

Department of Accounts

Payroll Bulletin

Calendar Year 2007

February 20, 2007

Volume 2007-06

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

- FBMC Updates
- Deferred Comp Deductions from Leave Payouts
- Employees on Military Leave
- Birth Date Requirement
- Change in Paycard Procedure

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

Director **Lora L. George**
Assistant Director Cathy C. McGill

FBMC Updates

TIAA-CREF Suspension Deferred

In early December a special announcement notifying agencies that TIAA-CREF had been put on temporary suspension because of continuing customer service issues was distributed. Later that month a second announcement was distributed that deferred the suspension based on the corrective action plan submitted by TIAA-CREF and their renewed commitment to improve the problem areas.

Direct Contact Information for TIAA-CREF

As a demonstration of that commitment, TIAA-CREF sent several executive representatives to Richmond to participate in a conference call with payroll and HR staff of the higher eds. One of the improvements discussed during the call was the formation of a new operations oversight team. The team includes two individuals who may be contacted directly by benefits administrators/payroll officers for assistance with admin-related issues:

- James Woods, 202-637-8914, jwoods@tiaa-cref.org
- Susan Jenkins, 704-988-2466, sjenkins@tiaa-cref.org

If you contact TIAA-CREF directly, please be sure to follow-up with an email and copy Sherry McCullough at FBMC (smccullough@fbmc-benefits.com) so the situation can continue to be monitored. Also, if TIAA-CREF contacts you directly, please let Sherrye know as well by email or phone (1-800-872-0345 x2256).

Deferred Comp Deductions from Leave Payouts

TIPS for Processing DC from Leave Payouts

Keep the following tips in mind when deducting Deferred Comp from Leave Payouts:

- Participant must complete a new Payroll Authorization Form indicating the amount of the one-time deferral of Employment Termination Payout.
- The employee must submit a signed Payroll Authorization Form to the payroll office while the participant is still an employee and no later than the participant's last month of employment.
- The payment/deferral of unused sick and annual leave must occur no later than 20 days after the employee's final pay check.
- Contributions to Deferred Comp are NOT FICA-exempt; therefore the entire amount of the leave payout cannot be deducted for Deferred Comp. The maximum amount that can be deferred is the gross amount of the leave payout less the FICA taxes.
- Do not allow the YTD amount to exceed established maximums for Deferred Comp contributions.

Steps for Processing DC from Leave Payouts

Use the following steps to key the leave payouts as one payment. **You must process a penny as regular pay on HUA03 in order for this to work.**

1. Calculate Leave Balances.
2. Enter the leave balances in CIPPS using the **HUE01** Screen. Use the following coding:
 - a. Tax Indicator – “5”, Withhold taxes based on the EMF & Tax file
 - b. Check Indicator – “0”,
 - c. Deduction Indicator – “0”
3. Request an Edit.
4. Review the Edit to make sure all leave payments are combining into one payment.
5. Take the gross amount (or the sum of the gross amounts of the leave balances if employee is receiving regular pay as well) and subtract the amount of the OASDI and HI taxes to get the amount of the deferred comp to be taken from the leave payouts.
6. Go to the employee's **H0ZDC** screen and enter the amount calculated in step 5 for the amount to withhold on **Deduction 38**. (You may want to reduce the amount of the withholding by \$1.00 for any variations in FICA).
7. Request an edit.
8. Review the edit to make sure all money is correctly going where it should, and that the OASDI and HI taxes are correct.
9. Certify pay.

Employees on Military Leave

Military Supplement Payment

In 2003 Executive Order Number Forty-Four (2003) “Supporting State Employees Who are Called to Active Duty” was put into effect. To accommodate these payments, Special Pay 44 (MIL SUPP) was established in CIPPS and hard-coded to charge salary expense to sub-object code 1132 in CARS. Benefits continue to be charged to the 1110 series of sub-object codes.

DHRM Guidelines for Eligibility and Amount of Supplement

Guidance for determining the amount of military supplemental pay is provided by the Department of Human Resource Management in Benefits Management Policy #4.5, “Military Leave”.

Classified employees called to active duty military service in the Armed Forces of the United States **and** on LWOP-military whose gross military salary plus allowances is less than their base state salary are eligible to receive the Active Military Supplement. These employees will receive payment equal to the difference between the two amounts. Employees remaining on the state payroll by using any paid leave are not eligible for this supplement.

Employees must provide to their agency Human Resource office a military Leave and Earnings Statement (LES) when they begin active duty and when any change in their salary or allowances occurs so that their agencies can confirm their eligibility for the supplement and can calculate the amount due.

Payroll Processing of the Military Supplement

Military supplemental pay is non-taxable and should be processed as follows so that Imputed Life, Special Pay 014, will calculate along with the military supplement:

- Change the Salary Rate field on the **HOBID** screen to \$.02
- Establish the military supplement pay (044) as an automatic special pay on **H10AS**:
 - The supplement amount should be reduced by the \$.02 of regular pay.
 - The following indicators must be used - tax indicator of “**5**”, check indicator of “**0**”, and deduction indicator of “**0**”.

Note: Although payments are not subject to withholding, they are 1099 reportable income.

Health Insurance

Employees on LWOP-Military do not receive employer contributions to health insurance unless they have enrolled in extended coverage. Employees enrolled in extended coverage continue to receive the employer contribution for a period of 24 months. Extended coverage, if elected, is handled outside of the payroll system with direct billing from the vendor to the employee and employer. Deductions 024 and 026 should be deactivated on **H0ZDC** for employees on LWOP-Military. If any change is made to the Healthcare Benefits fields on the **HMCU1**, the health care deductions will once again be reactivated and they will need to be deactivated again as appropriate.

Continued on next page

Employees on Military Leave, cont.

Employer paid VRS Benefits and Imputed Life

LWOP-Military employees continue to be covered under the VRS group life insurance program for up to 24 months. However, retirement, retiree credit, buybacks, and disability amounts are not to be calculated for these individuals. **BE SURE TO DEACTIVATE THE APPROPRIATE VRS DEDUCTIONS ON H0ZDC.** Additionally, if any change is made to the Retirement Benefits fields on the **HMCU1**, the retirement deductions will once again be reactivated and the appropriate VRS deductions may need to be deactivated again.

As the employee continues to receive the benefit of employer paid group life insurance for up to 24 months, Imputed Income must continue to be calculated. If the employee is receiving military supplemental payments (SP 044), the automatic Special Pay for Imputed Life (SP 014) on **H10AS** will process appropriately.

However, even if the employee is not receiving supplemental payments (i.e., military pay equals or exceeds prior State base salary), the special pay transaction to calculate Imputed Income must continue to process each pay period. A special pay transaction can be entered on **HUE01** for Imputed Life each pay period while the employee receives insurance coverage. The amount included in the 914 transaction should equal the coverage amount (i.e., the amount represented on H10AS). The result will be the appropriate charging of employer OASDI and HI taxes to the agency, and the accumulation of the employee related OASDI and HI taxes in the UNCOLLECTED OASDI and UNCOLLECTED HI buckets on the **H0BTT** screen.

Should the employee not return to work prior to the end of the calendar year, a manual pay set will be required to reduce the employee's YTD net pay and increase YTD OASDI and HI taxes so that these uncollected amounts will not be reported on the employee's W-2. The employing agency will subsequently be charged for the uncollected taxes. (Alternatively, if the employee is expected to return to work prior to the end of the calendar year, the value of the Imputed Income for group life insurance for the period of LWOP-military may be calculated and entered with a manual payset on **HTPSA** once the employee returns to work.)

If the employee's YTD Net Pay is zero on the H0BPA screen, please call DOA for assistance.

Continued on next page

Employees on Military Leave, cont.

Employee Paid Deductions Employee paid deductions, including direct deposit, *may continue* to be withheld from military supplemental pay. Examples include:

- Optional Group Life (up to 24 months) (035)
- Deferred Compensation (038)
- Supplemental Insurances (041)
- Annuities (039)
- CVC (062)
- Savings Bonds (052-057).

Exceptions to this are:

- Buy Back (017)
- Pre-tax Buy Back (043)
- Flexible Spending Accounts (021 and 022)

Guidance from the Department of Labor and Industry has determined that military pay is **subject** to court-ordered withholdings (deductions 001 - 008).

If the amount of the supplemental pay is less than the Deferred Compensation (038) contribution the participant is currently making, a new Payroll Authorization Form must be filed with the agency payroll office. If the participant contributes at least \$10.00 per pay the employer will contribute the DC Cash Match (045) at the rate of 50% of the employee's contribution up to \$20.00 per pay period. Similarly, if the employee desires to suspend contributions, an authorization form must be completed indicating that election.

If the amount of the supplemental pay is less than the Annuity (039) contribution the participant is currently making, a new Salary Deduction Authorization Form does NOT need to be filed. However, the Payroll Officer must communicate the adjusted amount to FBMC so that they may modify their database. Employer contributions to Annuity Cash Match (046) will continue according to institutional policy.

Military Leave Bank DHRM policy 4.50 was revised in July, 2004 allowing eligible full time employees who qualify to participate in a program called "Military Leave Bank". Eligible employees may "bank" excess annual leave they would otherwise lose at each calendar year-end; which in turn, may be applied to periods of absence due to active military duty in the same way any other accrued leave is applied.

The Employee Status Update Screen (HPIUS) in CIPPS includes a Military Bank (participant) indicator that must be set to "Y" if the employee elects to participate in the program. Leave codes related to Military leave Bank are:

- ME – System generated transaction at leave year end converting excess annual leave to the Military Bank leave type.
- MB – Leave trans code requesting Military Leave bank usage

NOTE – ME may not be entered via the Activity screen (HMSUA) since it is not an earned leave type such as Compensatory, Overtime, etc. It is only generated at year-end processing when applicable. However this code is used on the Maintenance screen to load this leave type for a transferred-in employee.

Birth Date Required on H0BID

Imputed Life

In order for imputed life to calculate correctly, the employee's birth date must be entered on the H0BNE (new hires) or H0BID screen. Effective March 1, an edit will be added to the screen that makes Birth Date a **required** field for all employees (salaried **and** hourly), whether they are currently eligible for group life or not. If the employee's birth date remains blank and a change is made to the H0BID, H10AS, or the H0BSC, a fatal message will be displayed and you will be unable to enter the change until the birth date field has been filled in. Since birth date is a determining factor in calculating imputed life, every effort should be made to ensure that the birth date entered is correct.

Report 965 lists active employees whose birth date field is currently blank. This report will be automatically run for all agencies on Wednesday, February 21. Birth dates should be obtained for these individuals and entered on the H0BID before March 1. Report 965 may also be requested after this date by entering the appropriate information on HSRUT.

Change in Paycard Procedure

H0ZDC screen

Effective Monday, February 26, 2007 DOA will no longer establish the pay card deduction on the H0ZDC screen for employees who apply for the Payroll Debit Card. Once the debit card banking information has been established on the H0BB1 screen (always as Bank 9 on H0BB1), DOA will notify the agency by email to complete the deduction set-up on the H0ZDC screen.

The agency payroll officer should complete the process by following these steps:

- Verify the information provided on the notification form with the application
 - Set up the appropriate deduction on the H0ZDC screen and make screen prints of the H0ZDC and H0BB1 for documentation. Attach the screen prints to the original enrollment form and file in the employee's payroll/personnel file.
 - Initial and forward the notification letter to the employee
 - Stress to the employee the importance of watching for a plain envelope with the Debit Card return address on it as provided in the notification letter.
 - Make sure the employee understands they should follow the instructions in the letter if they have not received their card by the date indicated. Failure to do so may result in a delay in receiving their pay.
-