Commonwealth of Pennsylvania
Office of Administration

Human Resources and Management

DATE: April 26, 2005

SUBJECT: Method of Calculating Cash Payments

TO: ALL HUMAN RESOURCE DIRECTORS OF ALL DEPARTMENTS, INDEPENDENT ADMINISTRATIVE BOARDS AND COMMISSIONS AND OTHER STATE AGENCIES UNDER THE GOVERNOR'S JURISDICTION

FROM: Nancy Dering Martin
Deputy Secretary for
Human Resources and Management

This is to inform you of a change in the method of calculating cash payments for employees at or above the maximum when they are eligible for a cash payment in lieu of longevity increase. This change is pursuant to the methodology implemented into the SAP system, effective with the July 2004 service increments. This method should be used for all service increment and general pay increase cash payments effective on or after July 2004.

Longevity Cash Payment
Employee's rate of pay is at or above the maximum for their pay scale group when they become eligible for a 2.25% longevity increment.

Example: A 37.5 hour Standard Schedule employee is at the maximum of Pay Scale Group ST07, paid $29.02 per hour, $2,176.50 biweekly, $56,763 annually on their longevity date.

1) Multiply hourly rate by the longevity increment factor of 2.25%:
$29.02 x 2.25% = $0.65295, rounded to nearest cent = $0.65

2) Multiply answer from (1) by biweekly hours and number of pay periods:
$0.65 x 75 = $48.75 x 26.08 = $1,271.40, rounded to nearest dollar = **$1,271 cash payment**

General Pay Increase – Full Cash Payment
Employee's rate of pay is above the maximum for their pay scale group before and after the general pay increase.

Example: A 37.5 hour Standard Schedule employee is above the maximum of Pay Scale Group ST06, paid $27.19 per hour, $2,039.25 biweekly, and $53,184 annually at the time of a 3% general pay increase. Pay Scale Group ST06, Level 20 before the pay increase: $25.42 hourly, $1,906.50 biweekly, $49,722 annually. Pay Scale Group ST06, Level 20 after the pay increase: $26.18 hourly, $1,963.50 biweekly, $51,208 annually.

1) Multiply the employee's hourly rate by the general pay increase:
$27.19 x 3% = $0.8157, rounded to nearest cent = $0.82

2) Multiply answer from (1) by biweekly hours and number of pay periods:
$0.82 x 75 = $61.50 x 26.08 = $1,603.92, rounded to nearest dollar = **$1,604 cash payment**

General Pay Increase – Partial Cash Payment

Employee's rate of pay is above the maximum for their pay scale group before the general pay increase, but not after.

Example: A 37.5 hour Standard Schedule employee is above the maximum of Pay Scale Group ST07, paid $29.60 per hour, $2,220.00 biweekly, $57,898 annually at the time of a 3% general pay increase. Pay Scale Group ST07, Level 20 before the pay increase: $29.02 hourly, $2,176.50 biweekly, $56,763 annually. Pay Scale Group ST07, Level 20 after the pay increase: $29.89 hourly, $2,241.75 biweekly, $58,465 annually. Employee is placed at the new maximum pay rate.

1) Multiply employee's current hourly rate by the general pay increase factor of 3%:
$29.60 x 3% = $0.888, rounded to nearest cent = $0.89

2) Determine increase in employee's hourly rate from being placed at the new maximum:
$29.89 - $29.60 = $0.29

3) Subtract answer (2) from answer (1):
$0.89 - $0.29 = $0.60

4) Multiply answer from (3) by biweekly hours and number of pay periods:
$0.60 x 75 = $45.00 x 26.08 = $1,173.60, rounded to nearest dollar = **$1,174 cash payment**

cc: Secretary Masch
Ronald Blough