Department of Accounts
Payroll Bulletin

Calendar Year 2012 | **June 19, 2012 (rev 7/6/12)** | **Volume 2012-10**

In This Issue of the Payroll Bulletin…....

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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July Check Distribution Reminder

July Check Dates

Under no circumstances are payroll checks with any July 2012 check date to be placed into the U.S. mail prior to June 29, 2012. Additionally, under no circumstances are checks with a July 2012 check date to be placed into an employee's possession prior to July 2, 2012.

Changes to Deductions for Flexible Spending Accounts

WageWorks

Starting July 1, 2012 the administration of the Commonwealth of Virginia's Flexible Reimbursement Accounts (FRAs) Flexible Spending Accounts (FSAs) will move from the Fringe Benefits Management Company, a Division of WageWorks platform to a new system supported by WageWorks, Inc ("WageWorks").

New Deductions for PY 2012

This means that the deduction information for Plan Year 2013 (begins July 1, 2012) will go to a **different** reporting system than the information for Plan Year 2012. To accommodate the change in platforms, it will be necessary to maintain a **second set** of flex deductions for the medical and dependent care accounts and the associated administrative fees related to Plan Year 2012 retroactive activity for the remainder of this calendar year.

YTD balances in deductions 021, Dependent Care, 022, Medical Reimbursement and 023, Admin Fees existing as of 6/30/2012 will automatically be transferred to new deduction numbers: 055, PY12 Dependent, 056, PY12 Medical Reimbursement and 057, PY12 Admin Fees. **Adjustments made through the payroll system after June 30 for Plan Year 2012 must be made using the new deductions.**

VOID Check Processing – Checks with Flex Deductions <u>and</u> Dated before 7/1/12

Due to the conversion of the flex deduction numbers for Plan Year 12 as of July 1 we will be unable to process any void checks created prior to July 1 in the normal manner for employees with flex deductions. If you need to void a check for an employee with flex deductions from a payroll that was certified before July 1, you will need to deposit it to your agency's account and process a transaction on the HTM00 screen to back out all pay and deductions (make sure you use the new flex deduction numbers). Any checks that do not include flex deductions can be voided normally. Also **all Direct Deposit's can be voided normally.** If you have any further questions, please contact Denise Halderman at (804) 371-8912.

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Changes for Flexible Spending Accounts, continued

Recycling Transactions

Review Report 14, Deductions Not Taken and the pending transactions on H1K03 **before you certify the 6/25 – 7/9 pay period** to ensure that all transactions that are recycling for the flex deductions 021, 022 and 023 are deleted since these are related to Plan Year 12. Contact Barbara Owens at DHRM-OHB to determine if it is necessary to collect these amounts. If so, do overrides to take the required amount(s) using the new deduction(s) for Plan Year 12: **055**, PY 12 Dependent Care; **056**, PY 12 Medical Reimbursement; and/or **057**, PY 12 Admin Fees.

Deductions for Plan Year 2013

Mass transactions to deactivate the flexible benefit deductions (Deduction 021, Dependent Care, Deduction 022, Medical Reimbursement and Deduction 023, Administration Fees) and zero the amount and goal fields will be executed by DOA on June 30.

DOA will then establish the new plan year (PY 13) deduction amounts and administrative fees from data provided through BES. No data entry will be required by agency personnel for flexible benefit deductions, unless an employee is listed on the REPORT U130, **BES/CIPPS TRANSACTION ERROR LISTING**. Please review all transactions for accuracy.

Flex Processing Reminders

New Hires

- The initial election period is within 30 days of the employee’s date of eligible employment. If enrolled, coverage will be **effective the first of the month coinciding with or following the date of employment**. In most cases, the interface with BES will establish the deduction based on the effective date.

Terminations

- Follow the same guidelines that apply to health insurance premiums for terminating employees. Flex deductions for the whole month should be taken.

LWOP

- Employees on leaves of absence during any plan year must continue contributing to their reimbursement account(s) by paying the contribution amounts and administrative fees on an **after-tax basis**. See the CAPP manual for directions on how to deposit the funds.

Refunds

- Generally, refunds to employees of deductions for flexible reimbursement accounts are not allowed unless the deduction was withheld due to administrative error. **The Office of Health Benefits in DHRM must approve all refunds before they are processed through payroll.** Once approved, the CIPPS deduction refund process can be used to refund the employee deduction. The refund must be processed along with the employee’s regular payment.

401(a)(17) Retirement Maximum

Retirement Limits

Internal Revenue Code Section 401(a)(17) Compensation Limit specifies that compensation in excess of an employee's annual compensation limit cannot be used when determining the contribution amount to send to the plan. The following limits apply to the VRS-administered and -authorized optional retirement plans:

- Employees who became plan members on April 9, 1996 or later: **$250,000**
- Employees who became plan members before April 9, 1996: **$375,000**

ORP

The annual limit/plan year for ORP participants is determined based on payment dates, i.e., check date July 1 – check date June 30. It isn't necessary to do overrides to distribute the maximum across the plan year.

Maximum ORP Contribution	
ORP Plan 1 (10.4 percent employer only)	$26,000 ($39,000 for grandfathered participants)
ORP Plan 2 (8.5 percent or 8.9 percent employer plus 5.0 percent employee)	Maximum Employer Contribution ($250,000 x .085) = $21,250 to ($250,000 x .089) = $22,250 Maximum Employee Contribution ($250,000 x.050) = $12,500
Total Employer plus Employee Contribution – ORP Plan 2	$33,750 up to $34,750

VRS

The annual limit/plan year for VRS participants is determined based on pay periods, i.e., June 25 – June 24 (reported to VRS on monthly basis for July through June).

Maximum VRS Contribution	
VRS Employer (8.76 percent)	$21,900 ($32,850 for grandfathered participants)
VRS Employee (5 percent)	($250,000 x.050) = $12,500 or ($375,000 x .050) = $18,750
Total Employer plus Employee Contribution	$34,400 up to $51,600

Overrides should be completed each pay period to distribute the annual maximum evenly across the plan year. When an employee, whose actual compensation exceeds the limit, terminates employment mid-year (and does not immediately start employment with another VRS employer) an adjustment should be made to contribute the difference between what has been calculated up to that point for the plan year and the total amount of their actual creditable comp up to that point in the plan year (not to exceed the max allowed). In short, the person who terminates will be made whole up to the 401(a)(17) limit in the year of termination.