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Overview

Introduction   When an employee leaves employment with an agency, either through transfer to another state agency, termination of employment, retirement, or death, certain procedures must be completed prior to termination of the employee in CIPPS. If proper termination procedures are not followed, incorrect payments, incorrect reporting of state and federal taxes, and improper CIPPS file maintenance can occur. This topic provides guidelines for making final payment(s) to terminating employees and terminating their records in CIPPS.

Procedures

Discontinuing Semi-Monthly Pay   In order to ensure that the employee who is terminating or being severed does not receive their regular salary in addition to any final payments, the employee's **TIME CARD STATUS** field on H0BID should be changed to a value of **0 (Non-Auto)**. This action is systematically performed by the PMIS/CIPPS automated update and reflected on the Report U082, PMIS/CIPPS Update Listing.

Political Appointee Severance Payments   When political appointees separate from State Service, the Secretariat will inform the agency of any severance payment(s) due. These severance payments will be made using Special Pay 013, SEVR PAY. Contact DOA to request set up of the Special Payment on the agency's company header prior to paying.

Involuntary Separation Severance Payments   The Department of Human Resource Management Policy 1.57, Severance Benefits, in conjunction with DHRM Policy 1.30, Layoff, outlines the policies pertaining to severance benefits.

Severance payments for involuntary separation, whether bi-weekly or semi-monthly, must be processed *semi-monthly* using Special Payment 031, INV SEP.

Procedures, Continued

Severance Benefits Deductions

Depending on the type of deduction involved and central agency policy, payroll deductions for terminating employees may require adjustments. Such adjustments may be made through deduction overrides (see Topic 50605) or deduction refunds (see Topic 50705).

After the final payment is made to the employee, all deduction frequencies must be set to "00". The following table provides termination processing options related to the most common payroll deductions:

Deduction	Severance Procedures
Healthcare	Employees may continue to receive health insurance coverage for a period of 12 months from the effective date of separation. While the employee continues to receive severance payments, the agency and the employee pay their respective share of the healthcare premium. Through the Automated Healthcare Reconciliation the agency will be charged the full premium and must recoup the employee share outside of CIPPS. *Employee payments are due by the 1st of the month of coverage.*
Dependant Care, Medical Reimbursement Account *and Flex Admin Fee*	While receiving severance payments, contributions to Flexible Spending Accounts may continue on a pre-tax basis. Subsequently, Medical Reimbursement Account contributions must be made on an after-tax basis under "Extended Coverage" rules, but contributions cannot continue for Dependent Care. *Employee payments are due by the 1st of the month of coverage.*
Optional Group Life	Since Group Life remains active in CIPPS, OGL may continue to be withheld from severance payments. Once severance payments cease, either the employing agency or the employee must notify the vendor to direct bill the employee for the monthly premiums due if continued coverage is desired.
Deferred Compensation	Deferred Compensation cannot be withheld from severance payments.
403(b) Annuities	*May continue to be withheld but there is no cash match.*
Miscellaneous Insurance	Upon request by the employee, may continue to be withheld from the severance benefits. *Once severance payments cease, the employee must notify the vendor to direct bill the employee for the monthly premiums due if continued coverage is desired.*

Procedures, Continued

Severance Benefits Deductions (continued)

Deduction	Severance Procedures
Retirement	*Contributions for retirement and OPEBs (other post-employment benefits) are owed based on the employee status as of the first working day of the month. If the employee is in a severed status as of the first working day of the month, only group insurance continues. Put a "G" in the "Group Insurance" field on HMCU1 to continue calculation of Group Life only.* The Retirement Code on HMCU1 should only be updated to "LT" once all severance <u>benefits</u> (not payments) have been exhausted.
ORP	*Severance pay is not creditable comp and ORP retirement should not be calculated based on severance pay.*
Group Life	Group life insurance benefits continue for 12 months from the effective date of separation. *For purposes of maintaining the VRS record for these employees, the group life insurance should continue to be reported through CIPPS.* Imputed Life must continue to calculate for the employee receiving the life insurance coverage. *This is accommodated through the use of a "G" in the "Group Insurance" field on HMCU1. (deleted old information)*
Retiree Credit (HIC)	*The retiree credit (health insurance credit) must be deactivated at the time of the severance. This is accommodated through the use of a "G" in the "Group Insurance" field on HMCU1.*
Long-term Disability	The long-term disability deduction must be deactivated at the time of the severance. *This is accommodated through the use of a "G" in the "Group Insurance" field on HMCU1.*
Court-ordered Withholdings	Court-ordered withholdings are still in force for any payments the employee may receive after severance and must be honored.
VEST/VPEP	May be withheld from severance payments.
CVC	May be withheld from severance payments.

Procedures, Continued

Final Payments

Final payments to terminating employees should be issued on the payday following the last period worked. Final payments include any additional regular, overtime, shift, or on-call pay due the employee for hours worked. Final payments also include the monetary value of the employees' annual, sick, and/or compensatory leave balances. See DHRM Policy Nos. 3.10, 3.15, 4.10, 4.55, and 4.57 for more information concerning employee eligibility to receive payments for compensable leave balances. Typically, leave balances are not paid out until the employee has exhausted severance payments.

All non-paid, taxable benefits (e.g., moving and relocation, meals, company car, *non-cash awards*, etc.) should be processed before issuing the final payment. The final payment may also be the agency's best opportunity to collect additional premiums, recoup travel or other advances or other employee debts (if written authorization from employee is on file), or to complete a deduction refund. If this does not occur, manual adjustments to the employee's masterfile records may be necessary or the agency may have to collect any additional payroll taxes that may be due from the employee pursuant to the adjustment.

Leave Balances

Terminating employees' leave balances should be audited and all compensable leave balances paid to the employee prior to the termination of the employee in CIPPS. Reference CAPP – Cardinal Topic No. 40205, *Establishing/Maintaining Leave Records.*

Note**:** When an employee is placed in a terminated status ("3") on H0BES the leave balances will be zeroed overnight.

Terminating Employee Deductions

Depending on the type of deduction involved and central agency policy, payroll deductions for terminating employees may require adjustments. Such adjustments may be made through deduction overrides (see Topic 50605) or deduction refunds (see Topic 50705).

After the final payment is made to the employee, all deduction frequencies must be set to "00". The following table provides termination processing options related to the most common payroll deductions:

Procedures, Continued

Deduction	Termination Procedures
Healthcare	Employee terminates mid-month - complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts. Employee terminates at month-end - no further action is necessary unless the employee owes premiums for a previous period that would require an override. Once final payment is made, update the HMCU1 membership type field to an "E" denoting a terminated status. See note below on Extended Coverage.
Dependant Care Reimbursement Account (DCRA)	Complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts. See note below on Extended Coverage.
Medical Reimbursement Account (MRA)	
Flex Admin Fee	
Deferred Compensation	Deferred Compensation can be withheld from leave *payouts but there should be no cash match.*
Miscellaneous Insurance	Miscellaneous insurances are monthly contributions; where necessary, override the deduction on the last regular payment or take the deduction from the leave payouts. Also, lump sum contributions for annuities can be taken from leave payouts if permitted in the Plan Document, *but there is no cash match.*
403(b) Annuities	
Parking	Determine that all appropriate parking deductions have been made. If necessary, override the deduction or take the deduction from the leave payouts.

NOTE: "Extended Coverage" elections are handled outside of the payroll system (e.g., healthcare, optional group life, MRA).

Procedures, Continued

Deduction	Termination Procedures
Retirement Long-term Disability Retiree Credit (HIC) Group Life	*Contributions for retirement and OPEBs (other post-employment benefits) are calculated on the employee CONTBASE. They are owed for the full month based on employee status as of the first working day of the month. Amounts for the full month should be taken unless there is not enough to cover the employee-paid deductions. In that case, nothing is taken for either employee or employer. Any amounts previously deducted for that month are refunded and service credit should be removed from VNAV.*
Optional Group Life	Complete the monthly contribution. OGL can only process if Group Life is active.
ORP	*Contributions for ORP should be calculated based on final creditable compensation paid to employee.*
Court-ordered Withholdings	Court-ordered withholdings are still in force for any payments the employee may receive after termination and must be honored.

Procedures, Continued

Termination Check-Off List It is recommended that agencies develop a termination check-off list to ensure that all information is complete and accurate before terminating the employee. The check-off list developed for agency use should include the following:

Regular Pay

	YES	NO
Employee Non-Auto on H0BID		
Employee due Regular Pay		
Employee due Overtime Pay		
Employee due Shift Pay		

Leave/Special Payments

Annual Leave Balances		
Sick Leave Balances/Disability Credits/*TSLB*		
Compensatory Leave Balances		
On-Call Leave Balances		
Overtime Leave Balances		
Reportable Meals		
Non-cash Awards		
Company Vehicle		
Leave transactions keyed and balances reconciled		

Miscellaneous Collections

Must have written authorization from employee		
Outstanding Travel Advances		
Outstanding Uniforms, Badges, Keys, etc.		

Deductions

Healthcare Override Required		
Healthcare Refund Due		
Medical Reimbursement - Monthly Override		
Dependant Care - Monthly Override		
Flex Admin Fee		
Optional Group Life - Monthly Override		
Deferred Compensation/Annuities – Lump Sum Override		
Misc. Insurance Deductions - Monthly Override		
Parking - remittance complete		
Court Ordered Withholding - required on payments		
Deduction Frequencies Turned Off		

Continued on next page

Procedures, Continued

Terminating the Employee's Record

After final payments are made and voids processed, the employee masterfile record on H0BES can be updated to reflect the terminated status as follows:

Employment Status

Enter a value of "3" indicating the employee is terminated. This will cause all leave balances to revert to zeroes *overnight.*

Termination Code

Enter the value indicating the reason the employee is leaving the agency.

VALUES	EXPLANATION/USE
1	Death
2	Discharged
3	Retired
4	Transferred
5	Resigned

Termination Date

Enter the effective date of the termination. Note: The Termination Date is provided on the Report U082, PMIS/CIPPS Update Listing, but is not systematically entered.

Procedures, Continued

Effect of Termination Status

When the employee status is changed to terminated, CIPPS:

- Automatically changes the payroll frequency to 99 (terminated),
- Turns off any direct deposit checking deduction(s), and
- Zeroes any remaining leave balances for the employee *overnight.*

Available Reports

There are a number of reports available to help agencies track employees who have terminated and identify the period termination occurred. Reports of terminated employees who have deceased pay but are not coded as deceased, and employees who are coded as deceased but do not have deceased pay are also available.

Internal Control

Internal Control

Agencies must verify that CIPPS information concerning terminating employees is complete, properly authorized, and entered accurately into the system. Fiscal officers must ensure that all payments have been properly and accurately issued.

Records Retention

Time Period

The Input Transaction Listing, Report 1001, and the Transaction Batch Balance Summary, Report 1005, must be retained for 60 days. All other reports should be retained for five (5) years or until audited, whichever is later. Agency policy and procedures determine the retention of the related agency source documents/records. See CAPP – Cardinal Topic No. 21005, *Records Retention and Disposition*.

Contacts

DOA Contact Director, State Payroll Operations
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Subject Cross References

References CAPP – Cardinal Topic No. 21005, *Records Retention and Disposition*
CAPP – Cardinal Topic No. 40210, *Establishing/Maintaining Leave Records*
CAPP – Cardinal Topic No. 50605, *Tax and Deduction Overrides*
CAPP – Cardinal Topic No. 50705, *Employee and Tax Masterfile Updates*

CARS to Cardinal Transition

Cardinal Transition CIPPS interfaces to both CARS and Cardinal. No additional action needs to be taken by agencies in order to record CIPPS entries. After CARS has been decommissioned, agencies will no longer use NSSA to establish programmatic data in CIPPS. Instructions on how to load this information to CIPPS will be distributed at a later time.