

## AAM 200. PAYROLL SYSTEM INFORMATION

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### **AAM 200.010 Application and Interpretation of the Manual (04-11)**

The Payroll Section of the Alaska Administrative Manual (AAM) contains state payroll policy and information clarifying state payroll processes. Policy is carried out through standard statewide procedures in the Payroll Procedures Manual. Material contained in this section of the AAM is the responsibility of the Department of Administration, Division of Finance. Questions about the application or interpretation of these policies should be directed to the Division of Finance.

Policies set forth in the AAM are intended to supplement policy setting documents such as Alaska Statutes, Personnel and Leave Rules, Personnel Memorandum, and collective bargaining contracts. At times, policy and procedure will change before material in this manual is revised. Readers are advised to consult applicable collective bargaining agreements, statutes, personnel and leave rules, and Division of Personnel and Labor Relations service centers before applying policies in this manual to specific situations.

The AAM is not intended to alter collective bargaining agreements in any way and should not be read to add to, subtract from, supplement, or modify any rights, privileges, or obligations found in those agreements.

The AAM contains policy that is in compliance with the Internal Revenue Code (IRC). The Division of Finance is responsible for revising policy and

procedures to ensure the State is in compliance with the IRC. At times, policy in this manual may not reflect the most current regulations due to frequent changes in the code. Readers of this manual are advised to contact the Division of Finance with questions concerning the most current Internal Revenue Service regulations.

The AAM is not intended to alter provisions of the Alaska Family Leave or the federal Family and Medical Leave Acts, the Workers' Compensation Act, the Americans with Disabilities Act, or other state or federal legislation relating to employees.

### **AAM 200.020 The Alaska Statewide Payroll System (04-11)**

The Alaska Statewide Payroll System is designed to maintain employee and position records, process pay for employees paid through the payroll system, and provide accumulated payroll information, historical records, and reports of the data processed. Payroll liability totals and summarized total dollars charged to each fully qualified account (FQA) are posted to accounting structures in the State of Alaska Financial System through interface processes. The financial system is designed to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the State in conformity with generally accepted accounting principles (GAAP) as mandated in [AS 37.05.150](#).

Within the payroll system, the Report-to Structure is maintained for the purpose of identifying the statewide approval organization for time and attendance records.

This manual does not address other pay systems of the State such as the Alaska Housing Finance Corporation and the Alaska Railroad System.

### **AAM 200.030 Authority for the Statewide Payroll System**

The statewide payroll system is established pursuant to authority vested in the Department of Administration by [AS 37.05.140 \(a\)](#).

### **AAM 200.040 Payroll System Security Access (01-07)**

Payroll system access is restricted to individuals with security clearance. The payroll system's security system is used to protect the confidentiality of information in the payroll system and restrict inquiry to and update of information.

The Operator ID code and password provide security access to and specify functions a user is authorized to perform in the payroll system. Each Operator ID and password identifies an individual user in the payroll system. Each certifying officer Table 1000 Operator/Password record must have the social security number of the certifying officer in the OPER SSN field and the unique payroll system-generated Employee ID of the certify officer in the OPR ALTID field. Each payroll system user must have a signed and approved Certifying Officer's Affidavit on file with the Division of Finance to be granted a payroll system Operator ID.

It is the responsibility of every user to protect the confidentiality of data they are authorized to view and update. In no circumstance should the password of an operator ID be shared. The Certifying Officer's Affidavit enumerates circumstances under which an individual commits the crime of misuse of confidential information and identifies misuse of confidential information as a class A misdemeanor, as provided in [AS 11.56.860](#).

Refer to [AAM 15](#) for policies on appointing authorities and certification.

<b>AAM 200.050    Employer/Employee Relationship</b>
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Agencies are required to appoint individuals to positions and compensate them through the payroll system when they are determined to be employees of the State as defined in Internal Revenue Service (IRS) regulations. The Division of Finance recommends an agency complete and file IRS Form SS-8, Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS to obtain an official determination of employee/employer relationship. If individuals who are determined to be employees of the State are not appointed to state positions, the State may be liable for federal income tax and the employees' Medicare taxes in addition to the employer's employment taxes and charges. State agencies may contact the Division of Personnel and Labor Relations for assistance in determining the employee/employer relationship of an individual or group of individuals who provide services to the State. Agencies should also review state contracting procedures for information delineating the difference between employees and independent contractors.

Under common-law rules, an individual who performs services subject to the will and control of the State, as to both what must be done and how it must be done, is an employee. When the State has the legal right to control the method and result of services performed by an individual, an employee/employer relationship exists. The relationship is further substantiated when the employer has the right to discharge the individual and when the employer provides the individual with tools and a place to work.

An employer is required by federal tax laws to withhold federal income, Social Security, and Medicare taxes from employee wages and submit withholdings to the federal government. Employers must also pay employer portions of Social Security taxes, Medicare taxes for employees hired since April 1, 1986, and unemployment taxes on wages paid to employees. With enactment of [AS 39.30.150 - 180](#) Supplemental Employee Benefits on Withdrawal from Social Security, the State of Alaska opted out of the federal Social Security system on January 1, 1980. As a result of this legislation, the State is not required to withhold Social Security taxes from employees' wages. However, to comply with employment tax laws regarding federal withholding, Medicare, and unemployment taxes, all employees of the State must be identified, appointed in the payroll system Payroll Base, and compensated for their services through the payroll system.

#### **AAM 200.060 Employee Social Security Number (04-11)**

Every employee is required to have a social security number. As part of the hiring process, the appointing authority must verify the employee's social security number and legal name matches the social security number and legal name the employee provided at the time of appointment. The original social security card must be presented to and verified by the appointing authority. Social security numbers are confidential and are to be held secure and not disclosed absent a lawful or regulatory requirement.

Federal law and regulations require the employer to maintain a record of each employee's name and social security number **as they appear on their social security card**. An employee must file a "Request for Change in Social Security Records" (Form OAAN-7003), with the Social Security Administration (SSA) when there is a legal name change. The employee is also required to notify their agency human resource office or HR service center of a legal name change and must verify the legal name and social security numbers match by presentation of an original social security card.

#### **AAM 200.070 Payroll Processing Structures (04-11)**

The highest payroll processing structure in the payroll system is a pay entity within a tax entity. Employees are grouped in one of four pay entities: employees who are paid semimonthly; employees of the Alaska Marine Highway System (AMHS) who are paid biweekly; correctional officers who are paid biweekly; and Alaska Aerospace Development Corporation employees who are paid biweekly.

## **AAM 200.080 Pay Plans for State Employees (04-11)**

Compensation rate structures in the payroll system are based on a variety of pay plans for state employees. Pay plans are established in accordance with statutes and collective bargaining agreements or are determined by appointing authorities.

Employees represented by a labor union, regardless of the branch of government, are paid in accordance with their collective bargaining agreements as provided in [AS 23.40](#).

Executive branch employees in the classified and partially exempt services who are not represented by a labor union are paid in accordance with the Pay Plan for State Employees ([AS 39.27.011](#)). Employees in the exempt service in the executive branch are identified in [AS 39.25.110](#).

Compensation for these exempt employees is set by statute, by the State Officers Compensation Commission ([AS 39.23.540](#)) or by the appointing authority.

Rates of pay for employees in the legislative branch are established by appointing authorities. Employees of legislative agencies are governed by permanent interim committees of the legislature. Employees of the committees are compensated under the Pay Plan for State Employees at levels budgeted and approved by governing committees in accordance with the law ([AS 24.10.210](#)). Legislative staff employees of the senate and house are paid in accordance with the Pay Plan for State Employees at the rate authorized by the Joint Rules Committee and approved by the house and senate as provided for in [AS 24.10.200](#). Compensation for legislators is set by the State Officers Compensation Commission as provided for in [AS 39.23.540](#). The salary for the Executive Director of the Legislative Council is determined by the council and the director determines the level of compensation for staff ([AS 24.20.050](#)).

Salaries of employees of the Alaska Court System are set by the legislature or by the supreme court as provided in [AS 22.05.140](#), [AS 22.07.090](#), [AS 22.10.190](#), [AS 22.15.220](#) and [AS 22.20.440](#).

## **AAM 200.090 Not Used**

## **AAM 200.100 Salary Ranges**

The law requires the state's position classification plan to provide for grouping of all positions in the classified and partially exempt services

into classes on the basis of duties and responsibilities as provided in [AS 39.25.150 \(1\)\(A\)](#). It also requires a pay plan for all positions in the classified and partially exempt services that is based on the classification plan, provides for fair and reasonable compensation for services rendered, and reflects the principle of like pay for like work as provided in [AS 39.25.150 \(2\)\(A & B\)](#). Groups of positions are placed in appropriate salary ranges based on provisions of the position classification and pay plans. The basic salary schedule in [AS 39.27.011](#) is the approved pay plan for partially exempt employees in the executive branch and for employees in the classified service who are not represented by a collective bargaining unit.

Employees in the executive, legislative, and judicial exempt service are not covered by these plans as their positions are not classified and the pay ranges are set by statute or by the appointing authority.

### **AAM 200.110 Merit and Pay Increments (01-17)**

The State's pay plan, [AS 39.27.011](#), provides for five merit steps within each salary range. Each step represents a pay increase over the previous step. A step increase may be awarded to an employee based on meritorious performance. An employee who has received an overall performance evaluation of "acceptable" or better and has demonstrated satisfactory service of a progressively greater value may be awarded a merit increase as provided for in [2 AAC 07.365 \(a\) & \(b\)](#).

The pay plan also provides for pay increments of 3.25 percent of the employee's base salary after an employee has remained in the final step within a given range for two years, and every two years thereafter, if the employee's current annual performance rating is designated as "good" or higher. Pay increments are intended to reward longevity in state employment and provide incentive for employees who have attained the final step within a given range to continue employment with the State.

Employees of the Legislative Affairs Agency and session employees of the legislature are eligible to receive salary step adjustments in [AS 39.27.011\(a\)](#) and pay increments in [AS 39.27.011\(h\) \(i\) and \(j\)](#) based on their pay policies.

Permanent and temporary employees and magistrates in the judicial branch, other than judges and justices, are eligible to receive salary step adjustments in [AS 39.27.011\(a\)](#) and pay increments in [AS 39.27.011\(h\) and \(i\)](#) based on their pay policies.

## **AAM 200.120 Geographical Differentials (04-11)**

The basic pay plan provided in [AS 39.27.011](#) was amended by adoption of [AS 39.27.020](#). Pay step differentials were established to compensate for significant differences in the cost of living in geographic locations throughout Alaska and outside Alaska. The judicial branch applies geographic cost differentials in [AS 22.15.220](#) to magistrates and in [AS 22.35.010](#) to district, superior and supreme court judges and justices.

Most collective bargaining agreements also provide for geographic differentials.

## **AAM 200.130 Salary Schedules (04-11)**

Conditions that determine rates of pay for various groups of employees are accommodated through use of complex tables in the payroll system known as salary schedules. Salary schedules consolidate factors that determine rates of pay such as number of hours in the workweek, pay ranges for job classes, merit and pay increments, geographic differentials, and wage differences that result from collective bargaining or appointing authority revisions.

A set of salary schedules is maintained for each bargaining unit or unit designation in the State with the exception of the teachers' and AMHS units. Salaries of AMHS maritime employees are paid using special tables in the payroll system that are maintained by AMHS personnel. Several sets of salary schedules are required for a bargaining unit or a unit designation when required work hours per week vary between groups of employees or when geographical differentials are applicable. Additional sets of salary schedules are set up when necessary to distinguish class I from class II and III employees in a bargaining unit. The Division of Finance is responsible for maintenance of the payroll system salary schedule tables.

## **AAM 200.140 Payroll Schedule Calendar (04-11)**

The Division of Finance promotes quality control of payroll data by allowing agencies sufficient time to enter and correct payroll data and by ensuring sufficient time for processing simulation and production payrolls. The division must comply with contract provisions for timely payment of payroll checks to avoid potential penalty pay situations. To reduce the potential of penalty pay, the division encourages agencies to promote electronic direct deposit of employees' pay.

The State Payroll Manager in the Division of Finance sets the dates payroll warrants will be mailed or processed for direct deposit settlements. These dates are based on data entry time, payroll system simulation and production processing time constraints, Federal Reserve Bank closures and labor contract provisions. The strictest contractual obligations are applied when establishing payroll release dates. Several labor contracts stipulate a prior-to-payday postmark requirement for a paycheck to be considered paid timely. The division uses this guideline for setting paycheck release dates.

The Department of Administration is responsible for publishing a schedule of paydays so employees can determine in advance and with certainty their paydays as provided in [2 AAC 07.385 \(b\)](#). The Division of Finance is responsible for publishing the payroll calendar. The calendar is made available to state employees on the division's [webpage](#).