To-Be Process Review Workshop

Human Resources

Deductions, Taxable (Fringe) Benefits, and University Contributions

Location: ROSS Building
Room: 130
Time: 1:00 pm - 5:00 pm
Date: 8/10/05
Welcome!

- Introductions of Group
  - Representatives from:
    - HR & Payroll West Lafayette
    - HR & Payroll Calumet
    - HR & Payroll Ft. Wayne
    - HR & Payroll North Central
    - One Purdue HR team members
    - Business Managers
    - Physical Facilities
    - Housing & Food Services

- Facilitated by:
  - Troy Markusson (BearingPoint)
    - With input from:
      - Rick Miller (Purdue)
      - Julie Gregory (Purdue)
      - Greg Gick (Purdue)
Workshop Logistics

- Sign In
- Tent Cards
- Rest Rooms
- Break
- Parking Lot
Workshop Agenda

1. Discuss Workshop Objectives, Rules, and Principles
2. Deductions
3. Break
4. Deductions (continued)
5. Taxable (Fringe) Benefits
6. University Contributions
7. Discuss Next Steps
8. Adjourn
Why Are We Here?

Our objective today is to...

- **Discover**
  - SAP terminology, definitions, and capabilities.
  - Specific opportunities for business transformation.
  - Best practices in the context of the SAP implementation.
  - Documented future process and any system gaps.

- **Validate**
  - “To-Be” data and business processes.
  - Required policy changes (if any).
  - Process acceptance by core process owners, advisory committees, and University leadership.

- **Facilitate Communication and Change Management**
  - The future state of Purdue University
  - How people, processes, and technology will Integrate in the future.
What Have We Done to Prepare?

To prepare for this workshop, we have...

- Researched Best Practices
  - SAP software is the best practice source.
  - As stated in the One Purdue Guiding Principles, the SAP software WILL NOT be modified.

- Developed Proposed Business Processes
  - The “To-Be” business processes were developed utilizing the best practices found in the SAP software.

- Reviewed and Refined the Proposed Processes with Knowledgeable Staff in Key Operational Positions.
  - Presented the proposed processes.
  - Gathered feedback, learned of gaps, implemented changes as necessary.
What is Your Role?

Today, we need you to...

- Review and Validate the Proposed Process.
- Identify Gaps in the Proposed Process.
- Identify Organizational Challenges.
- Help Us Facilitate Change Management.
What will come from this Meeting?

The output from this meeting includes...

- To-Be Process Flowcharts.
- Gap Analysis Report.
- Functional Specifications Report
Workshop Ground Rules

- Respect Time
- Respect Process
  - Stick to agenda topics.
  - One subject discussed at a time.
- Respect One Another
  - One conversation at a time.
  - Cell phones and Blackberrys turned off.
  - Listen.
- Stretch
- Keep the end in sight
- Work to gain consensus on terminology
- Silence means agreement
- Issues will be parked and resolved outside the meeting
BPR Guiding Principles

1. “OnePurdue Guiding Principles” will apply.


3. Primary best-practice source = SAP and third-party bolt-on solutions (return-on-investment opportunity).

4. SMEs will be empowered by process owners to make key decisions regarding processes.

5. Enterprise processes will adhere to software best-practices – flexibility in implementation.

6. Disposition for exceptions to best practices:
   a. Termination of process
   b. Work-Around: “User Exit” w/o code modification
   c. Off-the-shelf bolt-on
   d. Offline operation

7. Process owners and key stakeholders “buy-in” validation required.

8. All best practices (5) and exceptions (6) must be integrated into the OnePurdue system.

9. Successful BPR also requires:
   a. Executive commitment
   b. Effective change agents to drive best practices and overcome resistance
   c. Appropriate organization structure
   d. Institutional willingness to consider radical change
What Is the OnePurdue Project Timeline?

**Finance and Procurement:** Accounts payable, Account receivable, Work Effort Reporting, purchasing

**HR/Payroll 1:** e-Recruitment

**HR/Payroll 2:** Organizational Management, Personnel Administration, Payroll, Benefits, Time Entry and Evaluation, ESS, Workflow

**HR/Payroll 3:** Personnel Development, Open Enrollment, Year-End Payroll Processing

**Campus Management 1:** Student Recruitment, Admissions, PFAE/ADMS, Transfer Articulation and Equivalency Rules

**Campus Management 2:** Financial Aid

**Campus Management 3:** Course Catalog, Student Master, Academic History, Grading, Degree Audit, Graduation, Student Accounting Master Data, Cashiering, Account Management, Billing, Payment Plans, Classroom Scheduling, Registration, Academic Calendar, Academic Progression
Let’s Get Started!

Our topics today are...

• Deductions
• Taxable (Fringe) Benefits
• University Contributions
Deduction Calculation in SAP
What is Considered a Deduction?

- Any wage type that is not a part of gross pay but is included in net pay
Where are Deduction Wage Types Entered in SAP?

- Benefits infotypes (0167 – 0170)
- Recurring payment/deduction infotype (0014)
- Additional payment/deduction infotype (0015)
Benefits Deductions

- Employee enrolls in appropriate benefit plans
- Benefits holds employee and employer costs, and the taxable benefit of the plans
- Payroll maps the employee, employer, and imputed income wage types to the benefit plan
- Payroll determines the payroll frequency of the plan being processed
Health Plan Infotype (0167)

- Federal Employee Health Benefit - Pre/Post Tax
- Grad Health Insurance - Pre/Post Tax
- M Plan HMO - Pre/Post Tax
- Arnett Managed Care - Pre/Post Tax
- Purdue 500 - Pre/Post Tax
- Medical PPO - Pre/Post Tax
- Dental - Pre/Post Tax

- Deduction amount is based on plan enrolled and number of people covered under the employee’s election
Insurance Plan Infotype (0168)

- Term Life
- Dependant Life – Pre/Post Tax
- Long Term Disability
- Short Term Disability
- Personal Accident Insurance

- Deduction amount is based on plan enrolled and amount of insurance coverage
Savings Plan Infotype (0169)

- TIAA/CREF – Pre/Post Tax
- Valic
- American Century
- Lincoln Financial
- Fidelity
- PERF

- Deduction amount is based on percentage or amount elected by employee
- Employee can elect different percentage for regular payroll and bonus payroll
Savings Plans – Catch-up Contributions

- Employee is allowed to contribute over the annual pre-tax maximum
- Amount allowable determined by IRS
- These amounts are loaded in SAP
- Once employee reaches annual limit catch-up will take over for the legislated amount for that year
Flexible Spending Account
Infotype (0170)

- FSA Medical
- FSA Dependant Care

Deduction amount is based on annual amount elected by employee divided by the number of pay periods in the year
Domestic Partner Pre-Tax Plans

- Additional employee deduction to enroll domestic partner is considered post tax.
- Additional employer cost for the domestic partner is considered a taxable benefit to the employee.
- Domestic partner plans will be set up as separate plans and map to additional post tax and imputed income wage types.
### Benefit Deduction Wage Types

- Federal Employee Health Benefit – Pre/Post Tax
- Grad Health Insurance – Pre/Post Tax
- HMO Calumet – Pre/Post Tax
- HMO Ft.Wayne – Pre/Post Tax
- Purdue 500 – Pre/Post Tax
- Medical PPO – Pre/Post Tax
- Term Life
- Dependant Life – Pre/Post Tax
- Arnett Managed Care Health – Pre/Post Tax
- FSA Medical
- FSA Dependant Care
- Long Term Disability
- Short Term Disability
- Personal Accident Insurance
- Dental – Pre/Post Tax
- TIAA/CREF – Pre/Post Tax
- Valic
- American Century
- Lincoln Financial
- Fidelity
- PERF
- AD & D
Recurring Deductions – Infotype 0014

- Deductions that are recurring in nature

- Recurring deductions can have deduction frequencies default
  - First or last period of the month
  - Both first and second

- These recurring deductions can also be entered as one time deductions on infotype 0015
Recurring Deductions – Screen Shot

- A lot of flexibility around deduction dates
- Payment models
- 1st payment period and interval in periods
Recurring Deductions – Wage Types

- Bonds
- Co Rec Fee
- Miscellaneous
- Parking – Calumet
- Parking – Fort Wayne
- Parking – West Lafayette
- Parking – North Central
- PEP Gifts
- PRF Loans
- Student Loans

- Tickets – Basketball
- Tickets – Baseball
- Tickets – Football
- Tickets – Volleyball
- United Way – Calumet
- United Way – Fort Wayne
- United Way – Lafayette
- United Way – Porter County
- United Way – Laporte County
Bond Deduction

- Bond Administration is not handled in SAP
  - SAP works with National Bond Treasury (NBT)
- Only thing entered in SAP is the recurring deduction
- NBT manages when a new bond should be purchased
- Employee contacts NBT directly
- At Go Live file is sent to NBT with employee’s bond information and how much is owing on the current bond
Parking Deductions

- All Parking deductions, except West Lafayette, will be entered manually on infotype 0014

- West Lafayette parking will be interfaced into Payroll every pay period with changes only
Loans Deductions

- Loans need to have a set amount deducted until a certain limit has been reached.
- The recurring deduction is entered on infotype 0014, balance owing is entered on infotype 0015 in a separate wage type.
- When the balance owing equals $0.00 the deduction stops.
- Example:
  - Employee has a loan for $600 with $250 being collected each month.
  - Deduction will take $250 for first two months and $100 for the third month.
Tickets Deduction

- Tickets will be entered in SAP by appropriate personnel
- Security will be set up so that these personnel can not enter any other earnings or deductions
United Way Deductions

- United Way deductions will be interfaced into Payroll once a year
Voluntary Deductions (Future Planning Associates)

- Legal, Universal Life, Auto, Home Owners Insurance, etc
  - Will receive interface from provider every pay period with changes only and will be loaded on infotype 0014
Additional Deductions – Infotype 0015

- Deductions that are to be processed for one pay cycle only
- Will include all wage types that are also on infotype 0014 (Recurring Deductions)
Additional Deduction – Screen Shot
Deduction Pro-ration

- Any deduction can be set up to be prorated if the deduction is not effective for the entire pay period.

- Employee is monthly and starts in the middle of the period:
  - Currently deduction is deducted for entire month
  - SAP can prorate any deduction in the same manner as an earning
Arrears Processing

- When an employee does not have enough Net Pay to handle all deductions

- Priority is given to all deduction wage types
  - Taxes first, then Garnishments
  - Priority determined by University

- Arrears setting as attached to each deduction wage type
  - Tells the system how to process deduction if that deduction cannot be taken

- If deduction goes into arrears the amount is collected on the employees next pay check
Arrears Processing - Priority

All wage types with the same priority will be prioritized by wage type number

<table>
<thead>
<tr>
<th>Wage Type</th>
<th>Wage Type Long Text</th>
<th>Start Date</th>
<th>End Date</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE36</td>
<td>Pension EE pre-tax</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>B</td>
</tr>
<tr>
<td>BE40</td>
<td>Health Care EE pre-tax</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>BE41</td>
<td>Dep Care EE pre-tax</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>MD00</td>
<td>Deduction, C w/ advance</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>MD02</td>
<td>Deduction, D, absolute</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>MD04</td>
<td>Deduction, C w/o arrears</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>MD06</td>
<td>Deduction, D w/ arrears</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>C</td>
</tr>
<tr>
<td>MD50</td>
<td>Arrears w. balance recov.</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>D</td>
</tr>
<tr>
<td>MD80</td>
<td>Deduction f. MD70 balance</td>
<td>01/01/1900</td>
<td>12/31/9999</td>
<td>D</td>
</tr>
</tbody>
</table>
## Arrears Processing – Arrears Settings

<table>
<thead>
<tr>
<th>Arrears characteristics</th>
<th>Short text</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deduct total amount</td>
</tr>
<tr>
<td>2</td>
<td>Deduct what is possible</td>
</tr>
<tr>
<td>3</td>
<td>Write remainder to arrears table</td>
</tr>
<tr>
<td>4</td>
<td>Garnishment, not a reduction</td>
</tr>
<tr>
<td>5</td>
<td>Deduct all or nothing</td>
</tr>
<tr>
<td>6</td>
<td>All or nothing, write to arrears table</td>
</tr>
<tr>
<td>7</td>
<td>Loan, no reduction</td>
</tr>
<tr>
<td>8</td>
<td>Deduct garnishment, what is possible</td>
</tr>
<tr>
<td>9</td>
<td>Deduct garnishment, what is possible, rest in arrears</td>
</tr>
<tr>
<td>A</td>
<td>Employer advance for mandatory deductions</td>
</tr>
<tr>
<td>B</td>
<td>Employer advance repaid, next period</td>
</tr>
<tr>
<td>G</td>
<td>Garnishment, write rest to DDNTK and process next period</td>
</tr>
<tr>
<td>C</td>
<td>Employer contribution (no deduction)</td>
</tr>
</tbody>
</table>
Arrears Example

- Hourly employee receives $100 Gross Pay, $30 Taxes, $50 HMO Calumet, $40 Student Loan, $10 United Way

- Priority of deductions and arrears setting is as follows:
  1. HMO Calumet – Deduct what is possible place remainder in arrears
  2. Student Loan – Deduct all or nothing, place in arrears
  3. United Way – Deduct all or nothing, do not place in arrears
Arrears Example - Continued

- Employee will have the following deductions:
  - HMO Calumet $50
  - Student Loan $0, $40 in arrears
  - United Way $10, nothing in arrears
  - Net Pay $10

- If amount of United way was more than $20 then United Way would not have gone into Arrears and employee would have received $20 Net Pay. The missed deduction will not occur in the future.
Prepaid Deductions

- If employee goes on LOA they may have a large amount of deductions in Arrears when they return.
- If employee does not want to be hit with large amount when they return they can send a personal check into Benefits and that will be logged in SAP.
- When Payroll runs next it will recognize the personal check and it will offset either what is currently in arrears, or the current period deduction against it.
- Prepaid deductions can also be refunded to the employee if they have sent in too large of a check.
Prepaid Deductions - Continued

- The amount of the prepaid deduction is entered on infotype 0015
- Each period the current period amount is processed and reduces the amount of prepaid remaining
- If check is all used up and employee is still on LOA then deductions will start to go into arrears again
- Refund of prepaid deduction overpayment is made also on infotype 0015
Prepaid Deduction - Example

- Employee has Medical deduction each month of $100
- Employee is placed on LOA for the next six months
- After three months of arrears the employee sends in a check for $500
- Next payroll the $300 in arrears is cleared and the current amount of $100 is processed
- After the fifth payroll there will be no more money in the prepaid balance and therefore the deduction will start going into arrears again
Prepaid Deduction – Refund Example

- Employee has Medical deduction each month of $100
- Employee is placed on LOA for the next six months
- Employee sends in check up front for $600
- Employee returns to work after the end of the third month
- A refund is entered for $300 on infotype 0015
- Next time payroll is run the $300 is refunded to the employee but $100 is processed through the regular deduction
Arrears Advances

- In not all cases will employee send in a personal check to cover the arrears
- In some cases the employee owes a large amount of money when they return to work
  - This may be over $1,000
- University may allow this employee to pay this back over the next ten periods
- SAP will ALWAYS collect as many deductions from arrears as soon as that employee is being paid again
Arrears Advances - Continued

- Need to set up an Arrears Advance on infotype 0015
  - Setup as a negative deduction so that the employee is now receiving the money

- At the same time the Arrears Advance is setup, an Arrears Payback recurring deduction (infotype 0014) would need to be set up, along with a balance amount on wage type Arrears Balance on infotype 0015
Arrears Advance - Example

- Employee is on leave for one year and has accumulated $1,200 into their arrears table for Health coverage
- The first payroll that is run $1,200 will be collected to get the Health coverage paid up
- Employee is allowed to pay back the $1,200 over the next year
- Arrears Payback of $100/month is setup on infotype 0014 and an Arrears Balance of $1,200 is setup on infotype 0015
Taxable (Fringe) Benefits Calculation in SAP
What is Considered a Taxable (Fringe) Benefit?

- Any wage type that is not a part of gross pay, but is included in taxable earnings
Where are Taxable Benefit Wage Types Entered in SAP?

- Benefits infotypes
- Recurring payment/deduction infotype
- Additional payment/deduction infotype
Benefits Taxable Benefits

- Employee enrolls in appropriate benefit plans
- Benefits holds employee and employer costs, and the taxable benefit of the plans
- Payroll maps the employee, employer, and imputed income wage types to the benefit plan
- Payroll determines the payroll frequency of the plan being processed
Domestic Partner Pre-Tax Plans

- Additional employee deduction to enroll domestic partner is considered post tax.
- Additional employer cost for the domestic partner is considered a taxable benefit to the employee.
- Domestic partner plans will be set up as separate plans and map to additional post tax and imputed income wage types.
Group Term Life Insurance

- Amount of life insurance over $50,000 paid for by the University is considered taxable
- IRS charges different taxable benefit based on age of the employee
- Amount of taxable benefit is calculated, and processed through Payroll, every pay period
The age groups and taxable amounts are maintained in SAP.
Benefit Taxable Benefit Wage Types

- Federal EE Health Benefit – Tax Ben
- Grad Health Insurance – Tax Ben
- M- Plan HMO – Tax Ben
- Arnett Managed Care
- Purdue 500 – Tax Ben
- Medical PPO – Tax Ben
- Dependant Life – Tax Ben
- Term Life – Tax Ben
- Personal Accident Insurance – Tax Ben
Recurring Taxable Benefit – Infotype 0014

- Taxable Benefits that are recurring in nature
- Recurring taxable benefits can have payment frequencies default
  - First or last period of the month
  - Both first and second
- These recurring taxable benefits can also be entered as one time taxable benefits on infotype 0015
Recurring Taxable Benefits – Wage Types

- Housing
Additional Taxable Benefits – Infotype 0015

- Taxable Benefits that are to be processed for one pay cycle only
- Will include all wage types that are also on infotype 0014 (Recurring Taxable Benefits)
Additional Taxable Benefits – Wage Types

- Moving
- Automobiles
- Season Tickets
- Bowl Game Paraphernalia
- Airplane
- Fee Remission
- Tips
- Country Club
- Sabbatical Payback
- Spousal Travel
University Contributions in SAP
What is considered a university contribution?

- Any wage type that is not a part of either gross pay or net pay, and are not considered taxable
- Needed to be generated for either Accounting purposes or Reporting purposes
What University contribution wage types will be setup in SAP?

- Benefits
- Fee Remissions
- Liability Charges
- Workers Compensation
- Unemployment Insurance
Benefits University Contributions

- Employee enrolls in appropriate benefit plans
- Benefits holds employee and employer costs of the plans
- Payroll maps the employee, employer, and imputed income wage types to the benefit plan
- Payroll determines the payroll frequency of the plan being processed
Benefit University Contribution Wage Types

- Federal EE Health Benefit
- Grad Health Insurance
- Ft. Wayne HMO
- Purdue 500
- Medical PPO
- Arnett Managed Care
- Term Life

- Accidental Life
- Long Term Disability
- Medical Credit
- Dental
- TIAA/ CREF
- PERF
- Police/ Fire
Fee Remissions

- Fee Remission percentage is dependent on position
- Fee Remission category will be entered on employee’s Organizational Assignment infotype (0001)
- Payroll rule will calculate the percentage based on the category
- Separate Fee Remission Wage type will be generated that can be posted appropriately
Liability Charge

- Liability Charge percentage will be based off of enterprise structure
- Payroll rule will calculate the percentage based on the enterprise structure
- Separate Liability Charge Wage type will be generated that can be posted appropriately
Workers Compensation

- Workers Compensation categories are attached to the “Job” the employee holds in Organizational Management
- In Payroll the rates of those categories are mapped
- When Payroll processes a separate Workers Compensation Wage Type is generated that can be posted appropriately
Unemployment Insurance

- Will be discussed at the Taxes BPR
QUESTIONS