



Proration Rules



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This documents the calculations behind the proration rules inclusive of stub year processing. SimplyMerit bases calculations on configuration options found in two main places:

- Configuration | Timeline screen
- Data import file

How Excel Performs Date Calculations

First and foremost, it's important to understand how Excel performs date calculations. Consider the following cells in an Excel spreadsheet for this section:

	A	B
1	1/1/20	1/5/20

There are two methods in Excel to calculate the number of days between two dates:

1. Simply subtracting the two dates as in: “=B1 – A1”
2. Use the DATEDIF function as in: “=DATEDIF(A1,B1,"D")”

Both of these functions return a value of 4. However, if I was hired on Monday, 1/1/20, and fired on Friday, 1/5/20, I should be credited for 5 days worked. Hence, we always **add 1** whenever calculating dates.

As a second example, 2020 was a leap year (366 days).

	A	B
1	1/1/20	12/31/20

However, Excel returns 365 days when subtracting those dates or using the DATEDIF function. Again, we need to **add 1**.

Merit Cycle

On the Configuration | Timeline screen, there are several options for defining how proration rules are applied to the merit adjustments. The impact of these rules is displayed on the My Team | Salary page as the “Proration %” column for each employee. If no proration rules are applied, then this column is hidden.

Merit Cycle Start/End Dates

It is important to set the cycle start and end dates on the Configuration | Timeline screen in order to ensure the correct calculations are applied. If these dates are blank, then a default period of 365 days is used.

Merit Cycle Start Date – Enter the start date of the current merit cycle.

Merit Cycle End Date – Enter the end date of the current merit cycle.

If you are processing a full fiscal year, these dates should represent the beginning and ending dates of that fiscal year.

Hired Mid-Cycle – If an employee was hired or rehired during the current merit cycle, checking this checkbox will force a proration calculation based on their hire/rehire date as follows:

=DATEDIF (Hire/Rehire Date, Merit Cycle End Date,"D") + 1 / DATEDIF (Merit Cycle Start Date, Merit Cycle End Date,"D") + 1, OR

=(Merit Cycle End Date – Hire/Rehire Date + 1) / (Merit Cycle End Date – Merit Cycle Start Date + 1)

Adjustment Mid-Cycle – If an employee was given a salary adjustment during the current merit cycle, checking this checkbox will force a proration calculation based on their adjustment date as follows:

=(DATEDIF (Prior 1 Salary Date, Merit Cycle End Date,"D") + 1) / (DATEDIF (Merit Cycle Start Date, Merit Cycle End Date,"D") + 1), OR

=(Merit Cycle End Date – Prior 1 Salary Date + 1) / (Merit Cycle End Date – Merit Cycle Start Date + 1)

Bonus Cycle

There are two main places to configure proration rules for bonus allocations:

- Configuration | Timeline screen
- Data import file for each of the employee's incentive program(s)

On the Configuration | Timeline screen, hire date proration logic can be activated as follows:

Hired Mid-Cycle – If an employee was hired or rehired during the current bonus cycle as defined in the data import file, checking this checkbox will force a proration calculation based on their hire/rehire date as follows:

$=\text{DATEDIF}(\text{Hire/Rehire Date}, \text{Bonus Cycle End Date}, "D") + 1 / \text{DATEDIF}(\text{Bonus Cycle Start Date}, \text{Bonus Cycle End Date}, "D") + 1$, OR

$=(\text{Bonus Cycle End Date} - \text{Hire/Rehire Date} + 1) / (\text{Bonus Cycle End Date} - \text{Bonus Cycle Start Date} + 1)$

In the data import file, each employee can have an unlimited number of incentive programs. Each incentive program has a number of fields that define the aspects associated with the incentive program. There are four (4) date fields plus a Plan Proration field that provide a great deal of configuration options as follows:

Incentive Start Date / Incentive End Date

These two dates define when the employee was eligible for the particular incentive program and when the employee was no longer eligible for the program. These can be extremely helpful if an employee starts out in one bonus program, receives a mid-cycle promotion, and then moves to another bonus program.

Incentive Cycle Start Date / Incentive Cycle End Date

Cycle start and end dates define the duration of each bonus program itself. It is important to set the cycle start and end dates in order to ensure the correct calculations are applied. If processing a stub year, use these dates to define the start and end dates of the stub year. By placing the cycle start and end dates at the individual bonus program level, SimplyMerit supports different program cycles for each bonus program for each employee.

Important Note! The Incentive Start/End Dates and the Incentive Cycle Start/End Dates must have ALL FOUR dates defined or ALL FOUR dates should be blank. The proration calculations may not behave as desired if using only two of the four date fields provided.

Incentive Plan Proration

This percentage field is used to define when an additional proration is needed. This is most commonly used as a company multiplier for the bonus. This way, you can manage specific date-based prorations as above as well as company multipliers.

Sample Bonus Calculations

Because of the variety of configuration options available at the Incentive Program level, we've built guides to provide specific examples of how the configuration options are applied to various scenarios. The following files are used to explain the options by way of examples and sample data files. Additionally, a sample customer record is maintained in SimplyMerit to carry the data file experience all of the way into the SimplyMerit application.

Please do not hesitate to contact your Customer Success Manager for assistance with understanding the options available and how they are represented in the sample data sets below.

“Proration Bonus Calcs REVx – Sample Data.xlsx”

This matrix contains a series of example bonus program structures, each of which is represented in the Sample Data Import File listed below.

“Proration Bonus Calcs REVx – Sample Data Import File.csv”

This SimplyMerit data import file contains sample data representative of the examples referenced above in the Sample Data Matrix spreadsheet.

Our Support team will be happy to coordinate a test account using this data if you would like to experiment with the flow and functionality. Please contact us at support@simplymerit.com or +1-847-719-9060 x3.