

I L L I N O I S S T A T E U N I V E R S I T Y
Comptrollers Office
1210 Student Accounts
438-5164

To: Lin Hinds
 Christa Lawhun

From: Greg Lyle

Date: 05-22-2002

RE: Advantages vs. Disadvantages

Per Council request, the following is a list of the advantages vs. the disadvantages of being paid semimonthly vs. biweekly from the Comptroller's Office perspective:

Advantages of a semi-monthly payroll distribution

1. During each pay period, deductions are "paid in full". Each payroll reflects an accurate deduction for each working period.
2. Per State Of Illinois Department of Central Management Services regulations, insurance premiums are to be deducted on a monthly or semi-monthly basis. In 10 out of 12 months, net pay will be greater.
3. From a household budgetary standpoint, most individuals live within a 28 through 31 day financial cycle. House, automobile, utilities, credit card and other bills become due on a monthly basis. A semi-monthly payroll provides the maximum amount of cash at bill paying time (see cscouncil.xls 28 Through 31 Day Payment/Budget Analysis spreadsheet).
4. From a processing perspective, the semi-monthly payroll is more cost effective for the university due to less mainframe utilization, staff costs, forms, bank charges etc.
5. The semi-monthly payroll is more conducive to the early Christmas break distribution.
6. The semi-monthly payroll accommodates the fiscal year. Split payrolls are virtually non-existent.

Disadvantages of a semi-monthly payroll distribution

1. Slightly less convenience when payroll staff edits time documents for proper overtime utilization.

Advantages of a biweekly payroll distribution

1. Slightly more convenient when payroll staff edits time documents for proper overtime utilization.

Disadvantages of a biweekly payroll distribution

1. Based on a 28 through 31 day financial cycle (see #3 above), 24 out of 26 paydays provide less cash at a time when monthly bills become due. As an example, during the "February short pay period(s)", the biweekly payroll distribution may pay less during February and March (see cscouncil.xls 28 Through 31 Day Payment/Budget Analysis spreadsheet).

An individual with a lower than average hourly rate could feel severe financial pressures during 10 out of the 12 bill paying months while awaiting the 2 "catch up" payrolls.

2. The biweekly payroll is more costly for the university due to increased mainframe utilization, staff costs, forms, bank charges, etc.
3. In most cases, the biweekly payroll is split into two pay periods during the June 30 fiscal year cutoff. One of the pay periods deducts taxes, retirement and TDA while the other deducts the same, plus most other voluntary deductions. Due to the smaller gross associated with a split pay period, individuals may experience missed deductions because of the smaller gross. If a deduction is missed, the individual would be required to pay the bill by cash or check.

cc. David Hall
Payroll Director

Greg Alt
Associate Comptroller

Ron Jones
Comptroller