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DEADLINES

- Third quarter reporting deadline is Tuesday, September 30, 2008 at 4:00 p.m. CST.
- Please be aware, a \$250 processing charge will be assessed for any information reported after September 30, 2008.

message from steve sarowitz

Paylocity is on pace to shatter our sales record this quarter. However, our main focus continues to be providing exceptional service to our clients. Our net promoter scores remain very high for both WebPay and Millennium clients, which is our best indicator that we are accomplishing our goal. Once again, I want to emphasize our long-term commitment to continue supporting our Millennium clients. In response to feedback we received, we have created a dedicated service team for Millennium clients and a dedicated service team for WebPay clients. This ensures our calls are being answered by people with expertise in each product and the change has been very well received. In addition, we have reconfigured our phone system to reduce hold times. We are once again averaging less than 30 seconds to answer the typical customer service call. Although we have always been known for strong customer service, we welcome any advice on how we can further improve your experience with us.

One of the ways we maintain exceptional service is by hiring and retaining exceptional people.



I am proud to announce that for the 4th straight year, we were named one of the “101 Best & Brightest Places to Work for” in the Chicago area. Paylocity now has over 200 employees in 14 states. As we grow, it is crucial that we develop our management team and continually expand their training. This year, we began a new leadership program here at Paylocity. Diane Stein has been moved from our Director of Client Relations to run this new program. Diane has many years of experience in upper management, including many years as President of a local company and will be an invaluable asset to our management training.

This fall we will be releasing a major upgrade to WebPay with several new features. First, we

have added help screens to the majority of our screens. Although we just received a 94, our highest score ever on WebPay’s speed and performance, we are not resting on our laurels. In testing, our fall release has been performing approximately 20% faster than our current production system. In addition, we will be adding in configurable payroll audits which give clients the ability to stop their payroll from processing if there is invalid data based on configurable parameters. Early next year, we will be making several enhancements to our report writer, including a multi-company report writer, the ability to schedule reports, and the ability to copy reports between companies. We will also be expanding our employee search capabilities. Over the next year, we will also be greatly expanding the features in our advanced HR module, adding a calendar view of time-off requests, an applicant tracking module and performance management. Last, but not least, we will continue to expand the functionality of Web Time and enhance its integration with WebPay.

what's new at paylocity

- Paylocity named amongst “101 Best Places to Work.” See page 5 for more details.
- We’ve created a game room for employees! See page 6 for more details.
- Paylocity Olympics took place in August 2008. See page 6 for more details.
- We continue to expand our sales force nationwide. We are currently in 14 states!



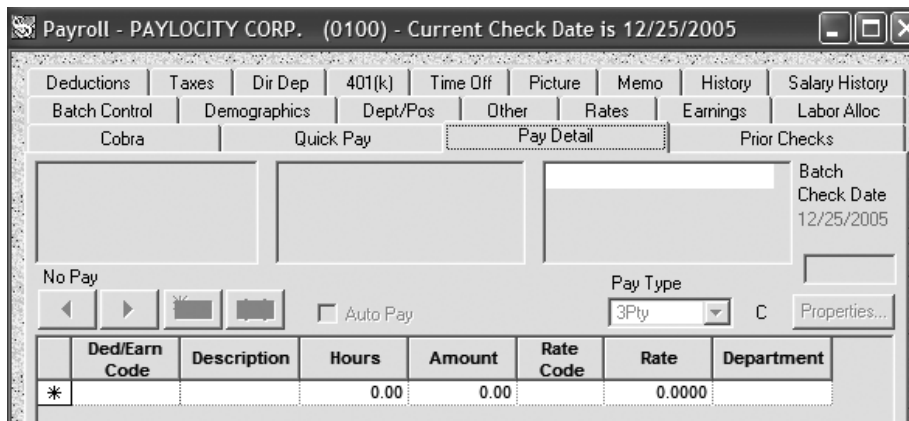
Q&A

ask the expert

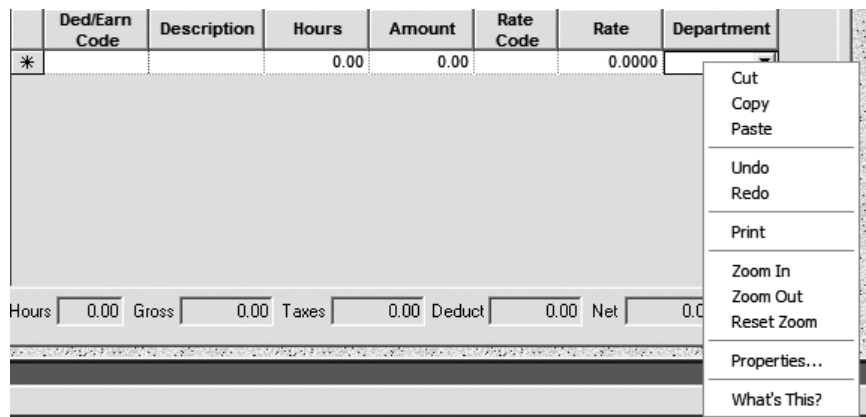
Written by Angela McElwain

Q: *how do i add columns to a batch in millennium?*

A: Batches generally include such columns as Deduction or Earning Codes, Dollar Amounts, Rate Codes, etc. Users may find however, they need to tie earnings to another item such as Department, Shift, or Workers Comp Code. To add a column to an existing batch, you must be on the “Pay Detail” tab and on a screen for an employee who will be getting paid.



Place the cursor on the header and right click; (this will give you a drop down list) and click on “Properties.” “Properties” will show a list of payroll codes which, when checked, will add a column to the batch for that code.



Once the batch columns have been selected, click “Save Configuration,” then “Save.”

You may need to grab the scroll bar at the bottom of the batch and scroll to the right to see the new columns added for the items you selected. If the columns are not in the order you wish, you can rearrange the batch by clicking, holding and dragging the column to the position you desire. These changes to the batch will stay active for future batches until or unless changed by the user.

employee spotlight: kevin mccarty

With over 8 years time here at Paylocity, Kevin McCarty, National Accounts, Senior Sales Representative, has seen many changes as we've grown.

"I have many great memories, but my strangest experience by far here at Paylocity was co-writing a parody song with Steve Sarowitz, says Kevin. He wanted it sung at our State of the Union Address when he made the announcement that he had hired Steve Beauchamp as Paylocity's new President. When we finished writing, I strongly suggested he keep his day job," he says jokingly.

Music and lyric writing are just a few of Kevin's many talents; sales another. Kevin was recently named "Salesperson of the Year" here at Paylocity, coming in at 179.9% of quota. Says Steve Sarowitz, "Kevin has been an instrumental part of our

growth over the years. In addition to being a very fine salesperson, Kevin is always willing to help others on his team and is very well liked and respected by his peers."

If you're wondering how exactly, one goes about selling nearly 180% of quota, I was too. When asked, Kevin's reply is modest. "What more could a salesperson ask for then to sell the best product in town? Top that with our service model and my job becomes easy."

Finally, I asked Kevin about his favorite thing about working here at Paylocity. Family atmosphere was his first answer, but he went on to say, "the room for growth here is also great. I've held several different positions here and all of them were the best position for me to be in at the time, and for the company. I've never had to worry about job burn out."



Kevin McCarty pictured with his "Paylocity Salesperson of the Year" bat.

As we continue to grow, we expect Kevin will continue to thrive. Thanks Kevin!

We are sorry there is no "Client Spotlight" feature in this quarter's newsletter. If you would like to feature your company in "Paylocity News," please contact Cheri Eccles at cherie@paylocity.com.

direct deposit Q&A

Q: Our organization is trying to cut costs and I just learned we pay to print each employee check, each pay period! I would like to have all employees sign-up for direct deposit. Can I make this a mandatory condition of their employment?

A: No. In Illinois, the Wage Payment and Collection Act prohibits employers from making direct deposit mandatory. The Act does allow direct deposit; however, employees must voluntarily sign-up for the program. Furthermore, employees must be free to use any financial institution of their choice and not incur any added fees as a result of the program.

Q: Do all states prohibit mandatory direct deposit?

A: Direct deposit regulations vary by state. The Wage Payment and

Collection Act specifically covers Illinois employees.

Q: How can I encourage employees to sign-up for the plan without making it mandatory?

A: Direct deposit is advantageous to employers and employees alike. Surveys show that most employees prefer to have direct deposit rather than handling a paper check. This is because direct deposit saves a trip to the bank and allows interest to begin accruing immediately. Furthermore, many bank offer free checking and savings accounts to individuals who choose the direct deposit option.

Q: Why might employees be hesitant to sign-up for direct deposit?

A: Despite the advantages listed above, many employees do not sign-

up for direct deposit because their credit history makes them ineligible to have a bank account. But all is not lost! Employers can establish a relationship with a credit union as an added employee benefit. Not only will you enhance your benefits package, your organization may also see an increase in direct deposit participation.

Q: Where can I find more information about the Illinois Wage Payment and Collection Act?

A: The relevant administrative code section can be found on the Illinois Department of Labor website at www.state.il.us/agency/idol/laws/Law115.htm. The Department of Labor also has a Wage Payment and Collection Act Hotline that can be reached by dialing 312.793.2808.

human resources as an essential part of the team

In times of economic uncertainty, many businesses look to areas within their organization that are not “revenue-driven” as a place to cut costs. Often, HR is one of the first areas for internal inspection. As with all facets within an organization, HR functions can be trimmed, however do not lose sight of the fact that HR does a great deal to control costs in a number of areas such as staffing, compliance and compensation/benefits. Additionally, they provide tactical support to many areas of an organization.

Within the staffing arena, the retention of your top performers and recommended improvements for those that are not up-to-speed can be one of the biggest bottom-line savings from an HR department. Top performers do not want to work next to slackers that may exist within departments, and often an appropriate termination can do wonders for team productivity. Often, the terminated employee need not be replaced as existing top performers have been redoing their tasks anyways. Check your team for low performers and check the feasibility of not replacing them or replacing them with higher talent at the same cost.

HR teams watch for all legal issues that affect your business (both financially and emotionally) and can save the costs of complaints, fines and/or penalties. As employees find themselves in difficult financial times, regrettably, they may find some issue they feel is worth pursuing. Annual trainings are essential in providing protection under a variety of laws as is keeping an updated employee handbook. A good HR resource (whether in-house or outsourced) will keep you abreast of current issues and potential exposure. You may want to consider an outside audit of your HR compliances and best practices or provide time for your internal resources to complete the audit.

Compensation issues crop up everyday. The Department of Labor has made it easy for employees to file complaints based on the Fair Labor Standards Act. Accurately classifying employees as exempt or non-exempt under the law is critical. A collection of time worked for all employees should be kept for no less than 3 years; though many civil attorneys recommend 7 years. Watching payroll trends and questioning unusual amounts of overtime should be charged to HR departments. Additionally, they should

watch for internal equity issues to ensure all employees are paid fairly. Lastly, they should scrutinize payroll and overall compensations to ensure they are kept in line so you are paying properly for your productivity output.

Benefit renewal costs seem to have gone the way of gas prices lately! Annual increases of 8%-12% seem to be the norm, amazing given the fact that for years, the economy has only been growing at a rate of less than 3%. Nevertheless, it does appear that with wellness programs, consumer-driven health plans and cost sharing, businesses are better able to manage benefit programs. Rely on your HR department to be the objective resource and creative problem-solvers in this area.

These issues aside, they do not take away from the tactical areas your HR team should be counted on for. (Employee files, I-9 documentation, updated postings, employee orientation and COBRA just to name a few.)

Keep all of this in mind when reviewing your “non-revenue driven” departments and remember all the costs that may spiral out of control if they were not a part of your HR team’s duties.

Lori Kleiman is the Practice Leader of HR Support Services for HRadvantage. She and her team work with a number of Paylocity clients to provide outsourced HR services. For more information, contact her at lori.kleiman@hradv.com or 847.513.6165.





paylocity named one of the 101 best and brightest companies to work for

Paylocity was honored once again by The National Association for Business Resources (NABR) as being named one of the “101 Best and Brightest Companies to Work for.” This is Paylocity’s fourth consecutive year on the list.

The award is based on a range of criteria including internal communication and recognition programs, retention levels and company initiatives, as well as the level of employee engagement and commitment to the company.

Says Steve Sarowitz, Paylocity founder and CEO, “Our people are the heart and soul of the company. We are always looking for a way to show our employees how much they are valued. When it comes down to it, it’s really our employees who are the best and the brightest.”

paylocity spirit committee

In our continual efforts to make Paylocity a great place to work, Paylocity’s “Spirit Committee” lends a continual helping hand.

“We meet on a monthly basis and brainstorm about new and creative ways to make Paylocity an even better place to work, says Cheri Eccles, original spirit committee member. This summer alone we’ve had an onsite company barbeque (in which the Executive team cooked for the staff), ice cream day (which also included frozen juice bars and Popsicles for the health conscious) and our very own Olympic games.”

The committee also recently began a monthly contest in which contestants can win a free \$75 gas card, compliments of Paylocity. Says

Cheri, “We wanted to find a way to reward those going above and beyond their normal duties to get the job done. With rising gas costs, what better way to say thanks than with a tank of gasoline?” Company managers and directors submit qualifying names each month. Those names are then entered into a drawing for the gas card giveaway.

“Ultimately, the goal here is to help the staff feel appreciated,” says Steve Sarowitz, Paylocity CEO, “and the spirit committee’s efforts have gone a long way in helping us do just that.”



Paylocity Spirit Committee members (left to right): Christine Pellini, Cheri Eccles and Marisa Nino.

paylocity olympic games

Constantly striving to make Paylocity a better place to work, Paylocity created a game room for its staff for use at break times, lunch periods, etc., in June of 2008. The response has been overwhelmingly positive, including the Paylocity Spirit Committee's idea for our very own Olympic games in August.

With nearly 50 Paylocity participants, our Olympic games included darts, ping pong, scrabble, BAGGO, Wii Bowling, Wii Tennis, Wii Golf and foosball. Opening ceremonies began Friday, August 8, 2008 and the games concluded on Friday, August 22, 2008 with a closing medal ceremony. With trials the first week and finals on week two...the competition was fierce!

The Olympic medal winners are as follows:

Matt Fleming – 3 gold, 1 silver (BAGGO, Darts, Foosball, Ping Pong)

Jeff Griffith – 2 gold, 1 bronze (Bowling, Tennis, BAGGO)

Chris Kelle – 1 gold, 1 bronze (Golf, Darts)

Steve Beauchamp – 1 gold (Ping Pong)

Steve Sarowitz – 1 gold (Scrabble)

Jeff Emmerich – 2 silver (Foosball, BAGGO)

Cheri Eccles – 2 silver (Golf, Scrabble)

Ed Esmao – 1 silver, 1 bronze (Darts, Scrabble)

Rod Smith – 1 silver (Bowling)

Archie Thakkar – 1 silver (Tennis)

Min Maung – 1 bronze (Tennis)

Aimee Gipes – 1 bronze (Bowling)

Marco Tanzi – 1 bronze (Foosball)

Vladimir Vukovic – 1 bronze (Golf)

Isaac Berlow – 1 bronze (Ping Pong)

Congratulations to all our winners!



Paylocity Olympic Wii Golf Medalists (pictured left to right): Cheri Eccles, Chris Kelle and Vladimir Vukovic. Also pictured: Steve Beauchamp and Steve Sarowitz as masters of ceremonies.



FeedBACK

Newsletter comments
or suggestions?

Contact: Cheri Eccles
Paylocity
3850 North Wilke Rd
Arlington Heights, IL 60004
cherie@paylocity.com

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Paylocity, 3850 North Wilke Rd., Arlington Heights, IL 60004, phone: 847.956.4850, fax: 847.956.1926, website: www.paylocity.com, e-mail: service@paylocity.com



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