

Department of Accounts

Payroll Bulletin

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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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July Check Distribution

July Check Dates Under no circumstances are payroll checks with any July 2011 check date to be placed into the U.S. mail prior to June 30, 2011.

Additionally, under no circumstances are checks with a July 2011 check date to be placed into an employee's possession prior to July 1, 2011.

How to Process Retirement Plan Code Corrections

Overview

Since the inception of the "Plan 1" and "Plan 2" designations for the VRS retirement plan, it has been the responsibility of Human Resource personnel to determine plan eligibility using *myVRS*, enter the correct value in PMIS, and communicate the correct plan designation to Payroll personnel. (CIPPS Payroll personnel should not enter a retirement code value until the Human Resource office has verified eligibility.) However, numerous variances between the plan values in PMIS and CIPPS have been identified. In some cases the 5% member portion was applied incorrectly to either the employer or the employee resulting in adjustments to correct the employee's record (refunds to or collections from) and funding source. This adjustment process is intricate and has a direct impact on reporting to the Virginia Retirement System and the Internal Revenue Service.

Detailed instructions for performing adjustments to refund or collect the member-portion of retirement are provided on the following pages.

Note: The Retirement Plan Code value in PMIS will drive the automated transactions for the 5% salary increase due to Plan 1 participants June 25, 2011. It is essential that these codes are accurate as incorrect values could lead to overpayments to employees and subsequent repayment activities.

How to Process Retirement Plan Code Corrections, continued

**Employees
Erroneously
Reported in Plan 2**

Plan 1 employee was initially established with a Plan 2 retirement code:

The employee is due a refund of any member-portion contributions paid since July 1, 2010. Additionally, the agency must be charged for the member-portion. To achieve this:

1. Correct the retirement plan code in PMIS and on HMCU1. The retirement plan code field is not included in the PMIS/CIPPS interface.
2. Determine the amount of Deduction 012 (Employee Retirement) that was deducted from the employee's pay during **2011**.
3. Reclassify and refund to the employee the amount in Step 2 using a manual payset on HTODA.
 - a. The Period Begin and End Dates should reflect the current pay period.
 - b. Net Pay (503 line) should contain the amount in Step 2. Use a value of "P" for the adjustment indicator and a value of "Y" in the Y/Q indicator.
 - c. Enter deduction number "012" along with the amount in Step 2 on a 550 line. Use a value of "M" for the adjustment indicator and a value of "Y" in the Y/Q indicator.
 - d. Enter deduction number "127" along with the amount in Step 2 on a separate 550 line. Use a value of "P" for the adjustment indicator and a value of "Y" in the Y/Q indicator.
4. Determine the amount of Deduction 012 (Employee Retirement) taken from the employee's pay during **2010**.
5. The employing agency must refund the amount in Step 4 to the employee directly. Do not use CIPPS to produce a refund for money that was paid in 2010.
6. Submit a request to Denise Halderman for a W-2C to increase the Federal and State Taxable amounts for 2010 by the amount in Step 4. Once completed Denise will send a corrected W-2C to the agency for subsequent delivery to the employee.

Note: There are no VRS reporting requirements.

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How to Process Retirement Plan Code Corrections, continued

Employees Erroneously Reported in Plan 1

Plan 2 Employee was initially established with a Plan 1 retirement code:

The employee must repay the employing agency for the total of member-portion contributions made on their behalf since July 1, 2010. In the same fashion as an overpayment a repayment agreement must be made with the employee. However, the repayment period should not be longer than the original period of time that the error occurred. To achieve this:

1. Correct the retirement plan code in PMIS and on HMCU1. The retirement plan code field is not included in the PMIS/CIPPS interface.
2. Determine the amount of Deduction 127 (Employee Retirement) collected during **2011**. This amount must be collected through payroll in order to provide the employee the pretax benefit from Federal and State income tax withholdings. *Be sure to complete collection of all monies owed for the current year **prior** to calendar-year-end.*
3. Determine the per pay period dollar amount based on the repayment agreement. Repayment will be accomplished using a series of manual paysets on HTODA until the total amount owed is collected.
4. Enter a manual payset to collect the amount determined in Step 3.
 - a. The Period Begin and End Dates should reflect the current pay period.
 - b. Net Pay (503 line) should be the amount from Step 3. Use a value of "M" for the adjustment indicator and a value of "Y" in the Y/Q indicator.
 - c. Enter deduction number "012" along with the amount from Step 3 on a 550 line. Use a value of "P" for the adjustment indicator and a value of "Y" in the Y/Q indicator
 - d. Enter deduction number "127" along with the amount in Step 3 on a separate 550 line. Use a value of "M" for the adjustment indicator and a value of "Y" in the Y/Q indicator.
5. After collecting the amount due for the current year, collections may begin for amounts due from the prior calendar year. Determine the amount of member contributions that were underpaid in the prior calendar year. This should equal the YTD for the PRIOR YEAR in Deduction 127.
6. Determine the per pay period dollar amount based on the repayment agreement. Repayment will be accomplished using deduction 010, Due Agency. The Federal and State Taxable Wages will be adjusted via W-2C. The employer has already paid VRS the 5% contribution; therefore, the employee owes the agency the contribution amount.
7. **After the full prior year repayment amount is collected** submit a request to Denise Halderman for a W-2C to decrease the Federal and State Taxable wages for 2010 by the amount in Step 5. Once completed Denise will send a corrected W-2C to the agency for subsequent delivery to the employee.

Note: There are no VRS reporting requirements.

Report 869 – EEs Not Paying Member-Portion Retirement Contributions

New Report Available

Report 869, Employees Not Paying Member Portion Retirement Contributions, will automatically be generated with each pay processed beginning with the 6/25-7/9 payroll.

Report 869 reflects exceptions if both of the following conditions are true:

- The Employee is in a VRS Retirement Plan subject to employee-paid member portion and
- The Month to Date (MTD) value for deduction 012 does not equal 5% of those pays that are used in determining Creditable Compensation (Regular Pay and Special Pays 1, 2, 61, 62, 63 and 75).

This report should be used to ensure that each employee is contributing the 5% mandatory member contribution. It should be reviewed each pay period by the Fiscal Officer (or designee) and any non-valid exceptions corrected.

Examples of *valid* exceptions are:

- VSDP Employees who are at a benefit level of less than 100%. (VSDP Recipients are noted on the Report with an “X” in the “VSDP RECIPIENT” column.)
- Employees who work less than 12 months (contract length) but continue to receive wages extended over a longer period of time for work completed prior to 6/25/11.

Change in Benefit Base for Retirement Calculations

New VRS Policy on Benefit Base

VRS is implementing a modification to the current Benefit Base policy effective July 1, 2011. When pay dockings occur due to insufficient leave, or other similar situations, the Benefit Base (Creditable Compensation) **should not be reduced**. All VRS benefits should be calculated on the regular salary rate.

Two options are available to accommodate this:

- Deduction overrides for retirement deductions (012, 116, 117 and 127) and retiree credit deductions (105 and 115) or
- Use a flat amount in Special Pay 075 (Dock & Ben) to reduce the regular pay without reducing the base amount that is used to calculate VRS benefits. (No deduction overrides are required.)

Note: When an employee only works a partial pay period (e.g., new hires or terminations), the benefits should be calculated on what is earned and not the full pay period salary.
