March 16, 2010

To: MSU Faculty and Academic Staff

From: Theodore H. Curry II, Associate Provost and Associate Vice President for Academic Human Resources

Subject: Change in Pay Schedule for Academic Year Faculty and Academic Staff

This letter is to inform you that MSU is changing the pay schedule for academic year (AY) faculty and academic staff from 12 monthly checks to 10 monthly checks effective with the 2010-2011 academic year. Your annual pay rate is not affected. You will receive the same annual salary; it will simply be distributed in 10 payments rather than 12.

The 10 payments will be distributed as follows:

- salary for the period 8/16-8/31 on August 31
- full month’s salary on the last day of each month for September through April
- salary for the period 5/1-5/15 on May 31

Why is this change being made? IRS regulations require taxing AY salaries when earned, even if not actually paid until later. Because a limited exception to the IRS requirement is not applicable to many MSU AY employees, payment of AY salaries over 12 months is no longer feasible. In any case, faculty and academic staff on AY appointments should be paid when they earn the pay, even though they are University employees for the full year. The change also will simplify grant accounting for AY faculty and academic staff who are paid on federal projects and will be consistent with federal regulations and effort reporting. Finally, now is the ideal time to make this change. MSU’s new financial, human resources and payroll systems are to be initiated during the first year of the new payroll practice.

Be assured that your benefits coverage will not be affected. While the change from 12 payments to 10 payments will necessitate an adjustment in how some monthly deductions are handled, e.g., health plan premiums, retirement, parking, AY faculty and academic staff are university employees for the entire year and benefits coverage remains in place for the full 12 months, August 16 – August 15.
We understand that this change may require a different personal budgeting strategy for some. We have been able to establish a voluntary savings/distribution program with the MSU Federal Credit Union (MSUFCU) that will enable those who wish to do so to set aside a portion of their salary from the ten pay periods for distribution during the summer months. Information regarding that program as well as answers to many other questions is included in the attached document, “New Academic Year (AY) Pay Schedule Frequently Asked Questions (FAQs).” The FAQs were developed with the assistance of the University Committee on Faculty Affairs and the Academic Specialist Advisory Committee.

If, after reading through the FAQs, you have additional questions regarding this change in the pay schedule, please contact the appropriate office via the contact information provided in the FAQs.

Additionally, there will be an open forum for questions about the change in pay schedule for academic year faculty and academic staff on Monday, March 29, 2010, 4:00 to 6:00 p.m., Parlor C (2nd Floor), Union Building. The forum is sponsored by the University Committee on Faculty Affairs and the Office of the Provost.

This letter and the FAQs are on the HR (www.hr.msu.edu/AYPaySchedule) and UCFA (http://opbweb.msu.edu/ucfa/) websites.

We look forward to working with you to assure a smooth transition to the new system.