

**WELCOME TO:
FUNDAMENTALS OF PAYROLL**

**Overtime
Pay Adjustments
Shift Differentials**

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Have You Met The Pre-Requisites?

To view this module, you should have met the following:

- ✓ Worked as a personnel specialist (or similar position) for 3 – 4 months;
- ✓ Have a minimum of three months payroll experience; and
- ✓ Have keyed overtime for 1-2 pay periods, keyed at least 1 to 2 pay adjustments (using Form STD 683), and have keyed shift differentials (if applicable, depending on unit)

Disclaimer

This training being provided is to enhance the learnings and/or instruction you have already received from your HR Department.

All personnel specialists should refer to the Payroll Procedures Manual (PPM) to locate reference information and procedures on completing payroll transactions. Doing this will help you become more confident in knowing how to locate answers in order to solve issues that arise with the rosters you are managing.

If you would like to view the PowerPoint presentation to print for note taking during this training, you can access it under the References box in the upper right corner of your screen.

Objectives

By the end of this module, you will have received the following information/instruction:

- ✓ An overview about overtime and how to calculate/process
- ✓ Guidelines per the Fair Labor Standards Act (FLSA)
- ✓ Learn about which forms to use: Form 672 or Form STD 671
- ✓ Learn about Earning IDs
- ✓ Learn about exception to keying in the Payment Input Process (PIP) system
- ✓ Learn about the process to identify exceptions to SCO for processing

Objectives

By the end of this module, you will have received the following information/instruction:

- ✓ Learn about when and how to process pay adjustments using Form 683 – Pay Adjustment Request
- ✓ How to handle exceptions to keying the Form STD 683 in the PIP system
- ✓ An overview on shift differentials and how to process
- ✓ How to identify exceptions for shift differentials and when to forward to SCO for processing.

Section I:

Overtime

Overtime – How is it Mandated?

Overtime is compensated in accordance with the Work Week Group (WWG) provisions established by:

- ✓ California Department of Human Resources (CalHR)
- ✓ Fair Labor Standards Act (FLSA) – originally created in 1938 by the U.S. Congress under the Department of Labor but modified over the years
- ✓ Memorandum of Understanding (MOU's)

Fair Labor Standards Act (FLSA)

- ✓ **Per the FLSA:** If the provisions of the FLSA are in conflict with the provisions of a Memorandum of Understanding (MOU) reached pursuant to Government Code Section 3517.5, the FLSA provisions shall be controlling unless the MOU provides a greater benefit.
- ✓ Overtime under the FLSA for miscellaneous employees occurs when an employee works more than 40 hours in the fixed work week, not after 8 hours in a workday, nor after 173.33 hours in a pay period.

Fair Labor Standards Act (FLSA)

- ✓ The work day is determined by time base appointment and alternate work schedules.
- ✓ The amount of overtime credit received and the method in which overtime is compensated, whether by cash or compensating time off, is determined by the provisions of the work week group to which the class is assigned.
- ✓ An employee's work week can begin on any day of the week and at any hour of the day.

Fair Labor Standards Act (FLSA)

- ✓ The department’s appointing power determines the day and the hour each employee’s work week begins.
- ✓ Windfall overtime for employees working a 9/8/80 schedule may be avoided by starting the employee’s work week at midday on the day off.
- ✓ Overtime will be credited for every 15 minutes (.25 hr., .50 hr., .75 hr., and 1.00 hr.).

Let’s Define “Overtime” Per CCR 599.700

Compensable Overtime (approved):

- ✓ Ordered overtime which is in addition to the regular work and which is compensated by cash or compensating time off (CTO).
- ✓ **“Noncompensable”** Overtime (unapproved):
- ✓ Occasional and casual overtime necessary to meet normal job requirements for which cash compensation or compensating time off is not provided.

Overtime Processing

Overtime Pay is:

- ✓ Issued as a Payment Type 1
- ✓ Issued using the flat rate tax method for both federal and state tax withholdings (22% for federal, 6.6% for CA, 9.62% for NY, 4/95% for IL)
- ✓ Not subject to retirement
- ✓ Subject to State Disability Insurance (SDI) withholding if the employee’s bargaining unit negotiated SDI benefits

Forms Used to Process Overtime Transactions

- ✓ Original Overtime Pay:
 - ✓ Form 672 (keyed in PIP system under action code "TA")
 - ✓ Form STD. 671 (keyed in PIP system under action code "MIS")

- ✓ Adjustments to Overtime Pay:
 - ✓ Form STD. 683 (Time and Salary) is keyed in PIP system under action code "ADJ"
 - ✓ Form STD. 674 (Time, Salary, Transfers)
 - ✓ PIP Exceptions Transmittal Form

- ✓ Overtime Pay A/R's:
 - ✓ Form STD. 674 A/R

Overtime Processing

Below is an example of a WWG 2 (not 7K exempt) overtime computation as it relates to this course:

Employee's monthly salary is \$3000.00. Identify the hourly rate to compute overtime:

\$3000.00 divided by 173.33** = \$17.31 hourly rate

** (from the Universal Salary Schedule – CalHR Pay Scales)

Hourly Rate		OT Factor		OT Rate	OT Code	Type
\$17.31	X	1.5	=	\$25.96	1	Time & ½
\$17.31	X	1.0	=	\$17.31	blank	Straight Time
\$17.31	X	.5	=	\$8.65	2	Half Time

**Overtime Processing – Use of Earning IDs
Pay Determination Chart**

Time and 1/2 (1.5) EID	Straight Time (1.0) EID	Half Time (.5) EID	Comments
OT6	OT5	OT	WWG 2 (not FLSA Exempt)
OT6E	OT5E	OTE	WWG 2 (not FLSA Exempt) including Shift Code E
OT6N	OT5N	OTN	WWG 2 (not FLSA Exempt) including Shift Code N
OT9	OT8	OT7	WWG 2 (not FLSA Exempt) includes "locked in" pay & shift differentials
OF6	OF5	OF	WWG 2 Special Computed Rate
OF6E	OF5E	OFE	WWG 2 Special Computed Rate including Shift Code E
OF6N	OF5N	OFN	WWG 2 Special Computed Rate including Shift Code N

Overtime Items That Cannot Be Keyed in PIP

- ✓ OT for EE not appointed to department where OT is being requested
- ✓ Garnishment payment needs PPSD processing coordination
- ✓ On disability entire month
- ✓ Payment of overtime that includes shift differential codes G or H for Seasonal Clerk, class code 1120, when shift codes are "locked in"

Special Considerations

- ✓ Overtime payment request is for an employee not appointed to the department in which overtime is being requested. This request must be keyed by the primary department/campus (in which employee is appointed) using an alternate funding code.
- ✓ Original overtime payment request is for 250 or more hours keyed via the PIP by using two line entries (e.g., one with 100 hours and another with 150 or more hours indifferent pay periods).
- ✓ Original overtime payment request includes Out-of-Class Assignment Pay, use EID(s): OF, OF5, or OF6.
- ✓ Overtime request for cash out of CTO or Excess time, use EID: OT5.

What if there is an Overtime Adjustment in Pay?

Most retroactive PAR transactions processed to increase an employee's salary and/or change a position number will automatically adjust the overtime pay except the following:

- ✓ Mid-month salary increase and/or position change (submit STD 674 for some hours; key the STD 683 for all hours)
- ✓ Original overtime keyed with Earnings ID: OF, OF5, or OF (key STD. 683)
- ✓ Original overtime was keyed with an Earnings ID: OT, OT5, OT6, OT7, OT8, or OT9 but should have been Earnings ID: OF, OF5, or OF6 (submit a STD. 674)

Payment Input Process (PIP) Transmittal Form

- ✓ The Civil Service PIP Exceptions Transmittal form must be submitted along with a form STD. 671 or Form STD. 674 to SCO/PPSD Payroll Operations for payments that cannot be keyed via in the PIP system.
- ✓ Your transactions unit may have this document already on the network, so use what is provided. Otherwise, re-create the form, adding your department/agency logo information, and your contact information.
- ✓ The cover sheet is required, so the SCO staff can receive/process in a timely manner, usually within 2 weeks after receipt.

**CIVIL SERVICE
PIP EXCEPTIONS TRANSMITTAL**

Date: _____

To: Payroll Operations

From Department: _____

Attached are document(s) which WERE NOT keyed, for the reason shown below:

- Out of history payment
- Mid-month position or salary rate change
- Payment of 250 or more hours
- Payment is for an emergency employee
- Overtime request for employee not appointed to department in which overtime is being requested
- 10/12 pay plan employee
- Other/Explain: _____

Section II:

Pay Adjustments

STD. 683 – Pay Adjustment Request: Its Purpose

- ✓ This form allows the departments the ability to key adjustments to both salary and time for specific payment types.
- ✓ The decentralized STD. 683 replaces the need to complete a STD. 674 for many adjustment requests.
- ✓ This process provides a **quicker turnaround** of the adjustment pay when keyed via the PIP system.

What Type of Pay Can be Adjusted?

The STD. 683 form allows departments to key adjustments to both salary and time for the following payment types:

- ✓ Payment Type 0 – Positive Pay (Roll Codes 3-8)
- ✓ Payment Type 1 – Overtime (ok for Roll Codes 1 and 2)
- ✓ Payment Type 2 – Shift Differential
- ✓ Payment Type Y – Out-of-State
- ✓ Payment Type L – CSU (Student Assistants, Trainee, and Youth Summer Aid)

STD. 683 – Pay Adjustment Request Form

The image shows a screenshot of the 'STD. 683 – Pay Adjustment Request Form'. At the top, there are 'Clear' and 'Print' buttons. Below them is a section titled 'PAY ADJUSTMENT REQUEST' with the instruction 'DO NOT SUBMIT TO HRD - SEE PIP SECTION K'. The form contains several tables for entering employee information and payment details. A blue callout box with the text 'Keyed in PIP as "ADJ"' points to the 'PAY ADJUSTMENT REQUEST' section. At the bottom, there are instructions for the user to verify the accuracy of the data and to save the form.

Section III:

Shift Differentials

What Are Shift Differentials?

Shift Differential Pay is for employees, working in eligible classifications, who are assigned to work an evening or night shift. There are two shifts:

- ✓ **Evening:** a shift of 4 or more hours between 6:00 pm – midnight (*pre-printed on Form 672 as SRE*)
- ✓ **Night:** a shift of 4 or more hours between midnight – 6:00 am (*pre-printed on Form 672 as SRN*)

Refer to CalHR Pay Scales, Section 14 for specific shift hours.

Shift Differentials...More Information

- ✓ Applies to all bargaining units, except Units R04, R05, R06, R13,R18, and R19, who have different shift times for specific classifications.
- ✓ Employees normally work a 40 hours work week, or 8 hours a day. Shift differential is paid for 6 hours of the day, and can vary within the work schedule based on bargaining contract.
- ✓ Pay Differential 85 has more detailed definitions of shifts, based on bargaining unit (located on the CalHR Website→Pay Scales).

How Are Shift Differentials Taxed?

Shift differential pay is taxed using the following methods:

- ✓ Aggregate method for "locked-in" shift differential on the PAR
 - ✓ Included and calculated with the regular pay salary
- ✓ Flat tax method for regular and overtime shift differential not "locked-in"
 - ✓ Payments issued separately from regular pay
 - ✓ Manually entered into the PIP system
 - ✓ View PPM Section H 102 – Flat Tax Method

How To Process Shift Differentials?

Processing methods for paying evening or night shift differential:

- ✓ If one or more **full** pay periods on **SAME** shift:
 - ✓ Key a 345 PAR transaction to "lock-in" the shift.
- ✓ Alternate shift schedule (i.e., evening to night, or night to evening for shorter durations, or every other month):
 - ✓ Key original hours via PIP on STD. 671 or Form 672.

Original shift differentials can be documented on the Form 672 – Time & Attendance, in addition to the STD 671.

General Information

Calculation of the following payments is listed below:

- ✓ Regular Shift Differential (Payment Type 2)
 - ✓ Not included: Non-Industrial Disability Leave
 - ✓ Included: Overtime, Industrial Disability, or Lump Sum
- ✓ Overtime Shift (Payment Type 1, Suffix 5)
 - ✓ Not included: Industrial Disability Leave, Non-Industrial Disability, or Lump Sum
- ✓ Regular Shift Differential (Payment Type 2) is subject to retirement.
- ✓ Overtime Shift Differential (Payment Type 1) is not subject to retirement.

Shift Differential Pay Determination Chart

Below is the determination chart regarding the applicable pay types:

Shift Code	Regular Shift Payment Type	Regular Shift EID	Overtime Shift Payment Type	Overtime Straight Shift EID	Overtime Premium Shift EID
Eve (E)	2	SRE	1*	SSE	S6E
Night (N)	2	SRN	1*	SSN	S6N

* when using Pay Suffix S (is visible in Pay HIST)

Items To Consider When Processing

- ✓ If the employee works less than a full pay period in an evening or night shift schedule, then the **original** shift differential hours are processed via the PIP system on the STD. 671 or the Form 672 - Time and Attendance.
- ✓ If there is an Exception to PIP Keying, the **original** shift pay can be submitted to SCO on the STD. 671 (with a PIP Exceptions Transmittal attached), or the STD. 674.
- ✓ If employee is due an **adjustment** of time for shift pay, key via the PIP system using the STD. 683.
- ✓ If the **adjustment** is a STD. 683 PIP Exception, submit a STD. 674, showing all similar Payment Type 2's (or Payment Type 1's if requesting an overtime shift adjustment) in Items 6A and 6B.

Exceptions to Keying Into the PIP System

- ✓ Out of history payment: 13 months of payment history (the current pay period + 12 prior pay periods)
- ✓ Payment of 250 or more hours
- ✓ Emergency employee (see G. C. 18531)
- ✓ Payment needing processing coordination (with PPSD) for a specific deduction to be applied to the payment request (e.g., new garnishment)
- ✓ Payment for shift and overtime shift differential with shift codes G or H, for Seasonal Clerk, class code 1120

****Can submit these exceptions using the STD 671 form for each pay period****

Let's Review What You Have Learned....
Choose the Correct Answer!

- 1) Overtime is mandated by which control agency?
 - a) State Personnel Board
 - b) Department of Labor
 - c) State Controller's Office
 - d) CalHR
- 2) FLSA is the acronym for:
 - a) Fair Leasing State Authority
 - b) Fair Labor Standards Act
 - c) Fair State Labor Amendment
 - d) Leave For State Agencies
- 3) Employees who work are 9/8/80 schedule are not eligible to earn overtime.
 - a) True
 - b) False

Let's Review What You Have Learned....
Choose the Correct Answer!

- 4) Overtime can be entered on the Form 672 – Time & Attendance form.
 - a) True
 - b) False
- 5) To calculate overtime, you must use which salary type?
 - a) Hourly
 - b) Monthly
 - c) Bi-Weekly
 - d) None of the above
- 6) The earning ID OF6N is:
 - a) Straight time for an evening employee
 - b) Straight time for an employee working the night shift
 - c) Half time for an employee working the evening shift
 - d) Time and ½ for an employee working the night shift

Let's Review What You Have Learned....
Choose the Correct Answer!

- 7) A negative employee can have his/her regular time corrected using the STD 683 – Pay Adjustment Form.
 - a) True
 - b) False
- 8) Which payment type **cannot** be adjusted using the STD 683 form?
 - a) Payment Type L
 - b) Payment Type K
 - c) Payment Type 1
 - d) Payment Type 0
- 9) The STD 683 form cannot be used to key in:
 - a) Overtime for a negative employee in Roll Code 2
 - b) A mid-month salary increase
 - c) Pay for an employee in Roll Code 3
 - d) A correction of pay under Payment Type 2

**Let's Review What You Have Learned....
Choose the Correct Answer!**

- 10) Shift differential timeframe for evening employees are between:
 - a) The hours of midnight – 8:00 am
 - b) The hours of 4:00 pm – 12:00 pm
 - c) The hours of 6:00 pm – 12:00 am
 - d) The hours of 6:00 pm – 1:00 am

- 11) The earning ID for regular hours under night shift differential is:
 - a) SRN
 - b) SSN
 - c) S6E
 - d) SRE

- 12) Shift differential pay is taxed:
 - a) By using the flat tax method for pay not "locked in"
 - b) By using the aggregate method for pay locked in on the PAR
 - c) A & B
 - d) None of the above

Resources

- ✓ [CCR 599.700](#) (Compensable, Non-Compensable Overtime)
- ✓ [Fair Labor Standards Act](#) (Overtime)
- ✓ [Form STD 671 – Miscellaneous Pay/Leave Actions](#)
- ✓ [Form STD 683 – Pay Adjustment Request](#)
- ✓ [Form 672 – Time & Attendance](#)
- ✓ [Government Code Section 3517.5](#) Overtime and FLSA
- ✓ [Government Code 18531](#) (Emergency Employee)
- ✓ [HR Manual](#) (CalHR)
- ✓ [Pay Differential 85](#) (CalHR Website – Shift Differentials)

Resources

- ✓ [Payroll Codes](#) (Job Aid – to view work week groups)
- ✓ [PPM: PIP Transmittal Form – Section G 955](#)
- ✓ [PPM: Sections G 020 – 025 \(Overtime\)](#)
- ✓ [PPM: Sections G 050 – G 055 \(Shift Differentials\)](#)
- ✓ [PPM: Sections D 004.01, 004.2, 004.3 \(Pay Adjustments\)](#)
- ✓ [PPM: Section K \(PIP System Keying Instructions\)](#)
- ✓ [Universal Salary Schedule – CalHR Pay Scales](#)
- ✓ [Work Week Groups Definitions: Section 10](#) (CalHR Pay Scales)

Contact Information

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Thank you for your participation!!
