

Department of Accounts

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the Payroll
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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

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Summary of Temporary Benefit Changes

Summary

The September 2009 Budget Reduction Plan, SB/HB 29 (The Caboose Bill), SB/HB 30 (Budget Bill) and House Bill 1189 have established a number of temporary and permanent adjustments to the way VRS-administered benefits are to be processed in payroll. Listed below is a summary of these adjustments. More detailed discussions regarding how these will be achieved follow.

FY 2010 Actions:

- ✓ Suspend Fourth Quarter Employer VRS Retirement Contributions (not member-portion)
- ✓ Suspend Fourth Quarter Contributions for Retiree Health Credit, Group Life Insurance, and Long-Term Disability
- ✓ Delay Posting and Paying Fourth Quarter (Employer-paid) Member-portion of VRS Retirement until July 2010

FY 2011 and 2012 Actions:

- ✓ Non VRS-Member New Hires pay Member-Portion (5%) of VRS Retirement Contributions (see page 6)
- ✓ Non “Commonwealth of Virginia ORP Members” New Hires pay 5% Toward ORP Contributions (see page 6)
- ✓ Employer ORP Contributions differ for Existing and New Hire Employees
- ✓ Reduce Cash Match Contributions in FY 11, then return to current rates in FY 12
- ✓ Delay Posting and Paying Fourth Quarter VRS Benefits until First Fiscal Month of next Fiscal Year

Note: Fourth quarter is defined as pay periods covering March 25 through June 9 (i.e., final five pay periods).

Benefit Deduction Number Changes

Background

To facilitate these statutory requirements the structure of deductions used to calculate many benefits is changing significantly. The previous limitation on available deduction numbers was essentially eliminated when CIPPS was enhanced with the "Field Expansion" version of the software several years ago. Therefore, DOA is renumbering these benefit deductions in the same way that the direct deposit deductions were renumbered at the beginning of 2010. Additionally, DOA is splitting the employer-paid VRS retirement benefit to separate the member-portion contribution from the employer-portion. Finally, deductions have been established for employee-paid portions of the applicable retirement benefits. See the Deduction Matrix below.

Deduction Matrix

	Fidelity	TIAA/ CREF	Political Appt. ORP	VRS Ret.	Retiree Credit	Group Ins.	Long Term Disb.
Employee- Paid Amount (Pretax)	009	014	011	012			
Employee- Paid Buyback				017/ 043			
Employee (Member) Portion Paid by Employer	109	114	111	127			
Post FY 10 Employer Deductions **				117	105	102	106/ 104
Employer- portion to go to VRS				116	115	120	136/ 144

**These deductions will be at zero percent during FY 10. They are being established to accommodate potential accounting requirements for FY 11 and FY 12 and may be removed if deemed unnecessary at a later time.

General Ledger Interface (GLI) Changes

New Employer Retirement Deduction and Subobject Code

A new employer deduction (#127) has been established to record employer expenditures for the employer-paid member-portion. However, you will not see separate amounts on the GLI reports such as the Report U022, Detail Payroll Expenditures, or Report U033, Detail Payroll Expenditures by CARS Coding. All **like employer** costs, even though calculated using separate CIPPS deduction numbers, will be combined and reported as one amount. Deductions 116 and 127 will be shown cumulatively as ‘Retirement’ on the U022 and U033.

A new CARS expenditure subobject code has been created for the portion of the member contribution which is paid by the employer. Subobject code 1165 is for “Employee Retirement Contributions – VRS Defined Benefits program: Include expenses for payments made to the retirement system trust fund for the employee portion of a defined benefit program for salaried state employees.”

Shown below is a matrix of the expenditure subobject codes related to the retirement deductions.

Expenditure Subobject Code Matrix

	Fidelity	TIAA/ CREF	Political Appt. ORP	VRS Ret.	Retiree Credit	Group Ins.	Long Term Disb.
Employee (Member) Portion Paid by Employer (deduction #)	1118 (109)	1118 (114)	1119 (111)	1165 (127)			
Post FY 10 Employer Deductions (deduction #)				1111 (117)	1116 (105)	1114 (102)	1117 (106/104)
Employer-portion to go to VRS (deduction #)				1111 (116)	1116 (115)	1114 (120)	1117 (136/144)

New GLI Reports

For the last five pay periods* of fiscal years 10, 11, and 12, some benefits will be calculated in CIPPS but the corresponding CARS transactions will not be posted and paid until the first fiscal month of the following fiscal year. When this occurs, a new GLI report will be generated to provide the “delayed” amounts. The Report U149, Delayed CARS Payroll Transaction Recap, will look the same as the current Report U058, CARS Payroll Transaction Recap. The Report U058 will continue to reflect the data posted to CARS at the time of the payroll calculation.

* March 25 – June 9 of each year

General Ledger Interface Changes, continued

CIPPS to CARS Reconciliation When performing the reconciliation of CIPPS (payroll) transactions to CARS, transactions reflected on the Report U149 during April, May and June must be taken into account in order to balance Fiscal Month 01 of the following fiscal year.

Reporting to VRS

Fiscal Year 2010 Special Processing For the last five pay periods* of FY 10 employer costs for VRS-related benefits (employer-portion of retirement, retiree health care credit, group insurance, and long-term disability) have been suspended. However, it is necessary to continue to report the normal employee benefit information to VRS. To accomplish this, during the months of April and May all VRS deductions will be calculated in CIPPS using current rates; however, only the 5% member-portion of retirement (deduction 127) will actually create an expenditure transaction for CARS to charge the agency. This is similar to “premium holidays” for Group Life Insurance experienced in the past.

As always, the June 10 – June 24 pay period is actually charged to the following fiscal year and is not included in the expenditure suspension. However, normal employee benefit information is reported to VRS on a monthly basis. That is, payroll amounts for the May 25 – June 9 pay period and the June 10 – June 24 pay period are reported to VRS together. To accommodate this **monthly** reporting to VRS, an “averaged” rate (averaging 0% for 1st half with the current rate for 2nd half) will be used during the entire month of June, 2010 for retirement, retiree credit and long-term disability. Note that VRS will continue the group life insurance *suspension* through the June 10 – June 24 pay period. Expenditure rates for this period are shown below.

	<u>Original</u>	<u>April, 2010</u>	<u>May, 2010</u>	<u>June, 2010</u>
Retirement:				
State	11.26%	5.00%	5.00%	8.13%
State Police	25.05%	5.00%	5.00%	15.02%
VaLORS	19.23%	5.00%	5.00%	12.11%
Judges	39.51%	5.00%	5.00%	22.25%
Group Life Insurance				
State	0.79%	0.00%	0.00%	0.00%
Health Insurance Credit:				
State	1.00%	0.00%	0.00%	0.50%
LTD	1.00%	0.00%	0.00%	0.50%

* March 25 – June 9

Reporting to VRS, continued

Prior-Period Adjustments – Pre April 2010

All prior-period adjustments (pre-April) will need to be completed outside of CIPPS using Forms 1501. Any movement of money (refunds due the agency or funds due VRS) will have to be accomplished using IATs outside of CIPPS. VRS asks that each agency be aware of this requirement and promptly prepare the IATs as needed.

Note: For prior-pay-period adjustments which involve employee buyback amounts, contact DOA for further directions.

Fiscal Years 2011 and 2012 Processing

During the *last five pay periods* of **FY 11 and FY 12*** CIPPS will continue to calculate retirement-related benefits (retirement, retiree credit, group insurance, and LTD) but will not post the related expenditures to CARS until the first fiscal month of the following fiscal year.

The monthly extract that reports VRS benefit amounts to VRS will not be altered – regardless of the timing of *posting* the benefit-related expenditures to CARS. That is, the calculated deduction amounts will be reported to VRS at the end of each month for posting to member accounts.

* March 25 – June 9 of each year

Timing of Changes

Conversion Scheduled for 4/1/2010

Conversion activities are scheduled for Thursday, April 1, 2010. CIPPS will remain down until all records are converted. Please note that CIPPS files may be opened periodically to allow DOA to validate data loads, but under no circumstances should any data entry be performed by agencies until notification has been given on the CIPPS Broadcast screen.

Deduction Accumulations

During the conversion, the existing deduction YTD accumulations will be moved:

<u>FROM</u>	<u>TO</u>
009	109
011	111
014	114
015	115
016	116
020	120
036	136
044	144

New Retirement Plan Codes

Newly-Hired Employees

House Bill 1189 requires employees hired on or after July 1, 2010* who are not “VRS members” to pay the member contributions on a pre-tax basis. (Please verify with newly-hired employees whether they worked for an employer covered by VRS and continue to have a Member Account or took a refund. You should request newly hired employees to verify their VRS membership status by supplying you with a current copy of their “myVRS On-Line Account Summary.”) To accommodate handling pre-July 1 members in one manner and new members in a different manner, new retirement codes have been established. A newly-hired employee will need to be established under the original or “Plan 1” retirement codes if it is determined that the employee has a “VRS-member account.” Use of the Plan 1 retirement codes will establish the 5% member contribution as an *employer-paid* deduction. Otherwise use the *new* retirement codes or “Plan 2” codes which will cause the 5% member contribution to be established as an *employee-paid* deduction.

Similarly, newly-hired employees electing Optional Retirement Plan participation in lieu of VRS will begin paying 5% toward the defined contribution amount on a pre-tax basis. Use the Plan 2 retirement code. Rehired employees who have a Commonwealth of Virginia ORP account and elect the Optional Retirement Plan participation, just like pre-July 1 “ORP members,” are not subject to the 5% contribution. Use the Plan 1 retirement codes. The employer-contribution rates will be 10.4% and 8.5% for existing “ORP members” and “new hires,” respectively. Information on how to verify membership for ORP participants will be forthcoming from VRS.

*Employees with employment contracts signed prior to March 15, 2010 regardless of starting date will be covered as though they became a VRS member prior to July 1, 2010.

Listed below are the “Plan 1” and the corresponding “Plan 2” codes.

<u>Plan Description</u>	<u>Plan 1</u>	<u>Plan 2</u>
Regular VRS Retirement	VS	VN
Regular VRS Retirement w/ Buyback	BV	BN
JRS	J1	JN
JRS w/ Buyback	B1	BJ
VaLORS	LS	LN
VaLORS w/ Buyback	B4	BL
SPORS	SS	SN
SPORS w/ Buyback	B3	BS
Fidelity	F1	FN
TIAA/CREF	TA	TN
Political Appointee ORP	CP	CN

The table found on the next page is an example of how these codes will establish deductions in CIPPS effective for FY 11. *Please note that the rates displayed are for demonstration purposes only.*

New Retirement Plan Codes, cont.

Example of How Ret Codes Will Affect Deductions

For Demonstration Purposes Only

Deduction Type →	Employee Deduction	Employee Portion Paid by Employer Deduction	Employer Deduction	Employee Buy Back
Deduction No. →	009, 011, 012, 014	127	109, 111, 114, 116	017, 043
VS	0.00%	5.00%	6.58%	
VN	5.00%	0.00%	6.58%	
BV	0.00%	5.00%	6.58%	5.00%
BN	5.00%	0.00%	6.58%	5.00%
J1	0.00%	5.00%	42.58%	
JN	5.00%	0.00%	42.58%	
B1	0.00%	5.00%	42.58%	5.00%
BJ	5.00%	0.00%	42.58%	5.00%
SS	0.00%	5.00%	21.16%	
SN	5.00%	0.00%	21.16%	
B3	0.00%	5.00%	21.16%	5.00%
BS	5.00%	0.00%	21.16%	5.00%
LS	0.00%	5.00%	13.09%	
LN	5.00%	0.00%	13.09%	
B4	0.00%	5.00%	13.09%	5.00%
BL	5.00%	0.00%	13.09%	5.00%
FI	0.00%		10.40%	
FN	5.00%		8.50%	
TA	0.00%		10.40%	
TN	5.00%		8.50%	
CP	0.00%		10.40%	
C				
N	5.00%		8.50%	