ARCHDIOCESE OF DENVER

MOVING TO ARREARS IN PAYCOM

What does "arrears" mean? Paying an employee "IN ARREARS" means time worked is cut off prior to the paycheck date. For example, an employee paid in arrears is paid for all time worked during the pay period 1/27/19 – 2/9/19 which the paycheck for the time period being on 2/15/19.

The exact number of days paid in arrears at the transition to Paycom will depend on each parish's current practices including whether the parish utilizes a monthly or semi-monthly pay cycle and whether the parish pays hourly or non-exempt salary employees current or "cuts-off" hours and what is the length of the "cut-off" period. (for example, some parishes pay hourly employees current while others have a 3 day or 1-week cut-off period).

Why are we doing this? Moving forward, all non-exempt (hourly) employees will be paid in arrears so we can ensure compliant time-keeping and make sure they are being paid accurately on the paycheck date.

How will the transition from "current" to "arrears" work? We understand that each entity is unique and, therefore, the decision of how to make this transition will be up to you and your Pastor to decide as well as to communicate to any impacted employees. We've put together four possible options for you and your Pastor to choose from (choose only one):

1) Transition employees to an arrears status and communicate heavily that they will be short a certain amount of days in their first paycheck.

   This doesn't mean employees will lose this money in the long-term — those days will be made up for upon termination from the organization.

   - **PRO**: Requires little administrative burden, allows for smooth transition
   - **CON**: Places financial burden on impacted employees and could cause unhappiness among employees

2) Offer a payment to impacted hourly employees to account for this shortage with no payback obligation.

   - **PRO:** Eases financial burden of impacted employees, requires low administrative burden
   - **CON:** Incurs financial expense for entity paying this advance

3) Offer an advance to impacted hourly employees and allow them to pay back that advance over a certain time period that you determine.

   A point to consider when determining the payback time period: The IRS considers amounts advanced to an employee that are not paid back by the end of the calendar year (December 31st) to be taxable compensation. For Group I, that would leave 23 pay periods, Group II would have 22 pay periods, and Group III would have 21 pay periods to collect advances in 2019 to avoid this taxation.

If you choose this option, it is best practice that you have your impacted employees sign a waiver acknowledging the advance and payback.

FYI, you can schedule deductions within Paycom until the full amount is paid back. Click on the link below to see how to do this in Paycom as well as to refer to the AOD employee advance materials for you to reference and use.

- **PRO:** Eases financial burden of impacted employees, mitigates entity's financial burden
- **CON:** Requires more administrative oversight

4) 4) Offer an advance to impacted hourly employees and let them know that they will pay this back as part of their last paycheck upon termination from the organization.

Keep in mind that if an impacted employee terminates after 12/31/19, then the advance would need to be considered taxable compensation.

If you choose this option, it is best practice that you have your impacted employees sign a waiver acknowledging the advance and payback.

FYI, you can utilize Paycom to track these employees. Click on the link below to see how to do this in Paycom as well as to refer to the AOD employee advance materials for you to reference and use.

- **PRO:** Eases financial burden of impacted employees, mitigates entity's financial burden
- **CON:** Requires high level of administrative oversight for potentially a long period of time, may cause confusion for employee upon termination.