

Department of Accounts

Payroll Bulletin

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the Payroll
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The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Cathy McGill at (804) 371-7800 or Email at cathy.mcgill@doa.virginia.gov

State Payroll Operations

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Purchase of Service Credit Using Sick Leave Credit

VRS Forms Available Employees who chose not to enroll in the VSDP program have the option to purchase VRS Service Credit with their sick leave payout at the time of retirement. Use form VRS-26f (with instructions), available from VRS, to calculate and certify the conversion to Service Credit. The following procedures should be used to process the payment.

Payroll Procedures The election to purchase Service Credit using Sick Leave does not change existing instructions or procedures for calculating, taxing, and paying-out accrued sick leave upon retirement/termination. The employee's payment must be deposited via a "DC" transaction in CARS and forwarded to VRS on an agency IAT. The deposit may be accomplished in several different ways; some suggestions are:

- The employee can receive the Sick Leave payment as normal and write a personal check to the agency for deposit.
 - The employee can endorse the check back to the Agency/Treasurer of Virginia for deposit (where 100% net is applied to Service Credit).
 - The Agency can "split" the net check via petty cash to obtain an amount less than net for deposit, with the remainder going to the employee.
 - The Agency can use Deduction 30 (Petty Cash) to obtain the amount for deposit to the agency's Petty Cash account, where a check can be re-written for deposit to the Treasurer of Virginia.
 - The employee may elect to supplement (up to Gross Sick Leave payment) the net amount for deposit with a personal check.
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Deduction 30 Agencies without a "Petty Cash" account can still use Deduction 30 to obtain a check for deposit, but the deduction number must be established for your agency prior to its use. Send a written request including your agency number and the corresponding third party payment address to John Rodgers at john.rodgers@doa.virginia.gov.

Deposit Transaction Update To record the deposit and subsequent IAT fund transfer to VRS, the following coding is recommended:

Step	Batch Type	Trans Code	Dr GLA	Cr GLA	Fund	Agency
1.	7	002	101	547	Agency Option	Processing Agency
2.	4	389	547	101	Agency Option	Processing Agency
		137	101	907	0710	158

Additional Information Required

- Remarks on the IAT in step 2 must include a complete description of the payment; employee's name, social security number and a statement indicating that the transaction is for the purchase of service credit using sick leave payment.
- Ensure the Form 26-f is sent with the IAT to VRS.

Point-of-Contact For questions regarding this subject, please contact Denise Halderman, Supervisor, Payroll and Benefits Accounting, via email at denise.halderman@doa.virginia.gov or by phone (804) 371-8912.

General Guidelines for Severance Payments

Severance Payments

Department of Human Resource Management Policy 1.57, Severance Benefits, in conjunction with DHRM Policy 1.35, Layoff, outlines the policies pertaining to severance benefits.

Severance payments for involuntary separation, whether biweekly amounts or semi-monthly amounts, are to be processed semi-monthly using Special Pay 31, INV SEP. The three methods by which the Special Pay can be processed: are listed on the following page.

General Guidelines for Severance, (cont.)

Special Pays in CIPPS

- 1) Use HUC01, Special Pays as Regular Pays. (Use of this screen is required in order for Imputed Life, Special Pay 14, to calculate.)*
- 2) Use HUE01 screen, Special Payments. If using HUE01 be sure to use tax indicator of "5", check indicator of "2", and deduction indicator of "0".*
- 3) Change the Salary Rate field on the H0BID screen to \$.02, and establish the severance special pay (31) as an automatic special pay on H10AS. The severance amount should be reduced by the \$.02 of regular pay. The following indicators must be used - tax indicator of "5", check indicator of "0", and deduction indicator of "0". Note: This option will prevent the need to perform data entry each pay period. However, you **must** remember to turn the frequency off on the severance special pay when the employee's severance benefits are to cease.

* It is strongly recommended that the employee's time-card status should be changed to non-automatic to ensure the pre-layoff salary does not inadvertently calculate once the severance period has lapsed.

Use of the special pay codes listed below will result in default to the appropriate object code. If no programmatic coding is established on HMBU1 specific to these special pays, the CARS coding found on the R1 record will be used with the exception of the default object code.

<u>Special Pay #</u>	<u>Pay Name</u>	<u>Object Code</u>
31	INV SEP	1171
66	ANNUAL	1176
67	SICK	1177
68	COMP	1178

Health Insurance

Employees who are involuntarily separated may continue to receive health insurance coverage for a period of 12 months from the effective date of the separation. The agency will continue to pay its portion, and the employee is responsible for the employee share of the premium. While the employee continues to receive severance payments, the employee's premium should be withheld from that payment. Once the severance payments cease, the health care plan code must be changed on HMCU1, Employee Benefits, to a LWOP code. The agency will be charged the full premium and must recoup the employee share outside the system.

General Guidelines for Severance, (cont.)

Manually Update HMCU1

As the Benefits Eligibility System (BES) does not require involuntarily separated employees to maintain unique carrier codes, you will continue to use the active carrier codes in BES. However, if a change to the carrier or membership type occurs in BES, the daily automated update will pass an active provider code to CIPPS. **After the transaction has updated the affected employees Health Care information on HMCU1 through the batch update process, you must access the HMCU1 screen for that employee and manually change the provider code to the corresponding Involuntary Separation Provider code as shown in the table below. If this step is not completed, the health care expenditures will post to the active object code (1115) instead of the Involuntarily Separated object code (1173).**

Health Care Provider Numbers

The table below should be used when placing an employee in an involuntary separation status.

Provider	Active Provider Code	Involuntary Separation Provider Code	Project Code
COVA Care Basic (Includes basic dental)	42	92	93002
COVA Care Out-of-Network (OON)	43	93	93002
COVA Care Expanded Dental (ED)	44	94	93002
COVA Care Out-of-Network and Expanded Dental (OON/ED)	45	95	93002
COVA Care Vision, Hearing and Expanded Dental (V/H/ED)	46	96	93002
COVA Care Out-of-Network and Vision, Hearing and Expanded Dental (Full)	47	97	93002
COVA HDHP (High Deductible Health Plan)	50	90	93002
Kaiser Permanente HMO (Available in Northern Virginia Only)	06	56	93003

Auto Health Care Reconciliation

Both active and involuntarily separated health care premiums will be combined for the purpose of comparing payroll withholdings to premiums due per BES in the Automated Health Care reconciliation process. You will not see separate Health Care Reconciliation Summary reports for the involuntarily separated provider codes.

If an automated IAT is generated due to a discrepancy for an individual who is involuntarily separated, the automated expenditure charge will still post to object code 1115. The Agency Transfer Voucher (ATV) to clear the default expenditure coding must include the appropriate object code (1173).

General Guidelines for Severance, (cont.)

VRS Benefits

Although an involuntarily separated employee continues to receive group life insurance coverage for 12 months from the effective date of separation, the group insurance coverage must be reported to VRS directly. VRS Form 11A must be completed for each employee and sent with a 1501 and payment to VRS. **Do not** process group insurance deductions through CIPPS.

Additionally, **no** other VRS benefits are to be calculated or reported (i.e., retiree credit, retirement, disability). **BE SURE TO DEACTIVATE THE APPROPRIATE VRS DEDUCTIONS ON H0ZDC.** It may be beneficial to change the retirement code on HMCU1 to blank. This will prevent the retirement deductions from being reactivated when the health care code is changed to a LWOP code as discussed above.

Other Deductions

Other employee paid deductions, including direct deposit, *may continue* to be withheld from severance payments. Examples of such deductions are Flexible Spending Accounts (#s 21 and 22), Tax Sheltered Annuities (# 39), Supplemental Insurances (# 41), Savings Bonds (#s 52 - 57), VEST and VPEP (#s 48 and 58), and CVC (# 62).

Exceptions to this are Buy Back (#17), Deferred Compensation (# 38), Optional Group Life Insurance (#35) and Pre-tax Buy Back (#43). Due to the nature of the funds received, severance payments are **not** considered earnings that qualify for deferral under Section 457 of IRS code. OGL deductions cannot be withheld in CIPPS when Group Life (#20) is inactive. Similarly, buyback deductions cannot be withheld in CIPPS when Retirement (#16) is inactive. If the employee wishes to continue participation in the OGL program, either the employing agency or the employee must notify Minnesota Life. Minnesota Life will then direct bill the employee for the monthly premiums due.

However, severance payments **do** qualify as earnings that qualify for annuity deferrals under Section 403(b) of IRS code. Accordingly, the corresponding Annuity Cash Match (# 46) can be contributed while the employee is receiving severance benefits and continues to contribute to the annuity.

Finally, all court-ordered withholdings (garnishments, child support, and tax liens) are to continue to be withheld as severance payments do not qualify for exclusion.

General Guidelines for Severance, (cont.)

Helpful Hints

Agencies have used various tools/procedures to aid in the administration of severance payments. Listed below are a few ideas which have been shared and which may be helpful.

- 1) Establish spreadsheets to track payments and benefits for each employee.
- 2) Place employees receiving severance benefits in a unique organization code. This will provide reporting of payroll data for the affected individuals in the same location of payroll reports such as the Report 10.
- 3) Place employees receiving severance in a unique semi-monthly frequency. This frequency could be processed on a separate night from the regular semi-monthly frequency thus providing a completely separate set of reports and CARS transactions.
- 4) Develop written agency policies and procedures governing the handling of any payments received from the employee (e.g., employee share of health care premium) once severance benefits cease.

CIPPS Reports

To facilitate identification of involuntarily separated employees on CIPPS reports (e.g., Report 10) consideration should be given to placing these employees in a unique frequencies or organizational codes. Many reports provide sorting and summary totals by these values. Some examples are provided below:

REPORT	TOTALS PROVIDED BY
Report 10 - Payroll and Deduction Register	Agency specific, but generally by organizational code
Report 21 - Employees within Deduction	Agency specific, but generally by organizational code
Report U022 - Detail Expenditure Report	Organizational code within frequency
Report U023 - Summary of Payroll Expenditures	Frequency
Report U033 - Detailed Payroll Expenditures by CARS Coding	CARS coding within frequency

Maryland Tax Table Changes

Employees with Maryland Tax Records

The state tax rate for all employees except Maryland Residents Working in Delaware has changed from a flat-tax rate to a graduated withholding table.

The graduated state tax tables are now based on the employee's state marital status. A new MW-507 Form is available on the Maryland's website. Since the employee's marital status was not used to calculate withholding prior to 2008, employers should request a new MW-507 Form from all employees with Maryland tax records to ensure that the marital status in CIPPS is current.

Maryland tax forms may be found on their website:

http://forms.marylandtaxes.com/current_forms/mw507.pdf
