NEW eHR PAYROLL SYSTEM - APRIL 30, 2010 PAYDAY
FREQUENTLY ASKED QUESTIONS

SEMI-MONTHLY PAYROLL

P1. Can you provide additional information to explain why I will have 12 ½ months of taxable earnings in 2010?

The transition from monthly to semi-monthly pay periods in 2010 will result in a one-time reflection of 12 ½ months of taxable earnings reported to the Internal Revenue Service and the State Franchise Tax Board on employee W-2 Forms for the 2010 tax year (distributed in January 2011).

This is caused by inclusion of the first half of December 2009 earnings in the January 15, 2010 pay check. After 2010, the push of the first half of December earnings will cease. After 2010, a January 15th pay day will reflect only earnings for the second half of the preceding December for a total of 12 months of taxable earnings reported for each year. While annual taxable earnings reported for each employee will increase for 2010, the amount of monthly earnings for these periods does not change.

The example below demonstrates an employee paid $10,000 for three full-month pay periods in 2010 through the current payroll system (CWPAY), and $5,000 for nineteen half-month pay periods (or 9 ½ months) through the new eHR payroll system totaling 12 ½ months of pay recorded for the 2010 calendar year. In 2011, the employee will have $5,000 in pay recorded for twenty-four semi monthly pay periods (12 months).

Example: See next page.

CHANGE IN TAXABLE EARNINGS REPORTED ON 2010 W-2

2010

PAY PERIOD	PAYDAY	Taxable Wages On W-2
Dec.1-31, 2009	Jan.15, 2010	**$10,000**
Jan. 1-31, 2010	Advance Feb. 15, 2010	$10,000
Feb.1-28, 2010	Advance Mar.15, 2010	$10,000
Mar. 1-31, 2010	Advance Apr.15, 2010	$10,000
Apr. 15, 2010 Apr. 30, 2010	Apr. 30, 2010 May 15, 2010	$5,000 $5,000
May 15, 2010 May 31, 2010	May 30, 2010 Jun.15, 2010	$5,000 $5,000
Jun. 15, 2010 Jun. 30, 2010	Jun. 30, 2010 Jul.15, 2010	$5,000 $5,000
Jul. 15, 2010 Jul. 31, 2010	Jul. 30, 2010 Aug.15, 2010	$5,000 $5,000
Aug. 15, 2010 Aug. 31, 2010	Aug. 30, 2010 Sept. 15, 2010	$5,000 $5,000
Sept. 15, 2010 Sept. 30, 2010	Sept. 30, 2010 Oct.15, 2010	$5,000 $5,000
Oct. 15, 2010 Oct. 31, 2010	Oct. 30, 2010 Nov. 15, 2010	$5,000 $5,000
Nov. 15, 2010 Nov. 30, 2010	Nov. 30, 2010 Dec. 15, 2010	$5,000 $5,000
Dec. 1-15, 2010	Dec. 30, 2010	$5,000
TOTAL	**12 ½ Mo. Of Taxable Earnings**	**$125,000**

2011

PAY PERIOD	PAYDAY	Taxable Wages On W-2
Dec. 16-31, 2010	Jan. 15, 2011	**$5,000**
Jan. 15, 2011 Jan.31, 2011	Jan. 30, 2011 Feb. 15, 2011	$5,000 $5,000
Feb. 15, 2011 Feb. 28, 2011	Feb. 28, 2011 Mar. 15, 2011	$5,000 $5,000
Mar. 15, 2011 Mar. 31, 2011	Mar. 30, 2011 Apr.15, 2011	$5,000 $5,000
Apr.15, 2011 Apr.30, 2011	Apr. 30, 2011 May 15, 2011	$5,000 $5,000
May 15, 2011 May 31, 2011	May 30, 2011 Jun.15, 2011	$5,000 $5,000
Jun.15, 2011 Jun. 30, 2011	Jun. 30, 2011 Jul. 15, 2011	$5,000 $5,000
Jul. 15, 2011 Jul. 31, 2011	Jul. 30, 2011 Aug. 15, 2011	$5,000 $5,000
Aug. 15, 2011 Aug. 31, 2011	Aug. 30, 2011 Sept. 15, 2011	$5,000 $5,000
Sept. 15, 2011 Sept. 30, 2011	Sept. 30, 2011 Oct. 15, 2011	$5,000 $5,000
Oct.15, 2011 Oct. 31, 2011	Oct. 30, 2011 Nov. 15, 2011	$5,000 $5,000
Nov.15, 2011 Nov. 30, 2011	Nov. 30, 2011 Dec. 15, 2011	$5,000 $5,000
Dec. 15, 2011	Dec. 30, 2011	$5,000
TOTAL	**12 Mo. of Taxable Earnings**	**$120,000**

P2. <u>Will the extra ½ month of taxable earnings require me to change my tax withholdings to prevent taxes from being under withheld?</u>

Depending on your personal situation, you may need to have additional taxes withheld. If you are uncertain, you may wish to consult with a tax specialist.

P3. <u>Why is my 15th paycheck decreasing and my 30th paycheck increasing?</u>

Currently, when calculating an employee's pay advance received on the 30th payday, items such as cafeteria plan taxable cash and traffic mitigation allowance are not factored in. This results in less net pay on the 30th payday.

In the new payroll system most employees will be paid regularly scheduled earnings (e.g.: salary, cafeteria plan taxable cash, traffic mitigation allowance, bilingual bonus) and have most payroll deductions (e.g.: retirement, credit union payment, union dues) spread evenly between each semi-monthly pay period.

An exception to this will occur when processing employee CIGNA life insurance. All of CIGNA life insurance premium will be taken only on the 15th payday of the month, decreasing net pay on the 15th.

P4. <u>Will employees not paid through direct deposit continue to be paid once a month?</u>

No. All employees will be paid twice a month on or around the 15th and 30th of each month.

P5. <u>Why will I have fees withheld twice a month for Garnishment and Child Support withholding?</u>

State law permits the assessment of a processing fee for levies (federal taxes), garnishments (i.e.: court judgments, state taxes, student loans, etc.) and wage assignments (child support and spousal support assignments).

Currently, full-time permanent employees have any/all garnishments processed once a month on the monthly pay cycle. In 2010, garnishments will be processed twice a month on the new semi-monthly pay cycle and the associated processing fee will be charged each pay cycle.

BENEFITS – RETIREMENT AND DEFERRED PLANS

B1. What are the changes affecting the employee contribution amounts for the Horizons and Savings deferred compensation plans and what do I need to do to maintain this amount?

Eligible Earnings are the basis of an employee's deferral. Your contribution percentage is applied against Eligible Earnings to determine your deferred plan contribution amount. With the implementation of eHR, Eligible Earnings will include an employee's actual Cafeteria Plan taxable cash rather than the amount of Cafeteria Plan contributions the employee could receive as taxable cash. This change will reduce your Eligible Earnings, and if you do nothing, reduce your contribution amount.

The example below 1) compares the current and new methods of calculating Eligible Earnings using information from a current pay statement (pre eHR), 2) demonstrates what the contribution amount will be if the employee keeps the same contribution percentage, and 3) shows how to calculate a new percentage to keep the same deduction amount.

NEW eHR PAYROLL SYSTEM - APRIL 30, 2010 PAYDAY
FREQUENTLY ASKED QUESTIONS

B1. Example

1) COMPARISON OF CURRENT AND NEW METHOD OF CALCULATING ELIGIBLE EARNINGS

	CURRENT DEDUCTION BASE	**CURRENT PRACTICE Example**	EHR DEDUCTION BASE	**NEW PRACTICE Example**
STEP 1 No Change	GROSS TAXABLE WAGES Using a **pay statement**, add the amount in the "**Current Earnings**" box, plus the amount in the "**Imputed Income**" box.	$5,055.90	GROSS TAXABLE WAGES Using a **pay statement**, add the amount in the "**Current Earnings**" box, plus the amount in the "**Imputed Income**" box.	$5,055.90
STEP 2 **Change**	**ADD** THE AMOUNT OF CAFETERIA PLAN CONTRIBUTION THE EMPLOYEE COULD RECEIVE AS TAXABLE CASH. For Choices participants, this amount is $244.00 less the applicable administration fee. For Options participants, this amount is $228 less the $3.78 administration fee. For MegaFlex or Flex participants, use the amount listed as "CTY-ALLOW" shown under the County Flexible Benefit Program section less the $5 administration fee. If the employee is subject to a taxable cash limit, use the lower of the above amount or the taxable cash limit shown under employee information in your 2010 MegaFlex/Flex Personalized Enrollment Worksheet.	$224.22	N/A with EHR. (In the new system the Cafeteria Plan Taxable Cash Benefit is already included from Step 1.)	
STEP 3 **Change**	**SUBTRACT**, THE AMOUNT OF CAFETERIA PLAN TAXABLE CASH. (Current Earnings for Code 036 from the pay statement.)	$115.76	N/A with EHR.	$0.00
STEP 4 No Change	**SUBTRACT** ANY EARNINGS REPORTED BUT NOT SUBJECT TO WITHHOLDINGS. Codes 021, 022, 031 and 062.	$0.00	**SUBTRACT** ANY EARNINGS REPORTED BUT NOT SUBJECT TO WITHHOLDINGS. Codes 021, 022, 031 and 062.	
STEP 5 No Change	**SUBTRACT** PRETAX DEDUCTIONS TO EITHER LACERA OR THE JUDGES RETIREMENT PLANS. Deferred Retirement (codes 180, 182, 184, 190, 192, 194, 196, 212, 213, and 214).	$419.92	**SUBTRACT** PRETAX DEDUCTIONS TO EITHER LACERA OR THE JUDGES RETIREMENT PLANS. Deferred Retirement (codes 180, 182, 184, 190, 192, 194, 196, 212, 213, and 214).	$419.92
STEP 6 No Change	**ADD** ANY METLIFE LIFE INSURANCE COUNTY SUBSIDY. Codes 800 through 844.	$0.00	**ADD** ANY METLIFE LIFE INSURANCE COUNTY SUBSIDY. Codes 800 through 844.	$0.00
STEP 7	TOTAL OF ABOVE.	$4,744.44	TOTAL OF ABOVE.	$4,635.98

2) COMPARISON OF CONTRIBUTION AMOUNT IF AN EMPLOYEE KEEPS THE SAME CONTRIBUTION PERCENTATE (RATE)

STEP 8	**MUTIPLY** BY EMPLOYEE CONTRIBUTION	4.00%	**MUTIPLY** BY EMPLOYEE CONTRIBUTION	4.00%
STEP 9 RESULT	EMPLOYEE CONTRIBUTION AMOUNT	$189.78	EMPLOYEE CONTRIBUTION AMOUNT	$185.44

3) HOW TO DETERMINE NEW EHR CONTRIBUTION PERCENTAGE (RATE) TO KEEP THE SAME CONTRIBUTION DOLLAR AMOUNT

To maintain approximately the same contribution amount, you will need to increase the contribution percentage (See Step 8). In this example the new percentage can be calculated as follows:

STEP 9 RESULT - CURRENT PRACTICE	$189.78
DIVIDE BY STEP 7 - NEW EHR PRACTICE	$4,635.98
NEW CONTRIBUTION PERCENTAGE (ROUNDED TO 1 DECIMAL PLACE)	4.1%

The employee's new contribution amount will be calculated as follows:

STEP 7 RESULT - NEW EHR PRACTICE	$4,635.98
MULITIPLY BY NEW CONTRIBUTION RATE	4.1%
NEW CONTRIBUTION AMOUNT	190.08

*****See Additional BENEFITS - RETIREMENT AND DEFERRED PLAN FAQS on the next page*****

B2. <u>When and how do I make changes to my current Horizons and Savings deferred compensation plan contribution rates?</u>

The Plan quarterly newsletter will provide more details, but in general, changes made during the month of March 2010 will be reflected on the April 30, 2010 payday. You can make changes online by going to the plan website at www.countyla.com and clicking on the "Change Account" tab OR call KeyTalk at (800) 947-0845 to use the voice response system or speak directly with a client service representative.

B3. <u>Does the explanation in P2 regarding 12 ½ months of taxable earnings in 2010, also mean that I will have the equivalent of 12 ½ month of Pensionable Earnings for retirement calculations in 2010?</u>

No. Unlike taxable earnings where your earnings are reported in the year paid, pensionable earnings are reflected for the month earned.

With our Current monthly payroll, the pensionable earnings paid on the April 15th, 2010 payday are for work performed during the month (1st - 31st) of March 2010. Likewise, the April 15, 2010 payday will reflect pensionable earnings for the entire month of March 2010. <u>This will be the last 15th payday that reflects an entire month of pensionable earnings.</u>

Upon implementation of the eHR semi-monthly payroll, the pensionable earnings paid on the April 30, 2010 payday are for work performed during the first half (1st – 15th) of April 2010 and reflects pensionable earnings for the first half of April. The May 15, 2010 payday, for work performed during the second half (16th – 30th) of April 2010, will reflect pensionable earnings for the second half of April 2010.

The chart below shows an example of pay and pension periods from January 2010 through December 2010, pensionable earnings and retirement service credit for an employee with monthly pensionable earnings of $10,000. In this example, the employee has 3 months and 18 semi-monthly pay periods of service credit and pensionable earnings totaling $120,000.

NEW eHR PAYROLL SYSTEM - APRIL 30, 2010 PAYDAY
FREQUENTLY ASKED QUESTIONS

PAY PERIOD /PENSION PERIOD	PAYDAY	PENSIONABLE EARNINGS	PERIODS OF SERVICE CREDIT
Jan. 1-31, 2010	Feb. 15, 2010	$10,000	1 Month
Feb. 1-28 2010	Mar. 15, 2010	$10,000	1 Month
Mar. 1-31, 2010	Apr. 15, 2010	$10,000	1 Month
Apr. 1-15, 2010	Apr. 30, 2010	$ 5,000	½ Month
Apr. 16-30 2010	May 15, 2010	$ 5,000	½ Month
May 1-15, 2010	May. 30, 2010	$ 5,000	½ Month
May 16-31 2010	Jun. 15, 2010	$ 5,000	½ Month
Jun. 1-15, 2010	Jun. 30, 2010	$ 5,000	½ Month
Jun. 16-30 2010	Jul. 15, 2010	$ 5,000	½ Month
Jul. 1-15, 2010	Jul. 30, 2010	$ 5,000	½ Month
Jul. 16-31, 2010	Aug. 15, 2010	$ 5,000	½ Month
Aug. 1-15, 2010	Aug. 30, 2010	$ 5,000	½ Month
Aug. 16-31, 2010	Sep. 15, 2010	$ 5,000	½ Month
Sep. 1-15, 2010	Sep. 30, 2010	$ 5,000	½ Month
Sep. 16-30, 2010	Oct. 15, 2010	$ 5,000	½ Month
Oct. 1-15, 2010	Oct. 30, 2010	$ 5,000	½ Month
Oct. 16-31, 2010	Nov. 15, 2010	$ 5,000	½ Month
Nov. 1-15, 2010	Nov. 30, 2010	$ 5,000	½ Month
Nov. 16-30, 2010	Dec.15, 2010	$ 5,000	½ Month
Dec. 1-15, 2010	Dec. 30, 2010	$ 5,000	½ Month
Dec. 16-31, 2010	Jan. 15, 2011	$ 5,000	½ Month
Totals		**$120,000**	**3 Months** **18 Semi-months**

B4. <u>Will the change from monthly to semi-monthly payroll impact my LACERA retirement service credit?</u>

Currently, retirement deductions are taken and payment is made to LACERA on a monthly basis aligned with the County's current monthly pay cycle. The Retirement Contribution Earnings Amount (RCEA) is calculated and reported to LACERA as a monthly total and service credit is granted in increments of one month.

In the new system, employees will be paid earnings and have most payroll deductions processed each semi-monthly pay period.

Retirement service credit will also be earned semi-monthly based on the rules of your retirement plan. For most employees, the transition to semi-monthly service credit will be transparent, however if your retirement date falls before the 16th of the month, you will only have earned retirement service credit for the first pay period of that month, not the entire month. This could impact your expected service credit total, retirement allowance and benefits, making pre-planning your retirement date important. If you have questions regarding how eHR may impact your retirement benefits, call 1-800-786-6464 to speak with a LACERA Retirement Benefits Specialist or visit LACERA's public counter.

LEAVE TIME USAGE

L1. Will an unpaid leave of absence (Absent Without Pay or AWOP) cost more with the new payroll system?

In 2010, the County is adopting a work day calculation rather than the current calendar day calculation for processing absences without pay (AWOP).

With our current calendar day method, an employee having an AWOP condition on both sides of a scheduled weekend will lose pay at the calendar day rate for his/her scheduled work days and the weekend days.

Although the loss of a single work day is greater than a calendar day, the examples below demonstrate that the advantage of one pay calculation over another varies dependent on the number of days and weekend involvement.

Example A. Employee is AWOP on one scheduled work day.

Current Practice: Calculation of 8 hours of AWOP at the calendar-day rate.

Monthly Salary	Calendar-Day Hours Per Month (8hr *31 day)	Calendar-Day Hourly Rate ($5000/240)	Loss of Pay 8 hours of AWOP (8*$20.16)
$5,000.00	248	$20.16	$161.29

New Practice in EHR: Calculation of 8 hours of AWOP at the workday rate providing a comparatively greater pay-loss in this situation.

Semi-Monthly Salary	Scheduled Workday Hours in Semi-Monthly Pay Period	Workday Hourly Rate ($2,500/88)	Loss of Pay 8 hours of AWOP (8*$28.41)
$2,500.00	88	$28.41	$227.28

Example B. Employee is AWOP on Scheduled Friday and following Monday.

Current Practice: Employee is AWOP for 32 hours at the calendar-day.

Monthly Salary	Calendar-Day Hours Per Month	Calendar-Day Hourly Rate	Loss of Pay 32 hours of AWOP (32*$20.16)
$5,000.00	248	$20.16	$645.12

New Practice in EHR: Calculation of 16 hours of AWOP at the scheduled workday rate.

Semi-Monthly Salary	Scheduled Workday Hours in Semi-Monthly Pay Period	Workday Hourly Rate	Loss of Pay 16 hours of AWOP (16*$28.41)
$2,500.00	88	$28.41	$454.56

L2. <u>Will the change from calendar day to work day change the Part Pay Sick (PPS) Leave Balance?</u>

Yes. With the April 2010 implementation of work day pay in the new eHR Payroll System, PPS hours will **<u>only</u>** be used on scheduled workdays rather than all calendar days as done currently. In other words, PPS will not be recorded on 2 of the 7 days of a week.

Since the PPS hours needed will be reduced by 2/7 (without loss of benefit), the PPS hours on your April 30, 2010 payday statement, will reflect this adjustment.

For Example:

Employee Mary Lee's April 15, 2010 payday pay statement shows 448 hours (64 Weeks) of 65% PPS and 336 hours (48 Weeks) of 50% PPS.

Mary's April 30, 2010 payday pay statement will show 320 hours (64 Weeks) of 65% PPS and 240 hours (48 Weeks) of 50% PPS.

NEW eHR PAYROLL SYSTEM - APRIL 30, 2010 PAYDAY
FREQUENTLY ASKED QUESTIONS

PERSONNEL AND PAY EVENTS

P1. Will the new payroll system always provide the same earnings as the current practice when an employee has a salary increase in the middle of a pay period?

This depends on the month of the salary change. Months with 30 days provide no change in earnings, months with 31 days result in a slight loss of earnings in the new system, and February provides a slight earnings gain in the new system.

The current practice is to pay a percentage of each salary based on the number of calendar days at each salary level during the period. For most routine cases in the new eHR Payroll System, the practice will continue but the length of the pay period is changing from monthly to semi-monthly.

The examples below demonstrate the difference between the current practice system and new eHR system.

Example 1

Employee receives a promotion on the 26 of February 2010.

Current Calculation	Salary	Paid Salary
Salary from 2/01 to 2/25	$5,000.00	$4,464.29
Salary from 2/26 to 2/28	$5,500.00	$ 589.29
Total Paid Salary for February		$5,053.58

New Calculation	Salary	Paid Salary
Salary from 2/01 to 2/15	$2,500.00	$2,500.00
Salary from 2/16 to 2/25	$2,500.00	$1,923.08
Salary from 2/26 to 2/28	$2,750.00	$ 634.62
Total Paid Salary for February		**$5,057.70**

Example 2

Employee receives a promotion on the 26 of April 2010.

Current Calculation	Salary	Paid Salary
Salary from 4/01 to 4/25	$5,000.00	$4,166.67
Salary from 4/26 to 4/30	$5,500.00	$ 916.67
Total Paid Salary for April		**$5,083.34**

New Calculation	Salary	Paid Salary
Salary from 4/01 to 4/15	$2,500.00	$2,500.00
Salary from 4/16 to 4/25	$2,500.00	$1,666.67
Salary from 4/26 to 4/30	$2,750.00	$ 916.67
Total Paid Salary for April		**$5,083.34**

Example 3

Employee receives a promotion on the 26 of May 2010.

Current Calculation	Salary	Paid Salary
Salary from 5/01 to 5/25	$5,000.00	$4,032.26
Salary from 5/26 to 5/31	$5,500.00	$1,064.52
Total Paid Salary for May		**$5,096.78**

New Calculation	Salary	Paid Salary
Salary from 5/01 to 5/15	$2,500.00	$2,500.00
Salary from 5/16 to 5/25	$2,500.00	$1,562.50
Salary from 5/26 to 5/31	$2,750.00	$1,031.25
Total Paid Salary for May		$5,093.75

NEW eHR PAYROLL SYSTEM - APRIL 30, 2010 PAYDAY
FREQUENTLY ASKED QUESTIONS

EMPLOYEE PAY STATEMENT

S1. Can you explain how the Cafeteria Plan Benefits will be provided?

Currently, on the 15th payday a County Contribution is provided for insurance premiums (medical, dental, disability insurance, etc.) and taxable cash. Contribution exceeding the benefit cost is referred to as the taxable cash benefit and the benefit cost exceeding Contribution is deducted from salary and referred as the pre-tax salary reduction.

Accordingly, benefits paid with County Contribution and employee pre-tax salary reduction will continue to process on 15th payday. In order to facilitate a smoothing of net pay the employee is advanced an estimated half of either the monthly taxable cash benefit or half the monthly pre-tax salary reduction on the 30th payday. The 15th payday will reflect the balance of the monthly taxable cash benefit or pre-tax salary reduction.

S2. How will the taxable cash benefit be displayed on the pay statement?

On the 30th payday you will receive an estimate of half of your monthly taxable cash benefit. This will show as “FLEX EARN ADV” in the earnings section of your pay statement.

On the 15th payday you will receive your actual monthly taxable cash benefit, less the 30th payday advance. This will show as two lines in the earnings section. One line will show your monthly taxable cash as “FLEX EARN”, and a second line will again show the recovery of the 30th payday advance as “FLEX EARN ADV”, but with a negative amount.

S3. How will the pre-tax salary reduction be displayed on the pay statement?

On the 30th payday you will receive an estimate of half of your monthly pre-tax salary reduction. This will show as “SAL RED ADV” in the Taxes/Deductions section of your pay statement.

On the 15th payday will have the actual monthly pre-tax salary reduction withheld, less the 30th payday estimated advance deduction. This will show as two lines in the Taxes/Deductions section. One line will show your monthly pre-tax salary reduction as “SALARY REDUCT”, and a second line will again show “SAL RED ADV” but as a negative amount for the recovery of the 30th payday deduction.

DEDUCTIONS

D1. When will money withheld from my pay as a deduction (e.g.: Credit Union Deduction) be distributed by the County?

For most deductions, money withheld on a 30th payday will be distributed on the 5th of the following month and money withheld on the 15th payday will be distributed on the 20th of the same month. If the 5th or 20th fall on a weekend or holiday, the money will be distributed the next work day.