

Volume No. 1—Policies & Procedures	TOPIC NO.	50320 – Cardinal
Section No. 50300—Establish/Maintain Employee Profile Information	TOPIC	Terminations
	DATE	June 2023

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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 Cardinal Human Capital Management (HCM). If proper termination procedures are not followed, incorrect payments, incorrect reporting of state and federal taxes, and improper Cardinal HCM file maintenance can occur. This topic provides guidelines for making final payment(s) to terminating employees and terminating their records in Cardinal HCM.

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 job data record should be updated with the appropriate action and reason code. This will place the employee in an inactive status and ensure that no further semi-monthly payments will automatically process from the job data record. Agencies should verify that all additional payments set up on the ADDL pay page are terminated as well.

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 the Single-Use Payroll Online Tool (SPOT) and earnings code, SEV.

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 are calculated on a bi-weekly basis, but paid on a *semi-monthly* schedule in a SPOT with earnings code, INV.

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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 use of the deduction SPOT or balance adjustments (see CAPP Topics 50605, Tax and Deduction Overrides and 50705, Balance Adjustments). The following table provides termination processing options related to the most common payroll deductions:

Deduction	Severance Procedures
Healthcare	<p>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.</p> <p>Once severance payments end, the agency will be charged the full premium through the Automated Healthcare Reconciliation and must recoup the employee share outside of Cardinal HCM. Employee payments are due by the 1st of the month of coverage.</p>
Dependent Care, Medical Reimbursement Account and Flex Admin Fee	<p>While receiving severance payments, contributions to Flexible Spending Accounts may continue on a pre-tax basis. Once severance payments cease, 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.</p>
Optional Group Life	<p>Since Group Life remains active in Cardinal HCM, 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.</p>
Deferred Compensation	<p>Deferred Compensation cannot be withheld from severance payments.</p>
403(b) Annuities	<p>Contributions to 403(b) accounts cannot be withheld from severance payments.</p>
Miscellaneous Insurance	<p>Upon request by the employee, misc insurance 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.</p>

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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.
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 HCM. Imputed Life must continue to calculate for the employee receiving the life insurance coverage. This is accommodated through the use of the deduction SPOT for IMPLIF and the appropriate deduction code for group life.
Retiree Credit (HIC)	The retiree credit (health insurance credit) should not process.
Long-term Disability	The long-term disability deduction does not process.
Court-ordered Withholdings	Court-ordered withholdings are still in force for any payments the employee may receive after severance and must be honored.
CVC	May be withheld from severance payments.

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Final Payments Final payments to terminating employees should be issued on the payday for the pay period following the last pay 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 tax balance records may be necessary and 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 with an earnings SPOT. It is not necessary for the employee to be in an active status for this SPOT transaction to process.

Leave balances in Cardinal Absence Management are not automatically reduced to zero when employees are terminated or balances are paid out.

Terminating Employee Deductions Depending on the type of deduction involved and central agency policy, payroll deductions for terminating employees may require adjustments. Review benefits for terminating employees to ensure the proper deductions are being withheld and take corrective actions (e.g., SPOT) if a deduction is not reflected.

The following table provides termination processing options related to the most common payroll deductions:

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Procedures, Continued

Terminating Employee Deductions, 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. See note below on Extended Coverage.
Dependent Care Flex Spending Account (DCRA)	Complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts.
Medical Flex Spending Account (MRA)	See note below on Extended Coverage.
<i>Flex Admin Fee</i>	
Deferred Compensation	Deferred Compensation can be withheld from leave <i>payouts</i> but <i>there should be no cash match</i> .
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, <i>but there is no cash match</i> .
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).

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Procedures, Continued

Terminating Employee Deductions, continued

Deduction	Termination Procedures
Retirement	<i>Contributions for retirement and OPEBs (other post-employment benefits) are calculated on the employee “VRS” additional pay. 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.</i>
Long-term Disability	
Retiree Credit (HIC)	
Group Life	
Optional Group Life	Complete the monthly contribution.
ORP	<i>Contributions for ORP should be calculated based on final creditable compensation paid to employee.</i>
Court-ordered Withholdings	Court-ordered withholdings are still in force for any payments the employee may receive after termination and must be honored.

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Internal Control

Internal Control

Agencies must verify that Cardinal HCM 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

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 Topic No. 21005, *Records Retention and Disposition*.

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Subject Cross References

References

CAPP – Topic No. 21005, *Records Retention and Disposition*
CAPP – Topic No. 50605, *Tax and Deduction Overrides*
CAPP – Topic No. 50705, *Balance Adjustments*

Cardinal Job Aids – PY381_Using the Single-Use Payroll Online Tool (SPOT)
Cardinal Job Aids – HR351_Action Reason Codes

DHRM Policy 1.70 - Termination/Separation From State Service
