



ADMINISTRATION POLICY:

Payroll Administration

Policy number: HR-PS-001 (D)
ALT report: N/A
Approved by: City Manager
Effective date: 2017 / 05 / 24
Next revision due: 2020 / 05 / 24
Department/BU: Corporate Services / Human Resources (Pay Services Division)

BACKGROUND

The Corporation of The City of Calgary (“The City”) is committed to the judicious and economical expenditure of taxpayer funds in meeting all payroll obligations. Additional guidelines for implementing this policy are available in the Payroll Procedures Manual.

PURPOSE

The purpose of this administration policy is to outline the business rules for payroll administration.

DEFINITIONS

None provided.

INTENDED OUTCOMES OF THIS POLICY

See Purpose.

POLICY STATEMENTS

1.0. Scope/Exceptions

1.1 Scope

None identified.

1.2 Exceptions

None identified.

2.0. Core Policy Statements

SECTION 1 PAYROLL SERVICES

1.02 Purpose

The over-riding consideration governing all functions is to provide quality and timely payroll services to all users, having regard to the judicious and economical expenditure of taxpayer funds in meeting all payroll obligations.

An integral element of this policy, and of the related Payroll Procedures Manual, is that all payroll transactions are approved as prescribed by the designated business unit management staff.

1.2 Services Provided by Payroll Services

The key services provided by Payroll Services are:

- accurate and timely production and control of all regular and off-cycle payments, Records of Employment (ROE) and annual tax slips,
- accurate allocation of all pay-related costs,
- statistical reporting of payroll data to governments and senior corporate management,
- policy and procedural guidance to users through the Administration Policy, Special Releases, Training Manuals, and through formal and informal consultations with users,
- centralized employee payroll data for employment and earnings verifications, and,
- ensuring accessibility of services to meet the diverse need of the City's employees

1.3 Payroll Services Organization

There are three main functional areas within the Payroll Services group:

a) Corporate Payroll is responsible for

- garnishment processing
- Records of Employment (ROEs)
- Canadian Pension Plan (CPP) and Employment Insurance (EI) discrepancies
- returned direct deposit or cancelled cheque reversal
- pay advice and report distribution
- cheque printing / signing / enveloping control
- payment status inquiries
- taxable benefit inclusion (Rewards, Parking, Vehicles)
- T4 / T4A adjustments
- year to date adjustments
- severance payments
- government statistical reporting
- payment of Worker's Compensation and coordination of Long-term Disability benefits.
- liaising between Homewood Health and Department Payroll regarding the payment of S&A/LTD benefits
- Car Allowance Eligibility – Tri-annual renewal process

b) Payroll Processing

- day-to-day management of all computerized control tables
- execution of the bi-weekly payroll production cycle
- retroactive payment generation and reconciliation
- assistance with mass input of employee data
- ad-hoc creation and execution of data searches and / reports.

c) Department Payroll is responsible for

- time entry functions into the appropriate pay system
- wage pay advance tracking and recovery
- overpayment recovery
- salary increments
- adjustments to service/service related entitlements
- payment of sickness and accident claims
- final payments to exiting employees
- car allowance pay processing
- reclassification / retroactive payments
- lost time union billing
- pay register review and adjustments
- vacation / lieu time record maintenance
- administration of leave plans
- work schedule changes
- monitoring DeptID approvals & mass approval follow up
- audit functions of pay processing
- client communications, system support and training

1.4 Payroll Calendar and Schedules

a) Cut-offs

- Adherence by users to established cut-offs is critical to the timely and accurate processing of The City and auxiliary payrolls.
- The Manager of Pay Services must approve any deviation from established schedules.

b) Payroll Calendar

- Outlines all pay days, statutory holidays and cut-offs for wage and salaried employees.

Bi-Weekly Payroll Cycle

- "Pay week" refers to that week in which a payday occurs.
- "Non pay week" refers to that week in which a payday does not occur.
- Most critical payroll functions fall within this bi-weekly cycle.

Examples of Cut-off / Cycle Days

<u>Function</u>	<u>Cut-Off / Cycle Day</u>
Time Input Cut-Off for Self Service & Business Units	Wednesday - non-pay week
Deptid owner Approvals	Thursday – non-pay week
Payroll Final Confirm	Friday - non-pay week
Advice Printing	Friday - non-pay week
Register Review	Monday- pay week
Advice Enveloping	Monday- pay week
Advice distribution	Tuesday - pay week
Pay Day (actual employees)	Wednesday – pay week
Pay Day (predicted employees)	Thursday - pay week

1.5 Payroll Procedures Manual

- All specific City payroll procedures are contained in the Payroll Procedures Manual.
- Due to the complexity in the interpretation of the policies and the standardization of procedures, all payroll information should first be obtained from the Payroll Leader.

SECTION 2 GENERAL PAYROLL POLICIES

2.1 Earnings and Deductions

a) Compliance with Legislation and Agreements

The City of Calgary pays employees according to the following provincial and federal statutes and regulations and negotiated collective agreements.

- Alberta Income Tax Act
- Alberta Municipal Government Act
- Canada Pension Plan Act
- City of Calgary Collective Agreements (Contracts)
- Employment Standards Code
- Exempt Staff Policy (Administration Policy HR-LR-006)
- Federal Income Tax Act
- The Employment Insurance Act
- Labour Relations Code
- Maintenance Enforcement Act
- Workers' Compensation Act and Regulations

b) Direct Deposit

Direct deposit is a condition of employment for all City of Calgary employees, with the following conditions:

- The employee's net pay may be deposited to an account at any financial institution (chartered bank, trust company, credit union), of the employee's choice.
- The net pay may be split into three predetermined amounts and be deposited to three different accounts at different financial institutions.

- Employees may change Direct Deposit information by contacting the HR Support Services at 268-5800 or by completing and signing a Payroll Direct Deposit X 197 form and forwarding it to HRSS Transactions – 8107TN.
- There is no set minimum deposit amount however Pay Services reserves the right to not allow a direct deposit when it appears that there is an attempt to use the deposit for a social fund type of deduction (i.e. one account and several depositors).

2.2 Priority of Deductions Taken

When sufficient earnings are not available to proceed with all established deductions, the priority ranking to determine the order in which deductions will be satisfied is:

1. Statutory deductions
2. Advance recoveries
3. Garnishments
4. Compulsory pension and benefits deductions
5. Optional or voluntary deductions

a) Voluntary deductions

Voluntary deductions are those payroll deductions that an employee chooses to have deducted from their bi-weekly pay. The City of Calgary offers a number of options for employees such as:

- United Way
- Group RSP
- Active Living (Facility Pass)
- Active Living (Golf Pass)
- Self-Funded Leave of Absence

The City also offers Business Unit/Union/Association specific options such as:

- Police (Donate, Museum, Insurance)
- Fire (Charitable Fund, Toys)
- Transit (DBlue, Insurance)

New deductions must meet the following criteria before they will be considered for set up: The deduction must not be limited in nature (i.e. only available to a small number of employees within a work area/unit) with all or most employees able to participate.

- The deduction should not be used to ease office administration as a means to collect for something or someone (Pay Day Pools or fund raising for personal causes).
- If the deduction request is similar to a lottery in nature, there must be proof of registration and ongoing renewal with the Alberta Gaming Commission. Lotteries are discouraged as there are reconciling issues when an employee's pay must be recalled due to an overpayment.
- There should be no significant administration (i.e. set up, maintenance, reconciliation) associated with the deduction to either the payroll and/or Finance.

- Voluntary payroll deductions are not intended to collect a debt owed by the employee to The City of Calgary.
- The maximum number of deductions for each business unit/union/association should not exceed three at any given time.

Deductions that are no longer in use but may be requested in future to be re-activated will be required to meet the above criteria prior to being set back up again.

2.3 Discretionary Tax Deductions

a) Regular Payments

As required by the Federal and Provincial Income Tax Acts, the PeopleSoft Human Capital Management application is programmed to calculate and deduct taxes on all “regular” recurring payments using PeopleSoft’s “Annualized” tax method. This means that these payments are assumed to be present in each pay cycle till the end of the calendar year.

b) Additional Payments

Tax on certain payments, such as excessively large overtime payments, pay out of vacation time, retroactive payments and lump-sum payments will be calculated using PeopleSoft’s “Bonus” tax method, which spreads out the amount of the earning over the remaining pays in the calendar year.

Tax Exemptions

Employees are required to complete a TD1/TD1AB to determine the appropriate amount of income tax to pay. PeopleSoft calculates the tax to be deducted based on the exemption amount. Only students (as identified in Job Data) may request to be zero tax exempt from paying income tax.

c) Severance and Retiring Allowance Payments

Severance and Retiring Allowance payments will have their tax calculated and deducted at the appropriate lump sum rate, as specified by the Canada Revenue Agency (CRA).

2.4 Pay Advances

a) Emergency Pay Advances

- Emergency advances are available if the employee’s business unit DEPTID owner agrees that the employee’s situation is due to exceptional personal reasons.
- All emergency advances are fully recovered from the next available pay.
- Emergency advances must be approved by the employee's DEPTID owner in writing.

b) Vacation Pay Advances

- Vacation advances can be granted if the employee is on vacation leave on the scheduled pay day.
- Vacation advances are normally released on the working day immediately preceding the beginning of the vacation leave.

2.5 Recovery of Overpayments

- All overpayments must be recovered except where the cost of recovery exceeds the amount to be recovered.
- Where the overpayment is less than \$1000.00 the minimum pay back amount is \$50.00 per pay period.
- Where the overpayment is greater than \$1000.00 the minimum pay back amount is \$100.00 per pay period.
- Where the business unit payroll has determined that recovery is not feasible, the business unit will absorb the cost.
- Where an overpayment has been identified for an employee who no longer works for the City if the employee does not pay back within 30 days the file will be referred to Corporate Credit and Collections. If the total overpayment is less than \$100.00 Corporate Credit will not pursue the debt.

Notification / Approval Requirements

- The Payroll Leader must be advised of all overpayments where recovery will not be made in the next pay period.
- Where the recovery period exceeds ten pay periods, the business unit must secure approval through the Payroll Leader.
- If an employee ceases employment without full recovery of any outstanding advances or overpayments, or is overpaid in error upon termination, the Payroll Leader, Corporate Payroll must be notified immediately.

2.6 Payroll Adjustments

a) Timing of Adjustments

Prior period Adjustments are processed in the next available pay period.

b) Off-Cycle Payments

Should the adjustment be for more than one day's regular earnings, an adjustment may be made as an off-cycle payment, with the appropriate explanation and authorization.

c) Less than One Day's Pay

Where circumstances dictate payment of less than one day's pay, prior approval must be secured from the Payroll Leader.

Note: Pay Services will notify the DeptID owner or designated authority if the *gross amount* of any pay adjustment exceeds \$10,000.

2.7 Pay Advice Distribution

a) Regular Payroll

- Direct deposit to a financial institution of the employee's choice is a condition of employment for all City of Calgary employees.

- Employees are provided with a pay advice statement prior to the pay deposit date. A pay advice contains details on hours and earnings, deductions (taxes and benefits) and employer-paid benefits.
- For exceptional cases only, pay cheques may be prepared. In such cases, the pay cheques will be provided directly to the employee and will not be mailed out without the employee's written authorization.
- A letter of authorization signed and dated by the employee must be obtained prior to the release of the employee's pay advice to another individual.
- Employee pay advices will not normally be released into the custody of a minor child.
- Corporate Payroll will determine an appropriate course of action if the employee cannot execute written direction with respect to his / her pay, by reason of disability or unforeseen circumstances.

b) Final Pay

- Where the employee has provided sufficient advance notice of termination, every reasonable effort will be made to ensure the final pay is made available to the employee in a timely fashion and within legislated requirements.
- Release of the final pay on the last working day is at the discretion of the employing business unit. Early release is not advised.
- If a business unit requires a final pay to be issued on an emergency basis, such as for "termination with cause", arrangements can be made through the Payroll Leader, Corporate Payroll to have the final pay processed as soon as possible.
- Final pay is processed via direct deposit.
- An employee may request a manual cheque to be produced, at the discretion of Pay Services staff. If produced, a manual cheque will be mailed to the employee unless alternate arrangements are made by the employee.

2.8 Payroll Source Document Authorization

- Designated business unit personnel with signing authority for payroll must duly authorize all payroll source documents.
- Payroll source documents cannot be initiated and authorized by the same individual.
- Extra caution and careful supervisory / management review should be taken for pay-generating / adjusting source documents initiated by a Payroll Services employee in respect of his / her own pay. If possible, the source document in this circumstance should be initiated by another individual and approved by designated management / supervisory personnel.
- All Pay Services employees are advised not to initiate, authorize or otherwise process on an individual basis, any pay-generating or pay-adjusting transaction affecting an immediate family member.

2.9 Net Pays Under Ten Dollars

- Where the amount of final pay to a terminating employee is less than ten dollars, that amount will be underwritten to income tax to produce zero net pay.

2.10 Garnishments

- All garnishments, Crown demands by the Canada Revenue Agency (CRA) and the Employment Insurance Commission (EIC), orders from the Director of Maintenance Enforcement, and all other similar documents, are processed by Payroll in accordance with the conditions set out in the document.
- Garnishment exemptions are based on available marital status and dependant information filed by the employee for tax and benefits purposes.
- The City of Calgary does not accept Wage Assignments (as the option is allowed by Provincial Law).

2.11 Roll-over of Special Payments to RRSP

- Certain payments, such as the retirement allowance paid to retiring employees or severance payments may be eligible under the Retiring Allowance provision of the Income Tax Act for roll-over into the employee's personal Registered Retirement Savings Plans.
- These roll-overs are subject to specific dollar limitations and require special attention.

2.12 Employment Contracts

a) General

See Employment Policy (Administration Policy HR-031) - Section 3107 Employment Contracts regarding the following

- criteria for the use of employment contracts
- definition of employment contracts versus consulting contracts
- City guidelines for „employer-employee“ relationship
- Federal government test for „employer-employee“ relationship
- Terms and conditions of employment.

Further information regarding „employer-employee“ relationships may be obtained from the Canada Revenue Agency (CRA).

b) Administration

- Individuals employed under contract are subject to the same general terms and conditions of employment as are all other municipal employees unless specifically excluded under the provisions of their contract, and must observe to the same degree, all municipal policies, rules, regulations and by-laws.
- The letter of offer or employment contract will include any terms and conditions of employment that are different from those referenced in the Exempt Staff Policy (Administration Policy HR-LR-006).
- The City will pay the required employer's portion of premiums for Canadian Pension Plan (CPP), Employment Insurance (EI) and Worker's Compensation Board (WCB) for individuals employed under an employment contract.
- Where it has been determined an employee-employer relationship likely does not exist (i.e., where The City enters into a „principal-agent“ relationship with a firm or

professional corporation for services), the independent contractor can be paid through Accounts Payable in accordance with the process specified by Supply Management.

- For information on „independent contractor“ consulting contracts, reference should be made to Procurement and Purchasing Policies in the Administration policy library.

SECTION 3 CAR ALLOWANCES

3.1 Purpose and Reimbursement

The purpose of the car allowance policy is to achieve the most cost-effective method of moving employees within The City, in order for them to carry out their authorized work.

a) General

- Only travel on City business is reimbursed; transportation between residence and place of work is excluded.
- Car allowances may be deleted on the authority of an employee's business unit leader.
- Car allowance type may be changed on the authority of an employee's business unit leader.

b) Travel Allowance Guide

- All City car allowance procedures are contained in the Travel Allowance Guide. All applicable forms are located on the HR website under Pay and Benefits.
- Employees authorized to use personal cars for City business are reimbursed according to the Payment Schedule located on the HR website under Pay and Benefits. Pay Services will undertake a Car Allowance Application renewal process every 3 years to ensure employees are up to date on their responsibilities under the Car Allowance Policy.

SECTION 4 GENERAL ADMINISTRATION

4.1 Confirmation of Employment

a) Third Party Requests

- Operating departments are often asked to verbally confirm an individual's employment with the City of Calgary. These requests can come from a variety of sources including financial institutions, collection agencies, insurance companies and government agencies.
- Under the provisions of the Alberta *Freedom of Information and Protection of Privacy Act*, verbal confirmations of employment are not to be released to, or validated for, a third party without the employee's prior consent to release the information.

b) Requests from Collection Agencies

Confirmation of employment is not knowingly provided to collection agencies.

c) Employee Requests

Written confirmation of employment can be provided directly to an employee at his / her request.

d) Exceptions

Only Government bodies possess statutory authority to obtain such information. However, prior to confirming any information, reasonable care should be taken to verify that the request is coming from a bona fide representative from one of these agencies.

4.2 Records Retention

a) Retention Policy

The Pay Services group retains all payroll records in accordance with existing federal and provincial legislation, adhering to established corporate policies and procedures for record management.

b) Historical Documents

The Pay Services group has access to electronic copies of all deposit advices and all T4s created through PeopleSoft as above.

3.0. Consequences of Non-Compliance

3.1 None identified.

SUPPORTING REFERENCES AND RESOURCES

Please note that some of the items listed below may not be publicly available.

References to related corporate-wide procedures, forms and resources

- myCity intranet website <http://mycity/Pages/Default.aspx>
- Payroll Procedures Manual
- Payroll Calendar and Processing Schedules available at the Pay and Benefits HR intranet website on myCity
- Travel Allowance Guide

References to related [Council policies](#), bylaws and [administration policies](#)

- Employment Policy (Administration Policy HR-031)
- Exempt Staff Policy (Administration Policy HR-LR-006)
- Procurement Policies (Administration Policies FA-033 to FA-049)

Other references and resources

- Alberta Income Tax Act
- Alberta Municipal Government Act
- Federal Canada Pension Plan Act
- Federal Canada Revenue Agency website
- City of Calgary Collective Agreements (Union Contracts)
<http://www.calgary.ca/cfod/hr/Pages/Union/Union-Contracts-Representatives.aspx>

- Alberta – Employment Standards Code
- Alberta Freedom of Information and Protection of Privacy Act
- Federal Income Tax Act
- Federal Employment Insurance Act
- Alberta Labour Relations Code
- Alberta Maintenance Enforcement Act
- Alberta Workers' Compensation Act

REVISION HISTORY

Review Date	Description
2013-06-10 (Version C)	Scheduled review, updates to 2.03 and 2.05
2012 08 21 (Version B)	Amendment to Section 2.04 – Pay Advances approved by the Administrative Leadership Team (see ALT Report ALT2012-0155)
2011 06 01	Updates to direct deposit and general deductions. Update Car Allowance
2008 03 29	<ul style="list-style-type: none"> • Title change <p>From: Payroll, Pensions & Benefits Administration Policy To: Payroll Administration Policy</p> <ul style="list-style-type: none"> • Migrated to new policy template; numbering changed
2004 09 21 (Version A)	Updated links New policy
2006 03 27	Chapter 26: Payroll, Benefits and Pension Administration (in the hard-copy-based editions of the Administration Manual)