

Microsoft Dynamics™ AX

# Process retroactive earnings

White Paper

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## ***Introduction***

When you change salaries, wages or premiums and the timing of those changes affects payments that you have already made, then you need to calculate and pay retroactive earnings. The change could be a global change that affects many employees or a change to an individual employee's salary step or hourly rate. It could be a change in overtime calculations from time and a half to double time.

**Note** Processing retroactive earnings calculates the difference between actual earnings already paid and the amount that should have been paid, according to all the rates in the system and the dates that they take effect. Processing retroactive earnings does not detect or generate new earnings that employees may have become eligible for.

While you are planning rate changes, you can run trial retroactive earnings calculations to determine the resulting retroactive earnings amounts.

After you have decided on your changes, you can process the retroactive earnings. You will enter new rates, set up one or more retroactive runs, generate the retroactive earnings records, and then review, modify, and approve them.

This document describes the following processes:

- [Generate a trial calculation of retroactive earnings](#)
- [Process retroactive earnings](#)

## ***Generate a trial calculation of retroactive earnings***

When you are considering pay rate changes, you can use Payroll to calculate the incremental cost of those changes without actually making those payments or changing your live pay rates. You will process a trial calculation of retroactive earnings and then delete those temporary results.

If the rate changes take effect in the past, including dates that employees have already been paid for, you can calculate the retroactive pay that the rate change will require.

The retroactive earnings calculations take into account earnings that have already been calculated. They do not take into account projected earnings. The trial run will show you the total retroactive earnings payable if you were paying it today. If you continue to pay staff at their current rates for another month before you increase pay rates and calculate retroactive earnings, then those actual retroactive earnings will include an additional month of retroactive pay.

If the rate changes take effect in the future, you can do a trial retroactive earnings calculation for a specific pay period in the past. The results will help you anticipate how much more your earnings expenses will be as a result of implementing those changes.

## ***Set up one or more retroactive runs***

A trial retroactive run calculates retroactive earnings for one or more of the following categories:

- Employees
- Earnings codes
- Earning groups
- Earning rule groups
- Salaries
- Occupations
- Departments
- Job types
- Job assignment types

You can specify a rate change as a percentage or as a new rate that you provide for earnings records with an hourly rate. If you are considering different changes for different earnings codes or different job types, you will create one retroactive run for each change. For example, to increase salaries by 5

percent and hourly rates by 6.5 percent, you will create two retroactive runs: one for the earnings codes being increased by 5 percent and the other for the earnings codes being increased by 6.5 percent.

### To set up a retroactive run:

1. Click **Payroll > Setup > Payroll > Retroactive runs**, then press CTRL+N and click the **General** tab.
2. In the **Identification** section, name the retroactive run to identify it.
3. In the **Dates** section, enter the starting and ending dates to calculate retroactive earnings for. If you enter an ending date in the future and there are no earnings for those dates, then the calculation cannot include retroactive pay for those dates.
4. In the **Run Parameters** section, select the **Salary** type. To include accumulator-based earnings, select **Yes** in the **Include accumulator based** list. Enter the minimum and maximum amounts of the retroactive payment.

If you are decreasing a rate, be sure that the minimum amount is an appropriate negative value.

5. In the **Salary overrides** section, both the replacement hourly rate and percentage amount are zero. Change the one that you will use for this trial retroactive run to a non-zero amount.

The hourly rate affects only earnings records that have an hourly rate. If you use the hourly rate, then in step 6, choose the hourly earnings codes to which this new trial rate applies. For example, you would not apply a \$25 hourly rate to a \$1 per hour earning code for evening shift premiums.

The percentage amount affects all earnings records. The calculation will multiply the earnings that are already paid by the percentage that you specify, so to specify a 5 percent increase, enter 105 percent. To specify a 5 percent decrease, enter 95 percent. If both values in the **Salary overrides** section are zero, the retroactive earnings run will use all the current wage, salary, and calculation settings to recalculate earnings and record any differences from the actual earnings originally generated.

6. If this retroactive run should apply to some, but not all, earnings entries, you can restrict which earnings entries are included in the retroactive calculation based on:
  - Earnings code
  - Earning groups
  - Earning rule groups
  - Salaries
  - Occupations
  - Departments
  - Job types
  - Job assignment types

To restrict the earnings entries considered in this retroactive run, click the tab corresponding to the type of data you want to filter by. In the list of **Remaining** entries, highlight the entries to include in the calculation, and move them to the list of **Selected** entries. If you make no changes, the **Selected** entries list remains empty, and all entries will be used. You can set up filters on multiple tabs.

7. Repeat steps 1 through 6 to create additional retroactive runs that you might require to handle all of your rate changes.

### Generate retroactive earnings records

You can generate temporary retroactive earnings records. Your existing employee earnings records will not be affected.

1. Click **Payroll > Periodic > Other > Retroactive earnings generation**.
2. Select a pay group and a retroactive run and click **OK**.
3. Repeat steps 1 and 2 to process any additional retroactive runs and pay groups.

## Review and delete retroactive earnings records

Review trial retroactive earnings calculation results and then delete them.

1. Click **Payroll > Periodic > Other > Approve/change retroactive earnings**.
2. Select a pay group. All of the retroactive earnings records for this pay group appear in the list. The total amount appears at the top of the form.

When the **Retroactive run** field is blank, the list includes retroactive earnings from all of the retroactive runs. To review the results from a single retroactive run, select it.

When the **Employee ID** field is blank, the list includes retroactive earnings for all of your employees. To review the earnings for a single employee, select an employee ID.

**Note** Do not click **Approve**. If you do click **Approve**, the retroactive earnings records will become new standard earnings records.

3. Repeat step 2 for each pay group that you generated retroactive earnings for.
4. To delete the temporary retroactive earnings records, clear the selection from the **Retroactive run** field and the **Employee ID** field. Press CTRL+A to select all the records, then press ALT+F9 to delete them.
5. Repeat step 4 for each pay group that you generated retroactive earnings for.

When you are finished with your trials and are ready to process actual retroactive earnings, proceed to the next section, "Process retroactive earnings."

## Process retroactive earnings

After you have decided on your changes, you will enter new wage and premium rates, set up or modify one or more retroactive runs, generate the retroactive earnings records, and then review, modify, and approve them to create earnings records.

### Enter new rates

Before you process retroactive earnings, you must update your system to reflect the new rates.

**Note** It is important to use the split view to create two copies of the object you are changing. It could be a job, an employee, a salary grid, a calculation, or any other object involved in calculating earnings. You need one copy with the old rate, which expires on the last day that the old rate was in effect, and another copy with the new rate, which becomes active on the first date that the new rate comes into effect.

1. Find the object that you will change to implement your new earnings rate or calculation. Click the **Overview** tab and select the object to change. Click **Split view**.
2. Click the current version of the object in the split view, then press CTRL+N to create a new instance of that object that has an active date that is today. Change the active date to the day on which changes should take effect, even if that date is in the past. The original copy of that object will have an expiry date that is one day earlier.
3. Use the other tabs in the split view to make your changes.

### Set up one or more retroactive runs

You could do one retroactive pay run for all of your employee earnings, but if you have a large number of employees and only a small number of them are going to receive retroactive pay, you can set up one or more retroactive runs for only the affected employee earnings.

If you ran trial retroactive runs, you might find it easier to modify existing retroactive runs instead of creating new ones.

1. Click **Payroll > Setup > Payroll > Retroactive runs**, then press CTRL+N and click the **General** tab.
2. In the **Identification** section, name the retroactive run to identify it.
3. In the **Dates** section, enter the starting and ending dates to calculate retroactive earnings for.
4. Complete the following tasks in the **Run Parameters** section
  - Select the earning date type. You can use the original date of each earning that is being adjusted, the ending date of the current pay period, or the date that you will specify in the **Summary parameters** section on this tab.
  - Select the salary type.
  - To include accumulator-based earnings, select **Yes** in the **Include accumulator based** list.
  - Enter the minimum amount and maximum amount of the retroactive payment. If you are decreasing a rate, be sure that the minimum amount is an appropriate negative value.
5. Complete the following tasks in the **Summary parameters** section:
  - If all retroactive earnings records should have a specific earnings code, select the earnings code.

If you leave the **Earnings code** field blank, each retroactive earnings record will be associated either with the same earnings code as the original earnings record or with the retroactive earning code that you selected for that earnings code
  - If you selected **Use summary date** in the **Run parameters** section, enter the date for the new retroactive earnings records.
  - If all retroactive earnings records should have a specific department organization, select the department code.

If you leave the department organization blank, each retroactive earnings record will be associated with the same department organization as the original earnings record.
6. In the **Summary dimensions** section, if all retroactive earnings records should have a particular ledger account or other dimension selection, select it.

If you leave the ledger account and dimension fields blank, each retroactive earnings record will be associated with the same ledger account and dimensions as the original earnings record.
7. In the **Salary overrides** section, set the **Hourly rate** and **Percentage amount** to 0.00.
8. If this retroactive run should apply to some, but not all, earnings entries, you can restrict which earnings entries are included in the retroactive calculation based on:
  - Earnings code
  - Earning groups
  - Earning rule groups
  - Salaries
  - Occupations
  - Departments
  - Job types
  - Job assignment types
9. To restrict the earnings entries considered in this retroactive run, click the tab corresponding to the type of data to filter by. In the list of **Remaining** entries, highlight the entries to include in the calculation, and move them to the list of **Selected** entries.. If you make no changes, the **Selected** entries list remains empty, and all entries will be used. You can set up filters on multiple tabs.
10. Repeat steps 1 through 9 to create any additional retroactive runs that you might require to handle all of your rate changes.

## Generate retroactive earnings records

Use a retroactive run to generate retroactive earnings records. Your existing employee earnings records will not be affected until you approve them.

1. Click **Payroll > Periodic > Other > Retroactive earnings generation**.
2. Select a **Pay group** and **Retroactive run** and click **OK**.
3. Repeat steps 1 and 2 to process additional retroactive runs and pay groups.

## Review, modify, and approve retroactive earnings records

You can review, modify and approve retroactive earnings records that you have generated.

1. Click **Payroll > Periodic > Other > Approve/change retroactive earnings**.
2. Select a pay group. All of the retroactive earnings records for this pay group appear in the list. The total amount appears at the top of the form.

When the **Retroactive run** selection is blank, the list includes retroactive earnings from all your retroactive runs. To review the results from a single retroactive run, select it.

When the **Employee ID** selection is blank, the list includes retroactive earnings for all your employees. To review the earnings for a single employee, select that Employee ID.

3. Review the retroactive earnings records and make any changes necessary.
4. To generate regular earnings records from these retroactive records, select one or more records on the **Overview** tab and click **Approve**.
5. Repeat steps 1 through 4 for each pay group that you generated retroactive earnings for.

## Forms for this feature

Refer to the following information about forms in Payroll for Microsoft Dynamics AX that you will use for this feature.

Form name and locator	Description
<b>Retroactive runs (form)</b> Payroll > Setup > Payroll > Retroactive runs	Define the earnings to calculate retroactive earnings for, and determine whether to base the calculations on numbers that you specify; for example, for trial runs, or values that have been modified.
<b>Retroactive earnings generation (form)</b> Payroll > Periodic > Other > Retroactive earnings generation	Calculate retroactive earnings using a retroactive run.
<b>Approve/change retroactive earnings (form)</b> Payroll > Periodic > Other > Approve/change retroactive earnings generation	Review retroactive earnings, modify them, and either delete them or approve them to create earnings records.
<b>Retroactive earnings (form)</b> Payroll > Inquiries > Retroactive earnings	Review retroactive earnings.
<b>Retro earnings (report)</b> Payroll > Reports > Transactions > Retro earnings	Review retroactive earnings.

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