9-MONTH FACULTY DEFERRED PAY (9-OVER12)

Effect on Pay and Benefits Information Session

Highlights

Purpose of this session is provide information about the 9-Month Faculty Deferred Pay Plan. (9-month faculty will have the option to be paid over 12 months.)

- Deferred pay is a way to spread your paychecks over 26 pays.
- Employees would sign an authorization form to enroll or to stop participation in this plan
- The election to begin or stop participation must occur by June 30 for the contract period beginning August 8.

Highlights

- The election is irrevocable until the next academic year. (Complete Termination form by June 30)
- All changes would start in August of each year.
- To accurately process deferred pay, the factor used to calculate bi-weekly pay for deferred pay participants would have to change from 19.5 pay periods to 20 pay periods. The result of this is that the employee's current bi-weekly rate of pay will be lower.

EXAMPLES

- Our goal is to equalize your gross pay throughout the year. This goal can sometimes cause confusion in the actual paycheck amount. 9-month employees are traditionally paid from August 8th to the following May 6th. The deferred portion of salary is paid from May 7th to August 7th. In order to get paid over the summer, the difference between the biweekly pay for 20 pays and 26 pays is deferred.

Example 1: No Salary Change during year

- 9-month Contract Salary is $48,000
  - Current $48,000/19.5 = $2,461.54
- Proposed Deferred Pay
  - $48,000/26 = $1,846.15 biweekly amount for 26 pays
  - $48,000/20 = $2,400.00 biweekly amount for 20 pays

  - **Paycheck Amount = $1,846.15**
  - **Deferred Amount = $553.85 ($2,400.00 - $1,846.15)**

- Total amount deferred is $11,077.00 ($553.85 X 20 pays). This balance is depleted over the summer with 6 equal pays of $1846.15.

EXAMPLE # 2

- **Example 2:** Salary Change on 11/15
  - Initial 9-month Contract Salary is $48,000

  - $48,000/26 = $1,846.15 biweekly pay period amount for 26 pays
  - $48,000/20 = $2,400.00 biweekly pay period amount for 20 pays

- **Paycheck Amount = $1,846.15   Deferred Amount = $553.85**

  - On 11/15 (after 7 pay periods), employee receives a pay raise to $48,960.

  - $48,960/26 = $1,883.08 biweekly pay period amount for 26 pays
  - $48,960/20 = $2,448.00 biweekly pay period amount for 20 pays

- Since the pay raise occurs part way through the deferred pay accrual cycle, Banner looks at what has been earned and deferred so far and determines the remaining amount to be paid, keeping in mind the goal of equalizing gross pay over the whole year. It will increase the amount deferred and lower the paycheck amount so that the remaining 19 checks will be equal to each other.

Example # 2 continued

- **New Paycheck Amount = $1,879.00   New Deferred Amount = $569.00**

- Total amount deferred is $11,273.95. This balance is depleted over the summer with 6 equal pays of $1879.00.

The mathematical formulas supporting the new amounts are as follows:

- **New Paycheck Amount =** (Old Defer Pay Amount times the number of Accruals passed) *plus* (New Amount Earned Per Pay Period times the number of accruals remaining) = Amount to be Paid for Entire Deferred Pay Cycle *divided by* the number of pays left in Deferred Pay Cycle
  - $1,879.00 = ($553.85 * 7) + ($2,448 * 13) = 35,700.95/19

- **New Deferred Amount =** New Amount Earned per Pay Period *minus* New Per Paycheck Amount
  - $569.00 = $2,448.00 - $1879.00

Retirement Contributions

- Retirement contributions are required to be withheld and paid based on when the 9-month pay is **earned**.
- Optional Retirement Program (ORP) Participants
  - Contributions will be calculated using the employee’s 9-month rate.
  - No contributions can be made when the deferred payments are made during the summer. This impacts net pay and employees may want to adjust their ORP contribution percentages.
- The 3.00% mandatory employee paid employer contributions are required to be withheld and paid based on the 9-month appointment period (not over the 12 month period)

Illustration

- Exit to Excel Pay Illustrations (The link to this can be found on the Human Resources and the Financial Services web pages)

Insurance Benefits/deductions

- Double deductions for state insurance benefits will end since deductions will be paid throughout a 12 month period.
- Health insurance employer and employee deductions will be spread over 12 months
- Supplemental insurances through the Gabor Agency including Long Term Care, Long Term Disability and various life insurance options will be taken over 12 months/ 24 pay periods.

SEPARATION FROM EMPLOYMENT

- Employees separating from the University would receive a lump sum for their deferred pay amount.
- Separations would change the benefits matching to allow for only one month of coverage beyond separation. (Example if you separate from employment in May your coverage would now end June 30, rather than September 30.)

EXCEPTIONS

- Employees in the Deferred Retirement Option Program (DROP) would not be able to participate in deferred pay during their final year of employment
- In the year in which an employee is retiring, or on full year sabbaticals, or on unpaid leave they would not be eligible to participate.

Issues

- Employee has no access to the deferred money until the payout period.
- No interest is earned on the deferred pay.
- Worker's compensation calculations may be affected.
- Basis for ORP employer contributions over the period of earnings.
- Unemployment calculations will be affected.

ALTERNATIVES

- UWF could offer specialized courses in personal financial management through the University's Staff Development and Training program.
- Establish a deferral with your present financial institution to ensure income is available during the summer. (Example: Like a Christmas Club)
- Set up an additional direct deposit with your financial institution or with an alternate financial institution.
- These options allow you to control the funds and receive any interest earned on the funds.

Q & A

- **What is the Deferred Pay Option?**
  - Nine-month Faculty members would be paid 20 paychecks (18 full paychecks, 2 partial paychecks). All 12-month employees are paid 26 paychecks per year. With the **Deferred Pay Option**, Nine month faculty can choose to have their gross pay spread out equally over 26 pays. This option is commonly referred to as 9 over 12.

- **If I currently make $52,000 for my 9 month contract, how would choosing Deferred Pay affect my regular paycheck amount?**
  - If you were paid over 9 months (19.5 pays) your bi-weekly gross pay would be $2,666.66. If you select the **Deferred Pay Option**, your bi-weekly gross pay would be $2,000.00 (over 26 pays). It is the same total amount just spread over 12 months.

- **When is Open Enrollment for the Deferred Pay Option?**
  - Open Enrollment for the **Deferred Pay Option would** occur from March 1st through June 30th. Announcements would be sent out each year announcing these specific dates.

Q & A

- **If I was participating in the Deferred Pay Option would I need to re-enroll annually?**
  - You do not need to reenroll; this election would continue until you actively stop it.

- **How are my benefit deductions taken from my Deferred Pay Option?**
  - Unlike being paid over 9 months, which requires double deductions for benefits in the Spring to cover the summer months, when enrolled in Deferred Pay deductions occur each month for next month's benefits coverage with no double deductions. Deductions for insurance at therefore taken over twelve months.

- **If I enroll and then decide that I do not want to participate in the Deferred Pay Option, can I stop?**
  - Once you are enrolled you are required to continue for the full 12 months (August - August).

Q & A

- **How could I stop the Deferred Pay Option?**
  - You would be able to stop this election during open enrollment, March 1st – June 30th each year. To stop this election you would fill out the "Request for Termination of Nine Month Faculty Pay over 12 Months Plan" form. Forms would be available on HR's website. This would have to be completed by June 30th .
- **What if I separate from UWF or change from a 9 month faculty member to a 12 month faculty member prior to the end of summer when the deferred pay would be made to me?**
  - If you separate, HR and the Controller would conduct an audit of your record upon separation and the money already deferred would be paid to you in a lump sum payment. You would not forfeit the funds – it is your money!
  - You would receive your deferred pay on the normal schedule if you move from a nine month to a twelve month contract after the end of the nine month contract period.

Q & A

- **What if I receive a Summer Contract?**
  - Summer contracts would not affect your deferred pay received in the summer. Additionally, you would receive your summer pay according to the summer pay calendar.

- **What if I receive Overloads during the academic year or over the summer?**
  - Overloads would be paid as they normally are - during the time the work is completed or the appointment information is submitted to HR, whichever one is first.

- **What happens to the money that is deducted from my academic year paychecks? Will I earn interest on the funds?**
  - Your money would be held by the University for disbursement over the summer. You would not receive interest on the funds.

Q & A

- **Is this the only way for a nine-month Faculty member to save money for the summer months?**
  - Automatically, yes. However, you may be able to request your bank to move money from one account to another as a way of saving money or set up an additional direct deposit through the payroll office.

- **Will my Deferred Pay Option money be directly deposited into my bank account?**
  - Yes, all pay you receive from UWF would be direct deposited into the bank account on file with Financial Services. If you needed to update your banking information, your would complete a Direct Deposit Form and send it to Financial Services. Forms would be available on the Financial Services website.

- **Whom do I contact if I have questions?**
  - You may contact Jamie Sprague at 474-2694 or jsprague@uwf.edu or Kristie Peppers at 474-3169 or kpeppers@uwf.edu. We will be happy to answer your questions.