . . .
F3=Exit F10=QuikAccess F12=Cancel
```

Key Information

Type the *Effective Date* of the pay agreement or award. This is the date from which all retrospective calculations will be based.

First period factor is an optional field which is only needed if the effective date of the increase fell in the middle of a pay period. If this is the case, then you can enter in a percentage factor to be used to prorate the first period increase. For example, on a 5 day Monday to Friday weekly payroll, with a full weeks pay of £500, a backdated increase of 5% would normally yield a retro pay amount of £25. However, if the effective date was from Wednesday, then for this first period you could

specify a first period factor of 60%, that is, 3/5ths. In this case the retro amount would then be prorated to £15

G/L Expense Method, this field is used to indicate how the retro payment is to be expensed.

- Method 1, expense through the normal payroll mechanism. Use this method if you want the retro pay expensed to the employees current levels and so on
- Method 2, take the account number characters from the original G/L number on the income history record on which the retro payment is based, that match the mask set up in the next field, G/L account mask. This method provides a way to have the retro pay expensed to the historical cost centres and/or levels.

If you press **Enter** from Screen 1, you are presented with Screen 3 as detailed below.

Screen 3

```
7/12/94 17:19:33      Update Retrospective Pay Tables  PYGRBM20  PYDRBM20
Employer . . . . . : 111  Software 2000 Limited
Agreement . . . . . : ANN  Annual Wage Rise
Job Code . . . . . : COMP Computer Staff
Effective Date . . : 1/09/1994

Type options, press Enter.
2=Change  4=Delete  5=Display
Opt Income Group Description % Incr Retro Income
█ BASIC Group Basic Salary 5.00 BACKP
- BONUS Bonus Pay 1.50 BACKP

F3=Exit F6=Create F10=QuikAccess F12=Cancel
```

Key Information

This screen displays all existing retro table entries for this job code. Type **F6** to create or option **2** to change.

Screen 4 will be presented.

```

7/12/94 17:22:33 Update Retrospective Pay Tables PYGRBM30 PVDDBM30
Employer . . . . . : 111 Software 2000 Limited
Agreement . . . . . : ANN
Job Code . . . . . : COMP
Effective Date . . . . . : 1/09/1994

Enter Retrospective Pay Table Information.

Income Code . . : BASIC OR Income Group . :
Retro Pay Income . BACKP +
Percent Increase . 5.00
OR Step 0 . . . . . _____ Step 8 . . . . . _____
Step 1 . . . . . _____ Step 9 . . . . . _____
Step 2 . . . . . _____ Step 10 . . . . . _____
Step 3 . . . . . _____ Step 11 . . . . . _____
Step 4 . . . . . _____ Step 12 . . . . . _____
Step 5 . . . . . _____ Step 13 . . . . . _____
Step 6 . . . . . _____ Step 14 . . . . . _____
Step 7 . . . . . _____ Step 99 . . . . . _____

F3=Exit F4=Prompt F10=QuikAccess F12=Cancel

```

Key Information

Income Code

Enter the *Income Code* on which the retro pay is to be calculated.

OR Income group

If you have a number of incomes with the same percentage increase amount and these have been defined within an income reporting group, you can enter the income group code in this field and on exiting this screen it will create table entries for each income in the group. This is a way to speed up the creation of the table entries.

Retro Pay Income

Enter the income code that is to be used for payment of the retro pay to the employee.

Increase Type

You can define; a) whether the increase is a percentage to be applied to the amount that was earned or b) if it was a rate increase amount for example, 50 pence per hour.

Percentage Increase

Enter the percent increase to be used in the retro calculation for the income code. Use this field if step in grade is not used, or if the percentage increase is the same for all steps.

OR Steps 1 to 15

If step in grade is being used, an employee could have the same income code whilst in the same job code but have advanced one or more steps during the agreement period. Potentially each separate step could have a different percentage increase to be applied under the agreement, so these can be entered in these fields. The retro process will then use the step number from salary change history held within Infinium PY, applicable to the pay period being calculated.

Print Transactions

This function allows you to print on request, a report of the retro pay transactions for an employee or all employees.

Calculate Retro Pay

The calculate retro pay function processes the employee income history file (PYFIL), starting from the agreement effective date and for each income history record where the income code and worked job code has an entry on the retro pay table, it applies the retro percentage increase found from the table and creates a retro pay transaction record for the increase amount.

If the retro table entry has step percentage values, then the system examines salary change history to determine the employee's step as at that pay date and applies the percentage increase for that step.

Once the income history has been processed, the retro transactions are then summarised so there is only one retro transaction per employee per income/job combination.

The retro pay transactions are then printed in employee name, job and summarisation code order.

Retro pay can be calculated for all employees or for a specific employee.

Close Retro Pay Transactions to Payroll

This batch function processes the retro pay transactions file and for employees with retro pay transactions, whose current pay cycle matches the cycle being closed into, the system creates cycle employee income transaction records (PYPTE) with an income code equal to the retro income code defined on the retro pay table and with an income amount equal to the the retro transaction amount.

The retro pay transactions are deleted after they are closed to the cycle.

A Trial Close is also provided.

A printed report of the closed transactions is also automatically produced.