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Overview

VRS Retirement Plans

The Virginia Retirement System (VRS) administers four different types of defined benefit retirement plans. A defined benefit pension plan is a plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Plan eligibility is largely determined by the employee's current position. Within each plan, there are separate classifications based on the employee's VRS service history and hire date. The Hybrid Retirement Plan is comprised of both defined benefit and defined contribution investments which are discussed later in this topic.

- VRS Retirement Plan (VRS)
  - Plan 1 VRS Retirement Plan
  - Plan 2 VRS Retirement Plan
  - Hybrid Retirement Plan
- State Police Officers' Retirement System (SPORS)
  - Plan 1 SPORS Retirement Plan
  - Plan 2 SPORS Retirement Plan
- Judicial Retirement System (JRS)
  - Plan 1 JRS Retirement Plan
  - Plan 2 JRS Retirement Plan
  - Hybrid JRS Retirement Plan
- Virginia Law Officers' Retirement System (VaLORS)
  - Plan 1 VaLORS Retirement Plan
  - Plan 2 VaLORS Retirement Plan

VRS maintains employee service records in *my*VRS Navigator (VNAV) which include previous irrevocable retirement plan enrollments as well as withdrawals and purchases of previous service.

Plan deductions and "Ancillary Benefits" are taken as a percentage of the "Contribution Basis" which is determined by the "VRS Plan Rules". (Quoted items are further explained in sections below.)

Continued on next page

Overview, Continued

Optional Retirement Plans (ORPs)

Based on an employee's current position, they may be eligible to elect an Optional Retirement Plan (ORP). ORPs are defined contribution retirement plans offered as an alternative to VRS retirement. A defined contribution plan is a type of retirement plan in which the employer, employee, or both, make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts plus any investment earnings on the money in the account. Only employer contributions to the account are guaranteed, not the future benefits. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Upon entry into an ORP-eligible position (e.g. faculty or political appointee), employees are granted an election window to select either the ORP or the applicable VRS retirement plan. While future changes in the employee's job may qualify them for a new election period, it is important to realize that the employee's job history with other localities may also affect the employee's eligibility for the VRS Plans. VRS is the authoritative source for previous employee ORP elections and their current plan eligibility.

ORP-eligible faculty have a 60 day election period to decide if they want to participate in one of the following ORPHE (Optional Retirement Plan for Higher Education) plans:

- Teacher Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
- Fidelity Investments

ORP-eligible political appointees have a 30 day election period to decide if they want to participate in the ORPPA (Optional Retirement Plan for Political Appointees).

See the Working Examples on the DOA website for specific instructions on handling ORP-eligible employees during the election period. No retirement deductions should be processed in CIPPS until the employee makes the election and the election is officially recorded in VNAV.

Deductions are taken as a percentage of the amount of compensable pay received by the employee. Group Life Insurance and Retiree Credit (see Ancillary Benefits section) are calculated based on the "Contribution Basis" as defined by VRS.

The 401(a) annual limit/plan year for ORP participants is determined based on payment dates, i.e., check date July 1 – check date June 30.

Continued on next page

Overview, Continued

Ancillary Benefits

Ancillary benefits, also known as OPEBs (Other Post-retirement Employment Benefits), are additional benefits provided based upon the employee's retirement plan. The rates for these are established in the Appropriations Act each year and the benefits are managed by VRS for all employees including ORP employees. More information about these benefits can be found on the VRS website.

Ancillary benefit deductions include:

- Group Life Insurance - Full and part-time classified, salaried employees and faculty are covered by the Group Life Insurance plan administered by the Virginia Retirement System (VRS). Coverage is based on annual salary rounded up to the next $1,000 and doubled for natural death, and double that amount for accidental death. Agencies are charged for the cost of group life coverage. For more information see CAPP – Cardinal Topic 50425, *Group and Optional Life Insurance*.

- Retiree Credit - VRS administers the Retiree Health Insurance Credit (HIC) program. The HIC is an agency-paid deduction that reduces the cost of health insurance for the eligible employee during retirement. The credit is a dollar amount set by the General Assembly for each year of service. The credit ends upon death and cannot exceed the amount of individual health insurance premiums.

- Long Term Disability - The long-term disability deduction is an agency-paid deduction that funds long-term disability benefits under the Virginia Sickness and Disability Program (VSDP). An agency charge is calculated for each participating employee in the VSDP program. VRS does not charge employers for employees who opted out of the VSDP program. VRS is the source for employee eligibility in the VSDP program. For more information see CAPP – Cardinal Topic 50525, *Virginia Sickness and Disability Program*.

Purchase of Prior Service (PPS)

The Purchase of Prior Service provision (PPS) allows eligible VRS members to purchase service credit under specific circumstances. The PPS provision is available to participants of any of the retirement plans administered by VRS. Employees eligible for PPS can choose to purchase service credit on a pre-tax or post-tax basis subject to rules established by VRS.

Continued on next page

Overview, Continued

Contribution Basis

All VRS managed deductions (VRS Retirement and Ancillary Benefits) are calculated as a percentage of the same base value or "Contribution Basis." The Contribution Basis represents the employee's creditable compensation for a semi-monthly pay period. While the Contribution Basis typically corresponds to the pay period salary displayed on H0BID, in some circumstances it does not (e.g., contract employee less than 12 months or salary change mid-month). Special Pay 99, CONTBASE, has been established to maintain the employee's Contribution Basis for payroll processing. It is systematically calculated using the following formula:

(H0BID Salary X H0BUO Number of Pays) ÷ (H0BUO Contract Length X "2" if the CIPPS Number of Pays are Greater Than 12 or "1" if CIPPS Number of Pays are Less Than 12)

For a 12 month, semi-monthly employee the amount in Special Pay 99 is typically the same as the employee's semi-monthly salary on H0BID unless the employee had a mid-month salary change. For a less than 12 month contract employee, this amount will be slightly higher than the salary amount on H0BID.

The SP 99 is prorated for less than 12 month contract employees and VRS-managed retirement deductions are collected only during the "on-contract" months. These employees do not contribute retirement or ancillary benefits during the "off-contract" months. (PPS deductions do not continue in the "off-contract" months.)

For employees enrolled in Optional Retirement Plans (ORPs) SP 99 is used to calculate Group Life and HIC contributions only. Retirement contributions for ORP plans are taken as a percentage of eligible payments paid to the employee.

For PMIS agencies, the PMIS to CIPPS interface will update SP 99 according to the plan rules. Please refer to the section entitled PMIS to CIPPS interface for specific guidance regarding the interface.

Overview, Continued

VRS Plan Rules for 12 Month Employees

For a standard 12 month employee, the plan rules define Creditable Compensation for a month as 1/12 of the employee's annual salary on the first business day of the month. (For more information see "*Understanding myVRS Navigator's Calculations and Business Rules*" on the VRS Website.)

The business rules include:

- New hires must begin on or before the first business day of the month to receive service credit for that month. If a new hire begins after the first business day of the month, retirement benefits do not begin until the first of the following month.
- Salary changes must occur on or before the first business day of the month to affect the creditable compensation for that month. Salary increases that are effective after the first business day of the month will not affect creditable compensation until the following month.
- The first business day of the month can be unique to a specific agency but is generally the same for most. VNAV considers banking holidays and weekends when calculating the first business day of the month. It does not acknowledge additional State holiday time nor does it recognize unique situations that alter the first business day of the month for an agency (i.e., 24/7 care facilities). When this occurs, contact VRS for directions to manually update VNAV to record the appropriate creditable compensation for the month.
- Employees who terminate mid-month are credited with retirement service for an entire month. Payroll deductions must be collected based on an entire month prior to the employee's final payment.
- If an employee is on LWOP (Leave Without Pay) status on the first business day of the month as defined by DHRM Policy 4.45, there is no creditable compensation for that month and the employee does not receive service credit.
- Employees who return from LWOP status as defined by DHRM Policy 4.45 on or before the first working day of a month will have creditable compensation for that month and deductions must be calculated.

For specific payroll guidance regarding processing and effective dates for these and similar situations, refer to the Working Examples found on the DOA website.

Continued on next page

Overview, Continued

VRS Plan Rules for Less than 12 Month Contract Employees

For contract employees that work less than 12 months in a year (e.g. faculty), the plan rules define Creditable Compensation for a month as the employee's annual salary on the first business day of the month divided by the number of contract months. (For more information see "*Understanding myVRS Navigator's Calculations and Business Rules for Employees Who Work Less than 12 Months*" on the VRS website.)

The business rules include:

- The contract start date acts as the hire date for the employee. Unless the contract start date is on or before the first business day of the month, retirement deductions will not begin until the following month.
- For CIPPS employers, retirement and ancillary benefit deductions are taken only during the on-contract months regardless of the number of pays an employee receives. The payments are based on the prorated Creditable Compensation that VRS posts to each month of the contract. If the employee receives 24 payments, retirement deductions must cease during the off-contract months. This can be accomplished by requesting a mass transaction from State Payroll Operations to enter a "Start Date" on the individual deductions. This action will delay the retirement contributions until the new contract year begins. (Note: If the agency only has a few employees the "Start Date" should be manually keyed on HMCU1.)
- Under the VRS Plan rules, service is posted only to the on-contract months. The employee still receives 12 months of service, but service credit is applied using a prorated factor over the on-contract months as shown below:

Contract Period	Monthly Service Credit
9	1.3333
10	1.2
11	1.0909

- PPS deductions also cease during the off-contract months. The monthly normalized purchase amount represents 1 month of service credit – there is no inflated factor applied to PPS for those paid over less than 12 months. Employees with contracts less than 12 months will only purchase the number of months equal to their contract length in a 12 month period.

For specific payroll guidance regarding processing and effective dates for these and similar situations, refer to the "Working Examples" found on the DOA website.

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Regulations and Limits for Retirement Processing

Taxability

Retirement contributions are pre-tax deductions that reduce wages for federal income tax purposes. Most states follow the federal guidelines and reduce the state taxable income as well. Pennsylvania is an example of a state that does not exclude retirement deductions from taxable state income. Retirement contributions do not reduce FICA (OASDI and HI) wages.

Mandatory Employee Retirement Contributions

With the exception of Plan 1 ORP members, elected officials and members of the Judicial Retirement Plan who became members before July 1, 2010, all VRS plan members are required to pay a mandatory 5% retirement plan contribution. CIPPS employers are prohibited from contributing to the employee-paid member portion of retirement. Line agencies must ensure that any employee's portion charged to the agency through the VRS Automated Reconciliation is reimbursed by the employee. This is accomplished through a deduction override. (See CAPP – Cardinal Topic 50605, *Tax and Deduction Overrides*.)

If a terminated employee does not reimburse the agency VNAV must be updated to remove the employee's creditable compensation for that month and any portion of the retirement that was collected must be refunded. (See CAPP – Cardinal Topic 50705, *Employee and Tax Masterfile Updates*.)

Disposable Earnings for Garnishment Purposes

Mandatory employee retirement contributions are required by law and therefore exempt from "Disposable Earnings" for the purposes of calculating maximum withholdings for wage garnishments governed by the Consumer Credit Protection Act.

457 Plan Maximums

In addition to the mandatory 5% employee retirement contribution, employees in the Hybrid Retirement Plan may choose to contribute up to a 4% maximum in voluntary contributions to the defined contribution portion of the plan. The voluntary contributions made by the employee are applied to the annual 457 limits applicable to the tax year. If the employee also decides to contribute to the supplemental deferred compensation plan, the 457 limits will apply to the total of both deductions made within the plan year. (See CAPP – Cardinal Topic 50415, *Retirement – Salary Reduction Plans*.)

401(a) Plan Maximums - Highly Compensated Employees (HCE's)

Internal Revenue Code Section 401(a)(17) Compensation Limit specifies that the collective Contribution Basis cannot exceed an annual limit. The limits must be monitored each year and require special assistance from State Payroll Operations to establish. The new plan year limits are posted in the "Fiscal Year End" Payroll Bulletin. Contact State Payroll Operations for more information on how to monitor these limits if you have highly compensated employees. The VRS plan year is July 1 through June 30 which corresponds to pay periods June 25, Y1 – June 24, Y2. The applicable 401(a) limits for VRS plans are monitored over the check dates associated with the pay periods.

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Regulations and Limits for Retirement Processing, Continued

Mistake of Fact and Other Employer Risks Associated With Hybrid Retirement Deductions

The Hybrid Plan is composed of both a defined benefit and a defined contribution component. Defined contribution portions are invested immediately according to the specifications of the employee. Market fluctuations can cause the account to be worth more or less than was originally contributed by the employee and employer at any specific point. IRS regulations hold the employer liable for timely and accurate reporting. Incorrect and/or untimely deductions could have any of the following repercussions:

- Employers could be charged for losses.
- Employers could be liable for missed gains.
- Employers responsible for missed employee voluntary contributions to the Hybrid Plan could be liable for 50% of the employee's missed contributions.
- The TPA could invoke $50 administrative adjustment fee per error for adjustments made to the Hybrid Plan due to employer error.

VRS follows the "exclusive benefit rule" established by the IRS. This rule states that once funds are posted to a plan account they cannot be retracted. This further exacerbates the issues involved with retrieving erroneous funds from the Hybrid Plan accounts. In some cases erroneously contributed employer funds may go into a forfeiture account with the TPA. Once a year, forfeiture amounts will be returned to the employer to offset future employer contributions. Erroneous employee contributions may be returned to the employee directly by the Plan Record Keeper and the employee will receive a Form 1099.

Special instructions including a "Mistake of Fact" review may be necessary when payroll adjustments must be processed for Hybrid Plan deductions. Please refer to the "Working Examples" section on the DOA website for specific instructions regarding these corrections.

It is imperative that agencies perform due diligence before establishing an employee under the Hybrid Retirement Plan. The VNAV to CIPPS interface should be the sole source for enrollment into the plan. If timing does not permit; the agency should verify that the employee is established in VNAV prior to collecting any retirement funds. Absence of a VNAV record means that the employee is not enrolled in the Hybrid Plan and any funds collected cannot be accepted by the TPA.

Timely reconciliation of the VRS benefits using the methods prescribed in this CAPP Topic is essential to ensuring that the Commonwealth does not incur extraneous expenses due to incorrect Hybrid transactions.

Source Data Life Cycle and System Interfaces

Systems of Authority

There are three systems that directly impact the accuracy of retirement contributions:

- **PMIS –** Personnel Management Information System is maintained by the Department of Human Resource Management (DHRM)
- **VNAV –** myVRS Navigator is maintained by the Virginia Retirement System (VRS)
- **CIPPS –** Commonwealth Integrated Payroll/Personnel System is maintained by the Department of Accounts (DOA)

When common data is maintained in multiple systems it is sometimes difficult to determine which system is correct when data becomes out of sync. It is important to defer to the "System of Authority" to determine the correct information. A System of Authority is the system in which the *authorizing* entity records the initial entry for a particular data type. This entity retains any original documentation to support the entry. A "Secondary System" is any system that receives that data field as a populated value via an interface.

Interface reports serve as authorization to update the Secondary System as well as documentation for audit purposes. Corrections to any data field that populates a Secondary System via an interface should always be made first in the System of Authority to avoid bypassing any built in system edits that further validate the data.

If there is not enough time for an interface to update the Secondary System due to processing schedules (e.g. payroll certification deadline), the authorizing entity may update the System of Authority and provide a screen print of the entry to be used as authorization for a manual update in the Secondary System.

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Source Data Life Cycle and System Interfaces, Continued

Data Life Cycle

Employee profile information determined by the Human Resource office is critical to establishing the creditable compensation each month for an employee. The Human Resource office is the authoritative source for this information which includes:

- Commonwealth Employee ID Number
- Social Security Number
- Date of Birth
- Annual Salary and Effective Date
- Contract Length (Employee Months)
- Role Code and SOC Code
- Start and End Dates of LWOP Status
- Effective Dates of Hire and Termination

CIPPS employers who use PMIS have the advantage of a PMIS to VNAV interface which sends this information to VNAV on a daily basis. However, PMIS employers must review the VNAV Cancelled Record Report daily to ensure all information was recorded in VNAV. Non-PMIS agencies must enter this information manually into VNAV as it becomes available. Additionally CIPPS employers who use PMIS also have the advantage of a daily PMIS to CIPPS interface which updates many fields in CIPPS. In regard to retirement, an update in Annual Salary or Contract Length will update Special Pay 99, CONTBASE, on H10AS.

Once the employee's record has been created in VNAV from the HR interface or manual entry VRS enrolls the employee in the appropriate retirement plan. VRS also records additional information in VNAV based on member opt out forms and other elections. Special circumstances may require that the actual effective dates of hire and termination be different in VNAV to start and stop and the employee's service in VNAV according to policy. VRS Employer Services can offer guidance in these cases.

VNAV then becomes the authoritative source for the following information:

- Retirement Plan
- VSDP Eligibility
- Purchase of Prior Service Agreements (PPS)
- Voluntary Percentage Elections for Hybrid Plan Employees

Under VRS rules all processing changes are effective only at the top of the month. Subsequently, this information is passed from VNAV to CIPPS monthly, via an interface, usually the day after the first business day of the month.

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Source Data Life Cycle and System Interfaces, Continued

PMIS to CIPPS Interface – Special Pay 99 CONTBASE

According to the VRS rules, salary increases do not affect the creditable compensation of the current month unless they are effective on the first business day of that month. Mid month salary increases will affect the creditable compensation of the subsequent month.

When a salary change is keyed into PMIS, the PMIS to CIPPS interface will update the SP 99, CONTBASE, in the appropriate month based on the effective date of the salary change. The salary change itself will update the CIPPS semi-monthly pay immediately if it is effective in the current pay period.

In addition, a change to the Employee Months in PMIS will generate an update to the SP 99 in the appropriate month. As shown below, the Employee Months affect the formula for SP 99. As described earlier, the annual creditable compensation for less than 12 month employees is prorated over the "on-contract" months and contributions are not made during the "off-contract" months. This coincides with the manner in which VRS applies service credit for less than 12 month employees.

(State Sal + Non-St Sal+ Spec Rate) ÷ (Employee Months times "2" if the CIPPS Number of Pays are Greater Than 12 or "1" if CIPPS Number of Pays are Less Than 12)

The following reports are generated from the daily PMIS to CIPPS interface and are specific to Contribution Basis special handling.

Report	Description
Report U181 - "Special Pay 99 Contributions Base Transactions Pending"	Identifies PMIS to CIPPS interface transactions that have an effect on SP 99, CONTBASE, at a future date.
Report U180 - "Special Pay 99 Contributions Base Transactions Released"	Identifies transactions that are released from suspense to update SP 99. It should be noted that the initial PMIS event that generated the transaction to update SP 99 may have been edited or superseded by another transaction in PMIS. If so, it is possible that the transaction released is no longer correct or necessary. Please review and make manual adjustments as necessary.

Continued on next page

Source Data Life Cycle and System Interfaces, Continued

VNAV to CIPPS Interface

A monthly interface from VNAV to CIPPS automatically updates the VRS Retirement Plan code and VSDP Participation code on HMCU1and subsequently establishes the proper deductions on H0ZDC along with the SP 99, CONTBASE, on H10AS. The interface ensures that the employee is placed in the proper retirement plan in the proper pay period according to eligibility as determined by VRS.

For Hybrid Plan employees, voluntary contributions can only start or change at the top of a quarter. The interface will update the voluntary contribution percentage amount on HMCU1 while updating the appropriate deductions on H0ZDC at the appropriate time.

PPS (Purchase Prior Service) Agreements (also known as Buyback Agreements) are automatically established on H0ZDC with a flat dollar amount. This amount will be automatically updated in the appropriate month via the interface at the start and end of a contract or a change in salary. If the effective date of the PPS agreement update is retroactive or the employee receives a retroactive salary increase, an 8XX transaction (HUD01 override) will accompany the update to collect any retroactive PPS amounts due.

The interface runs the second business day of the month. The date is posted on the State Payroll Operations processing calendar and the following reports are available the following morning for review:

Report	Description
Report U184 – VNAV/CIPPS Transaction Error Listing	Displays items that could not be processed during the interface. Review all items appearing on this report and manually enter the appropriate update in CIPPS as soon as possible
Report U185 – VNAV/CIPPS Update Listing	Displays items that successfully updated CIPPS for the current month. Review for accuracy. Note – VRS is *the* source for plan code eligibility which is based on prior service (state and local governments included), prior withdrawals of service, and the employee's current Role and SOC Codes in PMIS. Agencies should consult with VRS if they disagree with the plan code that the employee is placed in.
Report U186 – VNAV/CIPPS Retro Transaction Listing	Displays items that successfully updated CIPPS and were effective in a previous month. CIPPS was successfully updated; however, additional transactions may be required to adjust retirement and ancillary benefit collections for previous months.

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Source Data Life Cycle and System Interfaces, Continued

Interface Considerations – ORP Eligible Employees

Role and SOC (Standard Occupational Classification) Codes are sent from PMIS to VNAV through the interface. The combination is then translated to populate the "Job Description" field in VNAV. It is important that the correct combination is appropriately assigned to each position so that VNAV will recognize whether the position is eligible for an Optional Retirement Plan as "Faculty" or "Political Appointee".

Non-PMIS agencies that key directly into VNAV must be careful when selecting the "Job Description" for new employees to ensure the correct options are presented. If VNAV does not recognize the position as ORP-eligible, it will place the employee directly into a VRS Retirement Plan which will be passed on to CIPPS via the interface causing adverse issues for the agency and the employee.

If VNAV recognizes the position as "Faculty," it will place the employee in a pending status for a 60-day election period. Form VRS 65 should be completed by the employee, returned to the employer and faxed to VRS prior to the end of the election period. If Form 65 is not received by VRS before the end of the election period, VNAV will default the employee into the appropriate VRS Plan.

If VNAV recognizes the position as "Political Appointee" it will initiate special handling by VRS. VRS will send a packet of information to the employee that includes an election form and will place the employee in a pending status for a 30-day election period from the date the packet is mailed. Form VRS 65C should be completed by the employee and faxed by Human Resources to VRS prior to the end of the election period. If Form 65C is not received by VRS before the end of the election period, VNAV will default the employee into the appropriate VRS Plan.

The VNAV to CIPPS interface does not include an update to ORP Retirement Plan codes. If the employee chooses a VRS Retirement Plan, the plan election will be updated via the interface. If the employee chooses the ORP, payroll will need to enter the appropriate code manually into CIPPS and retirement contributions need to be collected retroactively to the employee's date of hire.

Specific instructions regarding the processing of ORP eligible employees during the election period can be found on our website under the section entitled "Working Examples."

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Source Data Life Cycle and System Interfaces, Continued

Interface Considerations - Employee ID number in VNAV

Whenever a record is manually added to VNAV the complete 11 digit "Employee ID Number" should be entered as shown in CIPPS. Do not use the 7 digit PMIS version which includes hyphens. If the Employee ID Number is entered incorrectly into VNAV, this will prevent the VNAV to CIPPS interface from updating properly. Also, the VRS Automated Recon will not be able to match the employee records causing unnecessary adjustments on the reports.

Interface Considerations – Hybrid Plan Voluntary Contributions

Voluntary contributions to the Hybrid Plan can only begin or change at the top of a quarter. Employees enrolled in the Hybrid Plan usually begin with only mandatory contributions unless they are hired just prior to the beginning of a quarter and make a timely election for the voluntary contributions.

If a Hybrid Plan employee with voluntary contributions transfers to another agency, the voluntary contributions cease until the employee re-enrolls in voluntary contributions with the new agency.

If a Hybrid Plan employee is not making the maximum 4% voluntary contributions, they are not eligible for the employer cash match (deduction 045 or deduction 046) on any supplemental 457 or 403(b) plans. If an employee is enrolled in the Hybrid Plan through the interface and is not making the maximum 4% in voluntary contributions, any existing cash match deduction (deduction 045 or 046) will be automatically turned off. (See CAPP – Cardinal Topic 50420, Retirement – Cash Match Plans.)

Employees in the Hybrid Plan will experience an "auto escalation" every 3 years beginning in January 2017. The voluntary contributions for all Hybrid Plan employees will automatically escalate by .5 percent for each successive 3rd year after 2017 unless they opt out or reach the maximum 4%.

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Source Data Life Cycle and System Interfaces, Continued

Interface Reconciliations/ Error Correction

Interfaces eliminate duplicate keying and improve processing efficiencies. However, the presence of an interface does not absolve agencies from the review and reconciliation of the interface reports to ensure that the interface updated Secondary Systems appropriately.

The PMIS Cancelled Records Report in VNAV and the CIPPS U184 VNAV/CIPPS Transaction Error Listing identify those items that are rejected by the associated interface and require manual intervention. As VNAV also interfaces with the Third Party Administrator to create a participant account, the employee's retirement plan must reside in VNAV before retirement calculations can process in CIPPS.

Delayed data entry into PMIS and/or VNAV can have adverse effects on the employee including retroactive collections for missed deductions. Timely review and corrections are ***essential*** to ensure that the retirement benefits are accurately calculated in payroll.

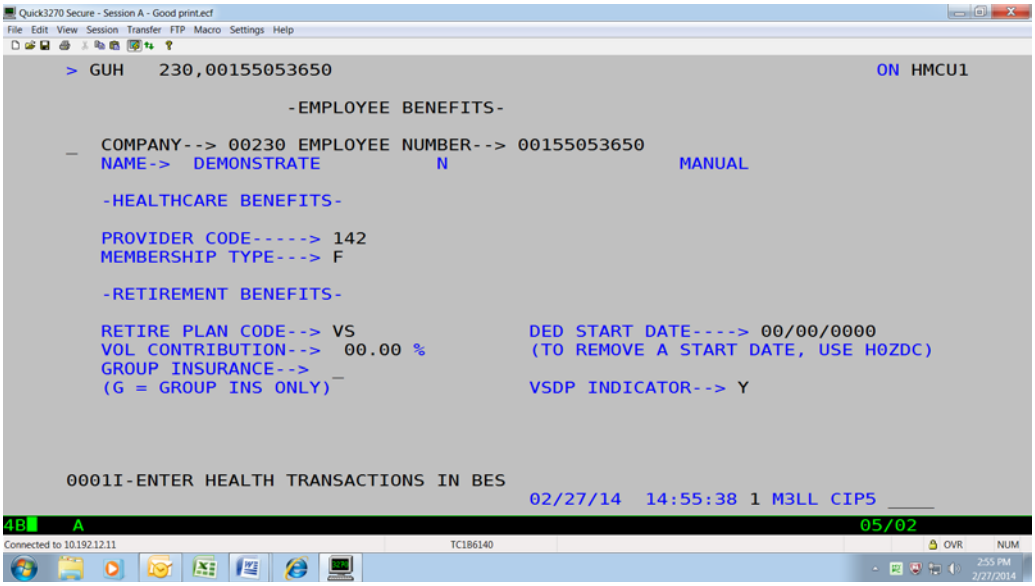
Retirement—CIPPS Data Entry

Online Data Entry – HMCU1 Screen

The VNAV to CIPPS interface is the primary method used to populate HMCU1 with the Retirement Plan Code. However, some circumstances require manual data entry that may be performed upon receipt of a screen print from VNAV showing the employee's official Retirement Plan. For example, manual entry may be required if an item appears on Report U184 – "VNAV/CIPPS Transaction Error Listing". The report lists items that failed during the interface and the codes that should be used for manual entry.

ORP Retirement Plan enrollments do not come through the VNAV to CIPPS interface and will always require manual entry. Instructions for those cases are provided on the Working Examples section on the DOA Website. Users should also refer to the Working Example section for instructions on which fields to use when the employee has LWOP, terminates or requires retroactive adjustments.

Access the Employee Benefits screen (HMCU1) as instructed in CAPP – Cardinal Topic No. 50110, *CIPPS Navigation*.



Retirement – CIPPS Data Entry, Continued

HMCU1 Retirement (Retire) Plan Code Field

Retirement plan codes are entered on HMCU1. This automatically establishes the appropriate retirement and OPEB (Ancillary Benefit) deductions on H0ZDC. Using the VNAV screen print, look up the VNAV Plan Description in the crosswalk below to determine the correct Retirement Plan Code to enter on HMCU1.

VNAV Plan Description	VNAV Organization Code Prefix	CIPPS Retirement Code
Plan 1 VRS	30	VS
Plan 1 Elected Official	30	EO
Plan 1 Not Vested VRS	30	VN
Plan 2 VRS	30	VN
Plan 2 Elected Official	30	VN
Plan 1 Judicial Retirement JRS	11	J1
Plan 1 Not Vested Judicial Retirement JRS	11	JN
Plan 2 Judicial Retirement JRS	11	JN
Plan 1 SPORS	21	SS
Plan 1 Not Vested SPORS	21	SN
Plan 2 SPORS	21	SN
Plan 1 VaLORS	70	LS
Plan 1 Not Vested VaLORS	70	LN
Plan 2 VaLORS	70	LN
Plan 1 ORP Political Appointee	30	CP
Plan 2 ORP Political Appointee	30	CN
Plan 1 ORP Higher Ed (TIAA/CREF)	30	TA
Plan 2 ORP Higher Ed (TIAA/CREF)	30	TN
Plan 1 ORP Higher Ed (Fidelity)	30	FI
Plan 2 ORP Higher Ed (Fidelity)	30	FN
Hybrid Retirement	30	HB
Hybrid Judicial Retirement	11	HJ

Note: Please see specific instructions in the section on the DOA website entitled "Working Examples" regarding how to identify "Plan 1 Not Vested" employees in VNAV and how they should be reported in CIPPS. Additionally, the specific ORP plan election (TIAA or Fidelity) of eligible educational employees is not recorded in VNAV, but has been included on this list of correct codes to use in CIPPS.

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Retirement – CIPPS Data Entry, Continued

HMCU1 Retirement (Retire) Plan Code Field, cont.

Entering the Retirement Plan Code values will establish the appropriate deductions on H0ZDC as shown on the charts below. In addition, entering the code on HMCU1 will establish SP 99, CONTBASE, on H10AS using the formula shown in preceding section entitled Contribution Basis.

VRS Retirement Plan Codes (Includes Plan 2 Elected Officials)

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
Regular	VS/VN	115 012/116 120	RET CRDT RETIRMNT GRPINSR
If VSDP Indicator = Y		136	LT DISAB

Plan 1 Elected Official Plan Code)

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
Regular	*EO*	115 116/127 120	RET CRDT RETIRMNT GRPINSR

Judicial Retirement Plan Codes

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
Judicial	J1/JN	115 120 116/127	RET CRDT GRPINSR RETIRMNT
	JN Only	012	EMP RET

VaLORS Retirement Plan Codes

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
VaLORS	LS/LN	115 012/116 120	RET CRDT RETIRMNT GRPINSR
If VSDP Indicator = Y		144	SP LTD

Continued on next page

Retirement – CIPPS Data Entry, Continued

HMCU1 Retirement (Retire) Plan Code Field, cont.

State Police Retirement Plan Codes

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
SPORS	SS/SN	115 012/116 120	RET CRDT RETIRMNT GRPINSR
If VSDP Indicator = Y		144	SP LTD

ORP Retirement Plan Codes

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
Fidelity Invest.	FI/FN	009/109	FID INVS
TIAA/CREF	TA/TN	014/114	TIAACREF
Political Appointee	CP/CN	011/111	ORPAPPTE
	All ORP Codes	115	RET CRDT
		120	GRPINSR

Hybrid Retirement

HMCU1		**----------H0ZDC----------**	
Description	**Retirement Code**	**Deduction #**	**Description**
Hybrid Regular or Judicial	HB/HJ	012/116	RETIREMNT – Defined Benefit
		15/105	MANDATORY – Defined Contribution
		16/106	VOLUNTARY – Defined Contribution
		115	RET CRDT
		120	GRPINSR
	HB only	136	LT DISAB

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Retirement – CIPPS Data Entry, Continued

HMCU1 Inactive Retirement Plan Codes

When the employee is no longer eligible for retirement and all adjustments/corrections have been processed, the following codes should be used to turn off all retirement deductions on H0ZDC. In addition, SP 14 (Imputed Life) and Special Pay 99 (CONTBASE) on H10AS will also be deactivated. Additionally, deduction 35 (Optional Life) on H0ZDC will be deactivated since the employee must have an active Deduction 120 (Group Life) to participate in Optional Life Insurance.

VRS Plan Type	Inactive Retirement Plan Code
VRS Regular Retirement Plan	LT
SPORS Retirement Plan	ST
VaLORS Retirement Plan	VT
Judicial Retirement Plan	JT
ORP Retirement Plan	LT
Hybrid Retirement Plan	LT

HMCU1 VSDP Participant Indicator

VRS requires an employer contribution for every employee that *participates* in VSDP. Some employees have been grandfathered into the "Traditional Sick Leave" program and therefore do not participate in the VSDP program. Faculty positions are also allowed to opt out if they participate in a plan sponsored by their institution. Employees in the Hybrid program must participate in the VSDP program and are not allowed to "opt out". (Note: Judges and elected officials in the Hybrid Plan are eligible for VSDP but the agency will not be charged.)

The VSDP Participant indicator on HMCU1 controls the VSDP (LTD) deduction. VRS is the authoritative source for VSDP eligibility. Opt out forms are maintained and keyed into VNAV.

Plan applicability for VSDP participation is noted below:

VRS Plan Type	VSDP Participation	VSDP Indicator
VRS Regular Retirement Plan	Depends on opt out status in VNAV	Y/N
SPORS Retirement Plan	Depends on opt out status in VNAV	Y/N
VaLORS Retirement Plan	Depends on opt out status in VNAV	Y/N
Judicial Retirement Plan	Does not Participate in VSDP	Blank
ORP Retirement Plan	Does not Participate in VSDP	Blank
Elected Official	Agency not charged for VSDP	Blank
Hybrid Retirement Plan	Must participate in VSDP	Y
Hybrid Judicial Plan	Agency not charged for VSDP	Blank

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Retirement – CIPPS Data Entry, Continued

HMCU1 Group Life Insurance Only Indicator

Some circumstances require the calculation of Group Insurance (deduction 120) **only**. When employees are in a LWOP status on the first working day of the month, the employee does not receive service credit for that month and no retirement contributions are collected. However Group Insurance is still due to VRS. The Group Insurance (GI) field on HMCU1 accommodates this need. Valid values for the GI field are "G" to calculate only group insurance or blank to calculate the full complement of retirement related deductions. Blank is the default.

If no retirement code is entered and the GI field is changed to "G" the system will default the retirement plan code to "VN" and create only the Group Insurance deduction and issue an informational message "0012I – RETIRE PLAN REQUIRED-VN DEFAULT". This ensures a valid retirement plan code exists so that the VRS reconciliation programs will include the calculated amounts.

When an active employee's status is changed to one that requires only group insurance simply change the GI field to "G." The retirement and LTD deductions will be systematically deactivated. If the retirement and LTD deductions need to be reactivated, simply remove the "G" and leave the GI field blank.

If the employee's leave status requires the employee to pay the group life premium instead of the employer, the GI field should still be populated with a "G". In these cases, the employer would pay the premium to VRS and the employee would reimburse the agency via a personal check. Alternatively, the appropriate inactive retirement code could be used on HMCU1 and as long as VNAV still includes the employee in the Group Life plan, the agency will continue to be billed for the premium and would have an audit trail to show that reimbursement is needed from the employee. The impact on Imputed Life should also be taken into consideration.

In the event that group insurance should no longer be calculated and all retirement deductions should be deactivated, use the proper termination code from the "Inactive Retirement Plan Codes" section. However, both the retirement plan and the GI field cannot be changed in the same action. First, remove "G" from the GI field, press enter, then enter the "Inactive Retirement Plan Code" and press enter again.

Note: A GI field value of "G" is not valid for the termination retirement plan code. This combination will result in a fatal error message of "F – LT INVALID CODE FOR GI ONLY." Inactive retirement codes should only to be used when ALL retirement related deductions are to be deactivated.

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Retirement – CIPPS Data Entry, Continued

HMCU1 Voluntary Contribution Field

The "VOL CONTRIBUTION" field is updated via the VNAV to CIPPS interface and should not be entered manually without a VNAV screen print showing the percentage that has been authorized or written instruction provided by VRS or the Plan Record Keeper.

The message "0022F-VOL CONT MUST BE 0 FOR THIS RET" is displayed and CIPPS will not accept the update if the Retirement Plan Code is not a Hybrid Plan Code (HB/HJ). Voluntary contribution percentages must be in increments of .5 and can be no greater than 4%. The message "0019F-VOL CONT PERCENT INVALID" is displayed when an invalid percentage amount is entered. If a percentage amount is successfully entered in this field, deductions 016 (EMPDC VC), 106 (HBVCMATCH) and 116 (RETIRMNT) will be updated with the corresponding percentages. If the value entered is less than 4% any active cash match (deductions 045 and 046) will be deactivated.

Employee voluntary amounts sent to the Plan Record Keeper in error for these deductions will be automatically transferred to a supplemental 457 plan on behalf of the employee. Employer match voluntary amounts will go to the Defined Benefit account via a plan to plan transfer coordinated by VRS. See the Working Examples for specific instructions on making adjustments to these deductions.

HMCU1 Deduction Start Date Field

The Deduction Start Date field is primarily used to control a delay or cessation of retirement deductions for a period of time. For example, employees with a contract length of less than 12 months do not pay retirement contributions during the off-contract months. Generally, contributions for those employees are halted during the summer months by entering a date of "8/25/20XX" into the "Deduction Start Date" field. This action will result in this value populating the 'Start Date" on H0ZDC for all VRS retirement and ancillary benefit deductions thereby suspending the deductions until the pay period for 8/25-9/9/20XX. (Note: ORP and PPS contributions do not stop during the off-contract months.)

No Start Date population is necessary for mid-month new hires. HMCU1 is left blank and the VNAV to CIPPS interface will update the information on the first pay period of the following month.

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Retirement – CIPPS Data Entry, Continued

H0ZDC Retirement Deductions

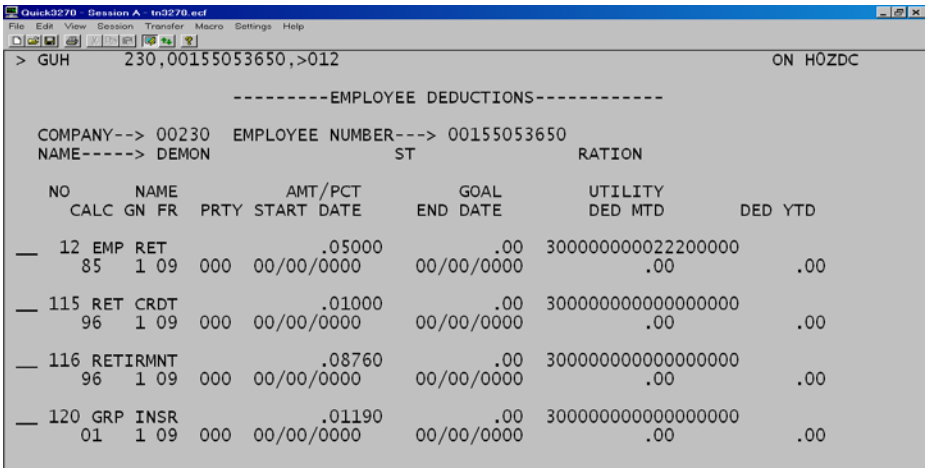
The retirement deductions are established on H0ZDC after the information is entered on HMCU1. Applicable rates may change between fiscal years. See the corresponding Fiscal Year End Payroll Bulletins for detailed information.

When the deduction utility field begins with a "3" it indicates that the deduction will be taken as a percentage of Special Pay 99, CONTBASE. When the deduction utility field begins with a "4" it indicates that the deduction will be taken as a percentage of paid earnings as is necessary with ORP contributions.

The retirement deductions are controlled by data entry on HMCU1; however, the Start Date and End Date fields on H0ZDC can be modified to stop and begin the deductions. All of the other fields are protected. Percentages are automatically updated for the appropriate percentages in the current fiscal year.

In those instances where retroactive adjustments are required simply override the Special Pay 99 on HUE01 and all applicable deductions will be calculated properly. However, it should be noted that when retroactive adjustments are necessary for prior pay periods that used a different percentage, such as periods from a prior fiscal year, deduction overrides are necessary for each retirement deduction using HUD01.

To aid in calculating the flat dollar amounts for each deduction, when deduction overrides are necessary, a "Retirement Override" spreadsheet is available on the State Payroll Operations Forms section of the DOA website.



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Retirement – CIPPS Data Entry, Continued

H0ZDC Direct Entry Fixed Rate Purchase Prior Service/Buyback Deductions

Contracts to purchase prior service (PPS/Buybacks) are automatically established through the VNAV to CIPPS interface as fixed amount deductions based upon VRS normalized cost methods. Changes to existing PPS contracts will also come through the VNAV to CIPPS interface. If the employee has a salary change, VNAV will send a transaction to update the flat dollar amount in the appropriate month.

Manual entry by the agency is required if Report U184 – VNAV/CIPPS Transaction Error Listing shows that the VNAV to CIPPS interface failed to update a PPS deduction. In addition, untimely entry into VNAV can necessitate manual entry. These deductions should never be established in CIPPS unless a screen print showing that the PPS agreement has been properly established in VNAV is provided. The same applies to renewals of existing contracts. The deductions should cease in CIPPS unless the PPS agreement has been officially renewed in VNAV.

Using the information presented on U184, or the VNAV screen print, establish the deduction on H0ZDC as follows:

1. Use an "I" to insert the new deduction on H0ZDC. Choose the deduction number based upon the Buyback Pretax Indicator as shown below:

Buyback Pretax Indicator	Deduction Number
N	Deduction 018 – BUYBACK2 – Post Tax Buyback
Y	Deduction 044 – PREBYBK2 – Pre Tax Buyback

2. Key the flat dollar amount of the deduction into the "AMT/PCT" field.
3. Key the "Service Purchase End Date" into the "END DATE" field.
4. Key "09" into the Deduction Frequency.
5. Press enter. If you established Deduction 044, you will get a message "0002W-UTILITY FIELD WILL BE POPULATED". Press enter again to populate the "UTILITY" field on H0ZDC.

An employee cannot have both of these deductions active at the same time.

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Retirement – CIPPS Data Entry, Continued

H10AS – Special Pay 99 CONTBASE

Manual entry of Special Pay 99 on H10AS should seldom be necessary. The SP 99, CONTBASE, will be established automatically or updated appropriately in the following ways:

- The VNAV to CIPPS interface will update/establish the SP 99 along with a retirement plan update.
- When a new retirement plan code is entered on HMCU1, SP 99 will be established or updated.
- The PMIS to CIPPS interface will update/establish the SP 99 in the appropriate month depending on the effective date of the salary change.
- If a salary change is manually entered on H0BID, SP 99 will be updated immediately for the salary change. Depending on the effective date of the salary change this update may be premature. If it is premature use HUE01 to override the SP 99 for the previous amount until it is appropriate to use the updated SP 99 amount. See Working Examples on the DOA website for specific instructions regarding salary increases that don't come through the PMIS to CIPPS interface.
- If the "Contract Length" or "Number of Pays" is changed on H0BUO the SP 99 amount will be updated accordingly.

If SP 99 is updated through one of the processes above and the "Contract Length" or "Number of Pays" on H0BUO is blank, the "Number of Pays" will be assumed to be 24 and the "Contract Length" will be assumed to be 12. It is important that these values accurately reflect the correct values to properly calculate retirement deductions.

The SP 99 formula is shown below to display how the H0BUO fields affect the amount:

(H0BID Salary X H0BUO Number of Pays) ÷ (H0BUO Contract Length times "2" if the Number of Pays are Greater Than 12 or "1" if Number of Pays are Less Than 12)

VRS Retirement Reconciliation

Recommended Reconciliations

Three systems work together to process retirement contributions; therefore, it is recommended that in-house reconciliations are performed at strategic stages of the process to ensure that these systems are in sync. The reconciliations below should be performed at the noted intervals to ensure the data is updated timely for accurate and current payroll deductions. The individual reconciliations do not need to be performed by the same person. Ideally, each reconciliation should be performed by the proper authorizing unit for the system(s) or data being reconciled.

The basic instructions for performing the individual reconciliations are further explained in this CAPP Topic. More specific instructions, as well as forms and tools, are provided to aid in the reconciliation process on the "State Payroll Operations Forms" section of the DOA website. The forms are for internal use only and do not need to be submitted to DOA.

Interval	Recommended Deadline	Reconciliation
Monthly	Before Close of Business on 1st Business day of Snapshot Month (so that the VNAV to CIPPS interface will contain all known updates for the month).	Reconcile Creditable Compensation from Human Resource Data (PMIS) to a preliminary Snapshot in VNAV
Monthly	Before Close of Business on 1st Business day of Snapshot Month (see above)	Reconcile approved PPS agreements to a preliminary Snapshot in VNAV
Each Pay Period	Before Payroll Certification Deadline (to ensure retirement deductions are calculated on correct amounts)	Reconcile Creditable Compensation from Human Resource Data (PMIS) to CIPPS Report 10
Monthly	Before 10th of the Month following the Snapshot Month (as required by VRS)	Confirm the Snapshot in VNAV
Monthly	Before 10th of the month (to ensure that general ledger codes are correct prior to running the reconciliation)	Correct any Company Default General Ledger Coding for VRS Charges
Monthly	VRS Reconciliation Reports are run after the 10th of the Month once DOA receives the file from VRS.	Exception items on Automated VRS Reconciliation Reports must be identified and communicated to the proper system of authority for correction, as soon as possible but no later than 31 days from date of the report.

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VRS Retirement Reconciliation, Continued

Reconciling Creditable Compensation from Human Resource Data (PMIS) to VNAV

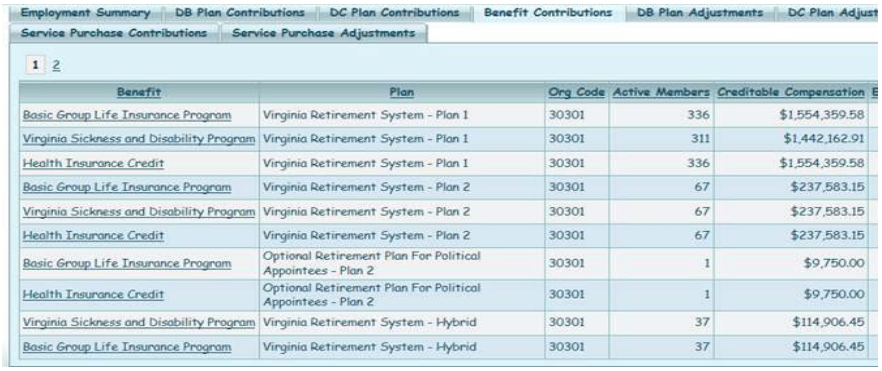
Purpose: To ensure that VNAV has properly identified the creditable compensation for the current month and that the employees are reported into the proper retirement plan codes in VNAV. This ensures that the PMIS to VNAV interface and/or manual entry is accurately reflected in VNAV.

Timeliness: Should be performed before the close of business on the first business day of each month to ensure that the VNAV interface to CIPPS processed on the following day will properly update the retirement plan codes.

Procedure:

Step 1 – The authorizing agent for salaries should provide a breakdown of total creditable compensation and participant count by retirement plan for the month. A sample certification form that can be used to communicate this information is available on the DOA website under State Payroll Operations Forms.

Step 2 – Create the Snapshot in VNAV for the upcoming month (create for April on first business day of April). The Snapshot should be created prior to the close of business on the first working day of the month. After the Snapshot is created, click on the "Benefit Contributions" tab to review the following information:


Employment Summary | DB Plan Contributions | DC Plan Contributions | Benefit Contributions | DB Plan Adjustments | DC Plan Adjust
Service Purchase Contributions | Service Purchase Adjustments

1 2

Benefit	Plan	Org Code	Active Members	Creditable Compensation
Basic Group Life Insurance Program	Virginia Retirement System - Plan 1	30301	336	$1,554,359.58
Virginia Sickness and Disability Program	Virginia Retirement System - Plan 1	30301	311	$1,442,162.91
Health Insurance Credit	Virginia Retirement System - Plan 1	30301	336	$1,554,359.58
Basic Group Life Insurance Program	Virginia Retirement System - Plan 2	30301	67	$237,583.15
Virginia Sickness and Disability Program	Virginia Retirement System - Plan 2	30301	67	$237,583.15
Health Insurance Credit	Virginia Retirement System - Plan 2	30301	67	$237,583.15
Basic Group Life Insurance Program	Optional Retirement Plan For Political Appointees - Plan 2	30301	1	$9,750.00
Health Insurance Credit	Optional Retirement Plan For Political Appointees - Plan 2	30301	1	$9,750.00
Virginia Sickness and Disability Program	Virginia Retirement System - Hybrid	30301	37	$114,906.45
Basic Group Life Insurance Program	Virginia Retirement System - Hybrid	30301	37	$114,906.45

Step 3 – Reconcile the information provided in Step 1 to the "Basic Group Life Insurance Program" benefit entries for each retirement plan code. If the items do not match, review the "PMIS Cancelled Records" report in VNAV. Add or correct records in VNAV prior to the close of business on the first working day of the month so that the correct information will be provided to CIPPS in the VNAV interface. Retroactive adjustments for prior months will be included in the creditable compensation amounts shown. For a listing of employees, their creditable compensation, and contributions, click on the link for each benefit row. You will need to add Plan 1, Plan 2 and Hybrid Plans together to reconcile.

Continued on next page

VRS Retirement Reconciliation, Continued

Reconcile approved PPS agreements to a preliminary Snapshot in VNAV

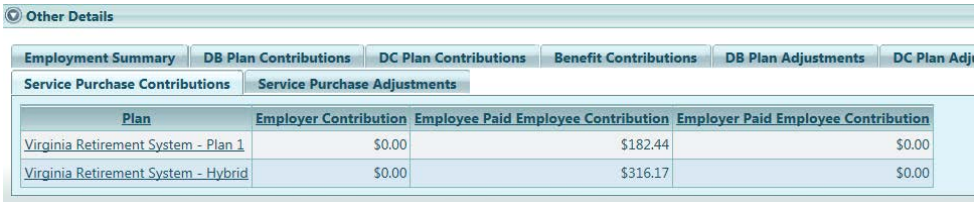
Purpose: To ensure that all PPS agreements have been properly authorized in VNAV prior to the payroll interface.

Timing: Should be performed before the close of business on the first working day of each month to ensure that the VNAV interface to CIPPS processed on the following day will include correct update amounts for PPS.

Procedure:

Step 1 – The PPS Coordinator for the agency should be aware of active PPS agreements. Employees submit forms to their agency and the PPS Coordinator records the agreement in VNAV.

Step 2 – Create the Snapshot in VNAV for the upcoming month. The Snapshot should be created prior to the close of business on the first working day of the month. After the Snapshot is created, click on the "Service Purchase Contributions" tab.



Step 3 – Reconcile the information provided in Step 1 to the items presented on the "Service Purchase Contributions" tab. Also review the "Service Purchase Adjustments" tab to verify any correcting entries. If the items do not match agency records make the proper renewals or approvals in VNAV for the differences. Add or correct PPS records in VNAV prior to the close of business on the first working day of the month so that the correct information will be provided to CIPPS on the interface.

Further details and tools for this step of the reconciliation process can be found on the DOA website under "Payroll Forms".

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VRS Retirement Reconciliation, Continued

Reconcile Human Resource Creditable Compensation (PMIS) to CIPPS Report 10

Purpose: To ensure that retirement deductions are accounted for prior to certification.

Timing: Should be performed prior to payroll certification deadline each pay period.

Procedure:

Step 1 – The authorizing agent for salaries should be able to provide a breakdown of total creditable compensation and participant count by retirement plan for the month. A sample certification form that can be used to communicate this information is available on the DOA Website under "Payroll Forms."

Step 2 – Request a Report 10 edit. Refer to the total SP 099 CONTBASE amount on Report 10 Grand Totals.

Step 3 –Divide the amount in Step 1 by "2" to get the Semi-Monthly amount of CONTBASE. Compare to the Report 10 SP 99 CONTBASE. If the totals do not match, use the steps provided on the DOA website under "Payroll Forms" to find the differences. Explain differences or make the necessary corrections and repeat steps 2 and 3 until it is correct.

Step 4 – Reconcile the expected PPS amounts to deduction 018 plus deduction 044 to ensure that all PPS payments are properly made.

Step 5 – Reconcile employee contribution amounts. Begin with the semi-monthly amount determined in Step 3 above and remove the creditable compensation for any employee on LWOP for the current month. Also remove the creditable compensation for any employee in a plan that does not contribute 5% member contributions. Multiply the remaining amount by 5%. The total of deduction 012 plus deduction 015 should reconcile to this amount. If differences are found use tools on the DOA website under "Payroll Forms" to identify the differences and take corrective action.

Step 6 – Using the certification form provided in Step 1, reconcile the dollar amount of voluntary contributions provided to the amount of deduction 016. Voluntary contribution amounts should only change at the beginning of a quarter based upon employee elections. Fluctuations in this amount during the quarter should only occur due to a participating employee terminating or on LWOP.

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VRS Retirement Reconciliation, Continued

Confirm the Snapshot in VNAV by the 10th of the following Month

Purpose: To maintain compliance with the established VNAV deadline and procedure.

Timing: By the 10th of the following month of the Snapshot month. *NOTE: The initial creation and review of the Snapshot must be done prior to the close of business on the first business day of the Snapshot month to ensure valid interface values in the VNAV to CIPPS interface. Invalid values can lead to incorrect payroll deductions and ultimately penalties and fees to the agency.*

Throughout the month the following actions should be taken:

1 –The initial Snapshot should have been created and verified prior to the close of business on the first business day of the month of the Snapshot to ensure that the VNAV to CIPPS interface occurs properly.

2 – Changes made on or after the first business day of the month that affect the creditable comp for the current month or a prior month should be provided to payroll as soon as possible. A VNAV screen print documenting the change may be used by payroll to manually change CIPPS prior to certification of the first pay period to ensure contributions are taken in a timely manner.

3 – Changes made on or after the first business day of the month that affect PPS agreements for the current month or a prior month should be provided to payroll as soon as possible. A VNAV screen print documenting the change may be used by payroll to manually change CIPPS prior to certification of the first pay period to ensure contributions are taken in a timely manner.

Confirmation – As soon as the information in VNAV has been verified, the Snapshot should be officially confirmed according to the instructions on the VRS website. The Snapshot Confirmation is the agency's certification that the VRS enrollments, creditable compensation and PPS agreements are correct as presented in VNAV. This creates a "bill" to the agency based upon the information confirmed.

After all CIPPS employers have confirmed their Snapshots, a file is sent to DOA to process the VRS Automated Reconciliation described in the next section. The VRS Automated Reconciliation compares the amounts billed per VNAV to the amounts collected in payroll during the previous month.

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VRS Retirement Reconciliation, Continued

VRS Automated Reconciliation

Each month DOA processes the VRS Automated Reconciliation after receiving the Snapshot billing file from VRS. Snapshot confirmations are due no later than the tenth of each month.

The VRS automated reconciliation produces five reports reconciling activity for employee and employer retirement contributions (defined benefit portions only), Group Insurance, Retiree Credit/(Health Insurance Credit) and Long Term Disability (VSDP). Each of these reports is broken down by VRS Organization Code. The VRS Organization Code Prefix is detailed in the previous section "HMCU1 Retirement (Retire) Plan Code Field".

Report	Description
Report U170 – Plan Related Benefits - Employer Retirement and VSDP/(LTD)	Compares the Retirement Plan confirmed on the Snapshot to the Retirement Plan Code in CIPPS as well as the amount confirmed on the monthly Contributions Snapshot for Employer Retirement and VSDP/(Long Term Disability) to the amounts charged in CIPPS for each employee. The report lists each employee with a discrepancy.
Report U171 – Non Plan Related Benefits – Employer Group Life and Health Insurance (Retiree Credit)	Compares the amount confirmed on the monthly Contributions Snapshot for Employer Group Life and Retiree Credit (HIC) to the amounts charged in CIPPS for each employee. The report lists each employee with a discrepancy.
Report U172 – Employee Contributions	Compares the amount confirmed on the monthly Contributions Snapshot for the member portion of retirement and Buyback (PPS) Agreements to the amounts collected in CIPPS for each employee. The report lists each employee with a discrepancy.
Report U173 – CIPPS Activity for Employees Not on VRS Monthly Snapshot File	This report reconciles CIPPS dollars that were collected during the month for employees not included on the monthly Contributions Snapshot from VRS (e.g., when a void check processes in the month after an employee terminates or there is a discrepancy in plan codes). The report lists each employee with a discrepancy.
Report U174 – VRS Recon Billing Summary	This report summarizes the activity detailed on the U170, U171, U172 and U173 by VRS Org Code (Retirement Plan) and object code. Included are totals for the VRS billing amount, the CIPPS amount collected and the difference. In addition, a summary of the automated credits/charges is shown.

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VRS Retirement Reconciliation, Continued

Report U170 – Employer Retirement and VSDP/LTD

The Report U170 has 5 components.

1) Error Code – A numeric value that reflects the nature of the identified exception(s). There are four error codes:

   - 1 – Employer Retirement Amount Difference –A difference of more than .05 cents exists between the amount of Employer Retirement on the VRS Snapshot and the amount collected in CIPPS during the month for deductions 116 and 127. This difference will generate an automated transaction for account code 5011110.
   - 2 – VSDP/LTD Amount Difference - A difference of more than .05 cents exists between the amount of VSDP/LTD on the VRS Snapshot and the amount collected in CIPPS during the month for deductions 136 and 144. This difference will generate an automated transaction for account code 5011170.
   - 3 – CIPPS Plan Code Error – The retirement plan code on HMCU1 in CIPPS is not appropriate for the retirement plan presented on the VRS Snapshot. Agencies should have the incorrect retirement plan code corrected in the appropriate system.
   - 4 – VSDP/LTD Deduction Code Error **–** The deduction number used in CIPPS on H0ZDC is not appropriate for the retirement plan code presented on the VRS Snapshot. Agencies should take the necessary action so that the appropriate deduction code is used in CIPPS according to the correct Retirement Plan code.

2) Employee identification, to include the employee number and name (last name and first initial).
3) Plan Code – Displays the retirement plan code in both CIPPS and VNAV.
4) Employer retirement variances – If there is a difference in the amount billed for retirement and the amount charged to the employing agency through payroll the respective amounts and the difference are displayed.
5) Long-term disability variances – If there is a difference in the amount billed for VSDP and the amount charged to the employing agency through payroll the respective amounts and the difference are displayed.

Note: If the error is for a Hybrid Plan employee, corrections are likely necessary to the defined contributions portions as well.

For specific instructions on clearing errors found on Report U170, refer to the Working Examples section on the DOA website.

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VRS Retirement Reconciliation, Continued

Report U171 – Employer Group Life and Health Insurance (Retiree) Credit

The Report U171 has 4 components.

1) Error Code – A numeric value that reflects the nature of the exception(s) identified. There are two error codes:

   - 5 – Group Life Difference –A difference of more than .05 cents exists between the amount of Group Life on the VRS Snapshot and the amount collected in CIPPS during the month for deduction 120. A difference will generate an automated transaction for account code 501114 0.
   - 6 – HIC/Retiree Credit Difference - A difference of more than .05 cents exists between the amount of HIC/Retiree Credit on the VRS Snapshot and the amount collected in CIPPS during the month for deduction 115. A difference will generate an automated transaction for account code 501116 0.

2) Employee identification, to include the employee number and name (last name and first initial).
3) Group life variances – If there is a difference in the amount billed for group life and the amount charged to the employing agency through payroll the respective amounts and the difference are displayed.
4) Retiree Health Credit variances – If there is a difference in the amount billed for retiree credit and the amount charged to the employing agency through payroll the respective amounts and the difference are displayed.

For specific instructions on clearing errors found on Report U171, refer to the Working Examples section on the DOA website.

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VRS Retirement Reconciliation, Continued

Report U172 – Employee Contributions

The Report U172 has 4 components.

1) Error Code – A numeric value that reflects the nature of the exception(s) identified. There are three error codes:

   - 7 – Buyback Difference **–**A difference of more than .05 cents exists between the amount of Buyback (Service Purchase) on the VRS Snapshot and the amount collected in CIPPS during the month for deductions 018 and 044. A difference will generate an automated transaction foraccount code 5011110.
   - 8 – Employee (Member) Contributions Difference - A difference of more than .05 cents exists between the amount of member contributions on the VRS Snapshot and the amount collected in CIPPS during the month for deduction 012. A difference will generate an automated transaction for account code 5011110.
   - 9 – Pretax Indicator Error **–** The CIPPS deduction number used to collect the Buyback (Service Purchase) amount is not appropriate according to the VRS Snapshot pretax indicator. The agency will need to correct the deduction number by entering a correct retirement code on HMCU1 and may need to correct the employee's tax record to insure the appropriate tax treatment is applied to the deductions.

2) Employee identification, to include the employee number and name (last name and first initial).
3) VRS Pretax Indicator – Displays the VNAV record of pre-tax election for service purchase agreement.
4) Employee Retirement variances – If there is a difference in the amount billed for member contributions and buyback and the amount collected from the employee through payroll the respective amounts and the difference are displayed.

IT IS EXTREMELY IMPORTANT TO RESOLVE EXCEPTIONS ON THIS REPORT IMMEDIATELY! The automated transactions result in a charge to the agency for the employee's portion which is not permitted. Charges made to the agency on the employee's behalf should be collected on the next available payroll.

Note: If the error is for a Hybrid Plan employee, corrections are likely necessary to the defined contributions portions as well.

For specific instructions on clearing errors found on Report U172, refer to the Working Examples section on the DOA website.

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VRS Retirement Reconciliation, Continued

Report U173 – CIPPS Activity for Employees Not on VRS Monthly Snapshot File

When retirement-related activity occurs in CIPPS during the month and the VRS Snapshot does not contain a billing record for that employee within that VRS organizational code the payroll detail will be reflected on the Report U173. Each amount reflected for the Org Code will generate an automated journal crediting the agency for the total amount collected.

The detail provided is:

1) VRS organizational code
2) Employee identification, to include the employee number and name (last name and first initial).
3) CIPPS Retirement Plan code
4) Individual deduction amounts
5) Summarized transaction amounts
6) There are no error codes on this report

Note: You may find offsetting records for the same employee number on the other reports indicating a difference in plan code between VNAV and CIPPS. Confirm the code and make the necessary correction in either VNAV or CIPPS.

For specific instructions on clearing errors found on Report U173, refer to the Working Examples section on the DOA website.

Report U174 – VRS Billing Summary

The Report U174 summarizes the automated reconciliation activity and is broken out between non-billed activity and billed activity. The VRS bill amount is shown for each object code along with the amount collected in CIPPS, a computed difference and the amount of the automated entry. The calculated amount in VNAV can vary slightly from CIPPS calculations; therefore, VRS has provided a .05 cent tolerance for rounding. This non-billed rounding amount is also displayed.

Non-Billed CIPPS Activity –summarizes the activity that occurred for the agency on Report U173 at the Org Code level.

Billed VRS Activity - summarizes the activity that occurred for the agency on Reports U170, U171, and U172 at the Org Code level.

Agency Total –agency level totals netting the non-billed and billed amounts.

The automated transactions for non-billed and billed are posted to CARDINAL separately. You will not see the Agency Total numbers reflected as individual CARDINAL transactions.

VRS Retirement Reconciliation, Continued

Reconcile the Company Default General Ledger Coding for VRS Charges

As explained in the previous section, the VRS Automated Reconciliation creates automated transactions that will credit or charge the agency using the pre-established company default general ledger coding.

The VRS Automated Reconciliation includes retroactive adjustments for previous months as corrections are made. If an item generates a charge to the agency in one month, the money may be collected in CIPPS the following month causing an offsetting credit to the agency. This should prevent the need to clear the item via a manual journal entry.

Likewise, when the agency is credited with funds because of incorrect reporting in VNAV, correcting the item in VNAV will cause a retroactive charge to the agency on the next available Snapshot. The previous credits should be offset by the retroactive charge generated eliminating the need for a manual journal entry.

Unresolved situations that remain from month to month will leave a balance in the company default coding. Therefore, it is imperative to reconcile the amount posted to the company default coding to prevent the agency from being charged for mandatory employee contributions and to ensure that all discrepancies have been resolved.

A VRS Reconciliation Spreadsheet is available on the DOA Website under the section entitled “Payroll Forms” that can be used to reconcile this account.

Internal Control

Internal Control

The agency must ensure that retirement, retiree credit, group insurance and long-term disability and other corresponding retirement plan deductions are established properly in CIPPS and VNAV. Ensure that a timely review of the monthly reconciliation reports is performed and that any automated amounts are accurate or correcting actions are completed. Maintain employee enrollment information and any supporting documentation for audit purposes.

Records Retention

Time Period

Retain payroll reports for five years or until audited, whichever is later.

Contacts

DOA Contact

Director, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

Payroll Support Analyst/Trainer
Voice: (804) 786-1083
E-mail: Payroll@doa.virginia.gov

Subject Cross References

References

CAPP – Cardinal Topic No. 50110, *CIPPS Navigation*.
CAPP – Cardinal Topic No. 50415, *Retirement - Salary Reduction Plans*
CAPP – Cardinal Topic No. 50420, *Retirement - Cash Match Plans*
CAPP – Cardinal Topic No. 50425, *Group and Optional Life Insurance*
CAPP – Cardinal Topic No. 50525, *Virginia Sickness & Disability Program*
CAPP – Cardinal Topic No. 50605, *Tax and Deductions Overrides*
CAPP – Cardinal Topic No. 50705, *Employee and Tax Masterfile Updates*