

Information Paper

Subject: Differences Between AC and RC Pay Systems

Current Army policy states that activated reserve component soldiers will not be added to the Active Component (AC) pay system (Defense Joint Military Pay System – AC) and must remain on the Reserve Component (RC) pay system (Defense Joint Military Pay System- RC). The Army has learned through painful experiences during Operations Desert Shield/Storm and the deployment to Haiti that it is impossible to account for RC soldiers added to the AC system. RC soldiers remained on the AC pay system receiving active duty pay for years following their redeployment. There is at least one case where an RC soldier received active duty pay over 10 years from the date of his redeployment. The only option is to pay soldiers using the RC pay system.

The RC pay system is not designed to pay soldiers on a 30-day basis. Paying activated RC soldiers using the RC pay system requires many workarounds and results in confusion and misinformation for deployed RC soldiers. This information paper describes the major differences between the AC and RC pay systems.

The following lists the major differences between the two systems:

1. **Accrued Leave.** The RC pay system does not accrue leave. The leave must be tracked separately offline from the pay system. RC soldiers earn the same amount of leave as AC soldiers (.5 days for every 6 days or 2.5 per month), but the leave is not tracked on the RC LES like it is on an AC LES.
2. **Allotments.** The RC pay system will not accept allotments. As the soldiers deploy away from their families, they are not able to set up allotments to pay their recurring bills. RC soldiers can set up Preauthorized Checking Arrangements with their banks to pay recurring bills out of their checking accounts, but the RC pay system does not have this capability. This shortfall also forces RC soldiers to make deposits into the Savings Deposit Program via cash collection vouchers only.
3. **Leave and Earnings Statements.** The RC pay system produces up to 8 Leave and Earnings Statements (LESs) in one month; active duty soldiers receive 2 LESs per month (one Net Pay Advice and one LES). The problem is the pay is not summarized on the midmonth and end-of-month LESs for RC soldiers. Soldiers must keep track of their pay and add up all the LESs for the month to determine what they are actually being paid. This creates an enormous amount of confusion, and it is very difficult for them to determine what they have been paid if they are not able to get all LESs. With DMO update 2.13 effective 24 July 2003 we can now print in mass LESs by LES date and Program Element Code (PEC). Even with the current update, this is still a time consuming process to make it possible for the soldier to verify his pay for the month.

4. **Split Entitlements.** The RC pay system splits up the entitlements and pays partial pays for an entitlement. For example, HFP totals \$225 a month, but is paid \$75 on one LES and \$150 on the midmonth LES. Since the end of month LES does not summarize the month's pay, the soldier never knows what the final outcome will be until the end of month LES is posted and all LESs are added together. If an RC soldier looks at his/her end of month LES only, he/she would not know whether or not HFP and CZTE refunds are being paid because neither entitlement is posted to the LES. Also, if a soldier looks at the midmonth LES and does not receive the one prior, he/she will think only \$150 is being paid for HFP (\$75 is paid on the prior LES totaling \$225 for the month).

5. **Monthly Input Requirements.** The Hardship Duty Pay – Location (HDP-L) entitlement must be input every month for each RC soldier. Currently, the only locations within USAREUR designated as Phase II HDP-L areas are Hungary (with the exception of Budapest), at the rate of \$50 per month, and Bulgaria (Sofia, \$100; Other locations, \$50). In addition, Mobilization Stations or USPFs/RCPSOs must input Overseas Housing Allowance (OHA) and BAH-Diff (for child support) every month for each RC soldier receiving the entitlement. Monthly inputs are more prone to error and inconsistencies than entitlements coded with starts and stops.

6. **Taxes.** The Combat Zone Tax Exclusion (CZTE) entitlement is treated differently in the RC pay system. When deployed to a combat zone, AC soldiers do not have their federal taxes deducted as part of their monthly deductions. AC soldiers, earning below the income limitation, do not see any deductions for Federal Taxes on their LES. The RC pay system does not have the capability to treat taxes in the same manner. Instead, the RC soldiers have their taxes deducted on their end of month LES and receive a refund on the subsequent LES at the beginning of the following month. Entitlement to Hostile Fire Pay (HFP) creates the entitlement for CZTE, which makes the payment timing complicated and very difficult to explain to RC soldiers. The tax refunds cannot occur until after the soldier is paid HFP (paid on the soldier's midmonth LES and the one preceding it). The problem is if the soldier arrives after midmonth cutoff (roughly the 7th of the month), then the HFP is not paid until the following month. This pushes the tax refund into the next month, the third month the soldier is deployed in theater. For example, assume an RC soldier arrives on 8 July 2003. Midmonth cutoff has passed, so he/she will not receive HFP until August 2003. Since the tax refund occurs the month following payment of HFP, the soldier will receive both July and August tax refunds in early September. The AC pay system treats CZTE in a different manner. If, for example, an AC soldier arrives on 8 July 2003, the AC pay system would not deduct the soldier's taxes for the month of July providing the soldier the entitlement for the month of his arrival, July, versus being forced to wait until September to receive the benefit.

7. **Finance System Input Codes.** The computer input codes for the AC and RC pay systems are very different. For example, the HFP code for the RC pay system is A35 and is 23 for the AC pay system. These differences make it difficult to achieve synergy in our training. It is also easy for the finance soldiers to confuse different codes when

working with both pay systems. These input code differences also make it more difficult to work the transactions that reject.

8. **Multiple Payments.** The RC pay system will allow multiple payments for the same entitlement in some cases. For example, the HDP-L entitlement must be input by the soldier's servicing finance office because the RC pay system will allow an RC soldier to receive multiple payments for the same month. There is no warning flag to inform finance of the overpayment outside of conducting an audit of the soldier's pay account. In many cases, RC soldiers are not able to recognize they were overpaid because state tax refunds are posted the same way as HDP-L on the soldier's LESs. Both HDP-L and state tax refunds are posted as "Other Credits" on the LES.

9. **Pay Account Research.** Given the differences between the AC and RC pay systems, it is difficult for finance soldiers to understand the RC system and learn how to research pay accounts. The learning curve is significant, and it takes a long time before soldiers become adroit working with the RC pay system.

10. **Pay System Uploads.** The upload process for the RC pay system is different than the upload process for the AC pay system. When we upload the pay transactions into the AC pay system, the system will provide immediate notification if it cannot recognize a social security number or a name. It will also provide feedback if the name does not match the social security number. Uploading in the RC pay system is a blind procedure. It provides no feedback about incorrect social security numbers or names. In addition, there is not even a mechanism that will let the finance soldier making the upload know if the upload even took until later.

11. **Increased Workload.** The RC pay system will not allow an entitlement to be started for a prior period of time. Instead, the entitlement must be paid (transacted using a Report) for the applicable period in the past, and started for the current timeframe forward. The AC pay system will pay back pay and start the entitlement using only one transaction. For example, assume an RC soldier arrives in June 2003 and comes to the finance office in August 2003 stating his HFP entitlement has not been started. In order to correct the soldier's pay, it requires 2 transactions: pay HFP June 2003 and July 2002, and start HFP August 2003. In order to correct an active component soldier's pay in the same situation, it only requires one transaction: start HFP June 2003. The RC pay system requires extra inputs increasing the probability of error when finance soldiers code the inputs into the pay system. Another increase in the workload results from having to enter remarks on the LES to describe retroactive payments and the monthly payment of Hardship Duty Pay-Location. The finance soldiers have to type the remarks that show on the LES into the RC pay system; the AC pay system automatically creates the remarks for the LES.