*Department of Accounts*
**Payroll Bulletin**

**Calendar Year 2005** **February 7, 2005** **Volume 2005-03**

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



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

State Payroll Operations

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## FBMC Update

**FBMC Focus Group**

There will be an FBMC Focus Group Meeting on Thursday, February 17, 2005. The group will meet in Conference Room B of the Monroe Building at 9:30 am. The meeting provides a forum for interested Benefit and Payroll Administrators to meet with representatives from FBMC to discuss issues and /or changes in procedures associated with the administration of voluntary supplemental insurance, annuities (403(b)), and cash match (401(a)) products provided through the Virginia Provider Network. In addition, it provides an opportunity for FBMC to meet new Virginia employees and answer any questions they might have about the process. Please email Cathy McGill at cathy.mcgill@doa.virginia.gov if you plan to attend.

**Updates to Provider Network for FBMC**

Effective February 1, 2005, GE Financial is no longer an active provider in the Virginia Provider Network. GE Financial is ineligible to conduct business with state agency employees through payroll deduction.

For a current list of authorized providers, visit FBMC's website at http://www.fbmc-benefits.com/VaProviders/index.asp.

# Payroll Processing Reminders

**Use Company Total for Certification amount**

The amount being certified must come from the **Company Total Gross Pay** amount found at the end of each Report 10, Pre-Calc Payroll and Deduction Register. **Do not use the Grand Total Gross pay amount. Enter the entire figure, including the decimal place, with the cents in the two right-most positions. Do not enter commas within the number.** You may enter just a total gross pay figure for the agency as a whole or totals by individual pay frequencies. See Topic 50815, *Payroll Certification*, in the CAPP Manual.

**FIT/SIT Exempt**

Wages for employees claiming to be exempt from federal income tax are still reportable to the IRS. When a W4 is received from an employee who claims to be exempt from federal income tax, enter "A" in the FIT Status field on the H0BAD screen. Wages will be accumulated in FIT-Taxable, but no withholding will occur.

The same thing is true for employees claiming to be exempt from state income tax. Enter "A" in the SIT Status field on the H0ATX screen. Wages will be accumulated in SIT-Taxable, but no withholding will occur.

**Deleting Manual Paysets**

Circumstances often require adjustments to the accumulated balances (e.g., earnings, deductions) stored in the CIPPS Masterfile. Adjustments to these balances are called Manual Pay Sets.

Once Manual Pay Sets are entered and edited, transactions appear in the Pending File and are applied to the Masterfile. Upon certification and processing, the adjustments are recorded through the General Ledger Interface creating the appropriate CARS transactions.

**If the pay set is determined to be invalid after edit but prior to certification, it should not be deleted using the BFM process. Data entry of a second manual payset reversing the original entry must be performed.**

Manual paysets accidentally deleted through batch file maintenance must be reported to Denise Halderman at 804-371-8912.

# Processing Reminders, Continued

**Deduction Processing for Terminated or Transferring Employees**

Depending on the type of deduction involved and central agency policy, payroll deductions for terminating or transferring employees may require adjustments. Such adjustments may be made through deduction overrides (See Topic 50605, *Tax and Deduction Overrides*) or deduction refunds (See Topic 50705, *Employee and Tax Masterfile Updates*). 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:

<table>
<tr><th>Deduction</th><th colspan="2">Termination Procedures</th></tr>
<tr><td>Healthcare</td><td colspan="2">Employee Terminates Mid-Month - Complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts.<br><br>Employee Terminates at Month-End - No further action is necessary unless the employee owes premiums for a previous period that would require an override.<br><br>Once final payment is made, update the HMCU1 membership type field to an E denoting a terminated status. Health insurance cannot be terminated through CIPPS. Official termination of health benefits must take place through BES.</td></tr>
<tr><td>Dependant Care Reimbursement Account</td><td rowspan="2">Complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts.</td><td>There is no option to complete the annual election.</td></tr>
<tr><td>Medical Reimbursement Account</td><td>Employees can elect to have a lump-sum payment deducted to complete the annual election if eligible for extended coverage.</td></tr>
<tr><td>Optional Group Life</td><td colspan="2">Complete the monthly contribution. Override the deduction on the last regular payment or take the deduction from the leave payouts.</td></tr>
<tr><td>Deferred Compensation</td><td colspan="2">Deferred Compensation can be withheld from leave payouts.</td></tr>
<tr><td>403(b) Annuities</td><td colspan="2" rowspan="2">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.</td></tr>
<tr><td>Miscellaneous Insurance</td></tr>
</table>

# Processing Reminders, Continued

## Deduction Processing for Terminated Employees, Continued

| | |
|---|---|
| Savings Bonds | Refund through payroll if there is a balance in positions 12 through 16 of the utility field. Positions 17 and 18 are name indicators.<br><br>In order for a savings bond refund to process, the frequency must be changed to "00" while processing regular pay for the employee.<br><br>If a system refund cannot process, contact the DOA Payroll/Benefits Accounting Unit to initiate a manual refund. |
| Parking | Determine that all appropriate parking deductions have been made. If necessary, override the deduction or take the deduction from the leave payouts. |
| Retirement<br>Retire credit<br>Group Life<br>Long-term Disability | Deactivate the deductions |
| Court-ordered Withholdings | Court-ordered withholdings are still in force for any payments the employee may receive after termination and must be honored. |

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

**Utility Field Auto-fills for Pre-Tax Deductions**

Do not complete the utility field for pre-tax deductions. The system automatically fills a new pre-tax deduction's utility field with the appropriate information when Enter is pressed. *A warning message will appear in the bottom left corner stating "0002w-UTILITY FIELD WILL BE POPULATED".*

If the pre-tax deduction is also exempt from Local taxing, enter a "2" in position 13 ***after*** *the fields have been auto-filled with the defaults*.

**Tax Implications of Prizes Awarded through Healthy Virginians Program**

For IRS purposes, the Commonwealth is considered a Common Paymaster which means that the value of prizes awarded to state employees by DHRM through the Healthy Virginians program must be included in the employee's taxable wages for W-2 purposes. DHRM will provide the winning employee's agency with documentation regarding the fair market value of the awarded prize and the employee to whom it was awarded. Upon notification from the agency, the Department of Accounts will establish Special Pay Code 40, NC AWDS, for the agency to use. This special pay code will record the value of the prize in the employee's taxable buckets and withhold the appropriate taxes for the employee and employer.

# Payline

**Payline User-Defined ID**

Payline has been modified to allow use of a user-defined ID in place of the employee's social security number when logging in. The *Edit Personal Options* page provides the user the ability to create a personalized user ID of five to eight characters. Payroll staff with masking access must continue to use the employee's social security number to access their records.

New users will still be required to use their social security number to request a temporary password and initially enter the system once the temporary password has been received. An updated Administrative Manual for Employers will be available in the near future.

# Qualified Benefit Plans

**Correction to Maximum Limits for Contributions to Qualified Benefit Plans**

The correct maximum limits on 403(b) and 457 plan elective deferrals for calendar year 2005 are reflected in the table shown below. IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans) provides guidance and worksheets employees may use to calculate their maximum amount contributable. This publication can be found at http://www.irs.gov/pub/irs-pdf/p571.pdf

| Category | Incremental Amount | Total 403(b) Plan (Annuity) Deduction 39 - Pre-Tax – Limits | Total 457 (Deferred Compensation) Deduction 38 – Deferred Compensation Limits |
|---|---|---|---|
| Normal (Under 50) | N/A | $14,000 | $14,000 |
| Age 50 + Provision | $4,000 | $18,000 | $18,000 |
| 15 Year "Catch-up" | $3,000 | $21,000 | N/A |
| General "Catch-up" | Double normal | N/A | $28,000 |

NOTE: On 457 accounts, you cannot combine the Age 50+ and the General "Catch-Up" amounts. Also, general "catch-up" can only be withheld in the three years preceding "designated normal" retirement age as identified on the Normal Retirement Age Election Form.