

Department of Accounts

Payroll Bulletin

Calendar Year 2012

August 9, 2012

Volume 2012-12

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

- ✓ **VRS Modernization Changes – Part 2
of a Series**
- ✓ **Less than 12 Month Employee
Transition Period 8/10-24/2012**

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

VRS Modernization Changes – Part 2 of a Series

Introducing Special Pay 099 CONTBASE

On September 3, 2012 CIPPS will be modified to process deductions related to the VRS program under the new plan rules which are effective with the 8/25-9/9/2012 pay period. The new plan rules require all VRS percentage deductions (retirement and OPEBs) to calculate on the same base value which we are naming the “Contribution Base.” The Contribution Base is a fixed dollar value that may not equate to the amount of pay an employee receives nor the salary/rate amount reported on H0BID. (This will be discussed in more detail later in this bulletin.) Special Pay 099, CONTBASE, will be established to serve as this fixed value. The amount of SP 099 will be determined in accordance with the new plan rules and systematically established on each employee’s H10AS screen.

The applicable percentage will be applied against the Contribution Base when calculating the deduction amount for the following :

- 012 – Employee Retirement
- 017 – Post Tax Buyback
- 043 – Pre Tax Buyback
- 115 – Retiree Credit
- 116 – Retirement
- 120 – Group Insurance
- 136 – LTD
- 144 – SP LTD

Please note that the ORP Plan deductions (deduction 009, 011, 014, 109, 111, and 114) are not considered VRS deductions and will continue to be applied against the actual amount of earnings when calculating the deduction amounts.

Continued on next page

VRS Modernization Changes – Part 2 of a Series, continued

New VRS Plan Rules for Creditable Compensation

VRS will receive a daily file from PMIS that will be used to identify changes in compensation and employment status which affect the value of creditable compensation. This information will then be used to update VRS' system – myVRS Navigator. Alternative methods of updating myVRS Navigator are available for reporting compensation and status changes to VRS for those agencies that do not use PMIS.

The new VRS plan rules determine when the Creditable Compensation values will be updated for certain employment status changes. The following “Table of Business Rules” is borrowed from documentation provided by VRS on their website.

<u>Action</u>	Effective Date	
	If the effective date of the change is on or before the first business day ¹ of the month, myVRS Navigator will:	If the effective date of the change is after the first business day ¹ of the month, myVRS Navigator will:
Hire/Contract Start Date	Post a full month of cred comp in the current month	Post no cred comp in the current month Post a full month of cred comp in the following month
Employment Change (e.g. salary, job name, unpaid leave ²)	Recognize the impact of the change on cred comp in the current month	Recognize the impact the change on cred comp in the following month
Separation of employment (last day worked)	Post a full month of cred comp in the current month	Post a full month of cred comp in the current month

¹ Saturdays, Sundays and banking holidays are not business days.

² Start date of unpaid leave acts like a separation of employment. End date of unpaid leave acts like a hire/contract start.

Specific examples and more information regarding the VRS business rules can be found in the document “Understanding Modernization’s New Calculations to Reconcile in Your Payroll System” at <http://www.varetire.org/pdf/publications/mod-calculations.pdf>.

Automated Reconciliation

There will be an Automated VRS Reconciliation process similar to the current Healthcare Automated Reconciliation starting with the September service month. VRS will create a monthly bill, based on the information stored in myVRS Navigator, which will be displayed in myVRS Navigator. Agencies will be required to review this bill, perform any modifications to employee records within myVRS Navigator if necessary to obtain a recalculated bill, and ultimately accept or “certify” the bill by a given date each month. VRS will then generate a “billing” file to be compared against actual payroll collections and generate IATs (debit and/or credit) as appropriate. More detailed information about the Automated VRS Reconciliation will be provided in a bulletin to be distributed in the near future.

Continued on next page

VRS Modernization Changes – Part 2 of a Series, continued

Calculation of Contribution Base CIPPS will automatically calculate the correct value for the Contribution Base (SP 099) using the following formula:

$$\frac{\text{Annual Salary}^*}{\text{Contract Length times 2}^{**}} = \text{Creditable Compensation}$$

* The employee's Salary Rate on H0BID multiplied by the Number of Pays found on H0BUO

** For monthly employees the "times 2" is excluded

The Contribution Base generally will match the Salary/Rate amount on H0BID as *most* salaried employees (outside of higher education) are "12 month contract employees". However, if a salary change is not made at the top of the month (e.g. 8/25/2012 for the reporting month of 8/25 through 9/24) these values will differ until the first full month at the new salary.

CIPPS employees who are contracted for less than 12 months (typically found in higher education) will have their retirement contributions collected over their "**on contract**" months even if the employee receives pay during a full 12 months. Therefore, the Contribution Base will be slightly higher than the Salary/Rate amount on H0BID for many employees with a contract length less than 12.

**SP 099
CONTBASE
Processing
Features**

SP 099, CONTBASE, does not add to the employee's gross pay but it will show on Report 10. Since it is a "special pay" HUE01 can be used to temporarily override the H10AS value. Since SP 099 is simply a base amount used for deduction calculations the Check, Tax and Deduction indicators should always be keyed as "0" and it must be combined with regular pay to process the associated deductions.

Each time SP 099 is overridden ALL associated deductions will use the adjusted base amount for calculation. Therefore, if it is necessary to double-deduct all of the retirement deductions, such as collecting a complete month of benefits in the first half of the month to cover the second half of the month, simply key an override on HUE01 and double the amount for SP 099. There is no need to perform individual deduction overrides (8XX transactions on HUD01).

Continued on next page

VRS Modernization Changes – Part 2 of a Series, continued

**CIPPS
Automated
Update of
SP 099
CONTBASE**

CIPPS will be enhanced on Monday, September 3, 2012 to provide an automatic adjustment to the SP 099 amount when certain actions are taken. These actions include:

- When a valid Retirement Plan code is entered on HMCU1, SP 099 will automatically be established on H10AS with the frequency of 09.
- When “LT”, “VT”, “ST” or “JT” are entered on screen HMCU1, the frequency for SP 099 will be turned to “00”.
- When the salary is changed on HOBID the amount for SP 099 will be recalculated and adjusted on H10AS.
- When the Contract Length is changed on H0BUO the amount of SP 099 will be recalculated and adjusted on H10AS.
- When the Number of Pays is changed on H0BUO the amount of SP 099 will be recalculated and adjusted on H10AS.

These automatic updates will aid in keeping the Contribution Base amount up to date when online changes are entered. While more detailed processing instructions will be provided in a later bulletin, listed below are some scenarios depicting plan rule changes with the implementation of myVRS Navigator:

- Under the new VRS plan rules, if an employee begins mid month, their VRS benefits do not begin until the *first of the following month*. Users will add the new hire immediately but the Retirement Plan code should NOT be entered until the first pay period of the following month. When that Retirement Plan code is entered SP 099 will automatically be established and the appropriate deductions will be taken.
- The new VRS plan rules do not affect ORP deductions (009, 011, 014, 109, 101 and 114). When an employee with an ORP Plan is added, the ORP code should be entered on HMCU1 as soon as it is known. Deductions 009, 011, 014, 109, 101 and 114 should calculate on the amount of earnings received. However, the Group Life and Retiree Credit benefits are not to be calculated until the first full month. Use the Start Date on H0ZDC to prevent the Group Life and Retiree Credit deductions from processing until the first of the following month.
- Under the new VRS rules when an employee has a mid month salary increase it should not affect their Creditable Compensation until the first of the following month. If you are a PMIS agency, the PMIS to CIPPS Interface will update the employee’s salary but will hold the update of the SP 099 amount until the appropriate time (see next section). However, for non-PMIS agencies the manual change to the salary on HOBID will immediately invoke the automated change to SP 099 that is not supposed to go into effect until the next month. Simply key a special pay override for the SP 099 in the correct amount to calculate VRS deductions using the previous salary.

Continued on next page

VRS Modernization Changes – Part 2 of a Series, continued

**PMIS to
CIPPS
Interface
Update**

Effective August 13, 2012 the PMIS to CIPPS Interface will begin to update SP 099, CONTBASE, for the following conditions:

- Change to Salary Amount
- Change to Pay Schedule (Number of Pays)
- Change to Employee Months (Contract Length)

Please note that the new VRS Plan rules are not effective until the 8/25-9/9/2012 payroll. The update of Special Pay 099 will have no effect on your payroll until the final CIPPS modifications are completed. **Please do not be alarmed if you see SP 099, CONTBASE, on H10AS before September 3, 2012.**

The PMIS to CIPPS Interface will automatically update SP 099 if the effective date of the change is on or before the first working day of the current month. If the effective date occurs after the first working day of the current month, the interface will create a transaction that will be held in suspense and released to CIPPS on the first working day of the following month.

Report U181 “Special Pay 99 Contributions Base Transactions Pending” has been created to record the transactions that will update SP 099 at a later date. A sample of Report U181 is available on page 6 of this Bulletin.

Report U180 “Special Pay 99 Contributions Base Transactions Released” has been created to identify transactions as they are released from suspense to update SP 099 in CIPPS. It should be noted that the initial PMIS event that generated the transaction to update SP 099 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 in CIPPS. A sample of Report U180 is available on page 7 of this Bulletin.

The PMIS to CIPPS Update Crosswalk has been updated to reflect these changes and is available on our website at:

http://www.doa.virginia.gov/Payroll/Forms/Payroll_Forms_Main.cfm?#PMIS_CIPPS_Update_Crosswalk

CO. NO. [REDACTED] COMMONWEALTH OF VIRGINIA REPORT U181 PAYB2500
 DEPARTMENT OF ACCOUNTS RUN ON 08/06/2012 AT 13:41:07
 SPECIAL PAY 99 CONTRIBUTIONS BASE TRANSACTIONS PENDING PAGE 2
 PAY PERIOD 06/10/2012 - 06/24/2012

VIRGINIA DEPARTMENT [REDACTED]

EMPLOYEE ID	AMOUNT	EFFECTIVE RELEASE DATE
00000427300	2,201.88	07/02/2012
00001071600	1,762.17	07/02/2012
00002476400	1,762.17	07/02/2012
00003469100	1,762.17	07/02/2012
00004366700	1,762.17	07/02/2012
00006974700	1,762.17	07/02/2012
00007103100	1,762.17	07/02/2012

CO. NO. XXXXXXXXXX COMMONWEALTH OF VIRGINIA REPORT U180 PAYE2500
 DEPARTMENT OF ACCOUNTS RUN ON 08/06/2012 AT 15:46:28
 SPECIAL PAY 99 CONTRIBUTIONS BASE TRANSACTIONS RELEASED PAGE 2
 PAY PERIOD 06/25/2012 - 07/03/2012

VIRGINIA DEPARTMENT XXXXXXXXXX

THE INITIAL PMS EVENT THAT GENERATED THE TRANSACTION BELOW MAY HAVE BEEN
 SUSPENDED BY A SECONDARY PMS EVENT WHICH NOW MAKES THIS TRANSACTION OBSOLETE.

** VERIFY AND MAKE MANUAL ADJUSTMENTS TO CIPPS IF NECESSARY **

EMPLOYEE ID	AMOUNT	EFFECTIVE RELEASE DATE
0000427300	2,201.88	07/02/2012
00001071600	1,762.17	07/02/2012
00002476400	1,762.17	07/02/2012
00003469100	1,762.17	07/02/2012
00004366700	1,762.17	07/02/2012
00006974700	1,762.17	07/02/2012
00007103100	1,762.17	07/02/2012

Less than 12 Month Employee Transition Period 8/10-24/2012

****YOU ONLY NEED TO READ THIS SECTION IF YOUR AGENCY HAS LESS THAN 12 MONTH EMPLOYEES****

**Mass
Transactions
8/20/2012 –Less
than 12 Month
Employees**

On August 20, 2012 mass transactions will be performed affecting VRS deductions **only** for those employees with a Contract Length less than 12 on H0BUO. Under the new plan rules less than 12 month employees with a contract start date between 8/10-24/2012 are considered to have a mid-month start date and thus VRS deductions will not start until the first of the following month.

To stop these deductions for the 8/10 – 24 (or 8/16 -31 where applicable) pay period the mass transactions will update the “Start Date” to 9/1/2012 for the following VRS deductions:

- Deduction 012 – Employee Retirement (VRS Plans)
- Deduction 115 – Retiree Credit
- Deduction 116 - Retirement
- Deduction 120 – Group Insurance
- Deduction 127 – Retirement 2
- Deduction 136 and Deduction 144 – LTD and SP LTD

ORP Plan deductions and Buyback deductions should continue through the 8/10-24/2012 pay period. No changes will be made to the following deductions:

- Deductions 009 and 109 - Fidelity
- Deductions 011 and 111 – Elected Officials - ORP
- Deductions 014 and 114 – TIAA CREF
- Deductions 017 and 043 – Post Tax and Pre Tax Buyback

Continued on next page

Less than 12 Month Employee Transition Period 8/10-24/2012

****YOU ONLY NEED TO READ THIS SECTION IF YOUR AGENCY HAS LESS THAN 12 MONTH EMPLOYEES****

****THESE INSTRUCTIONS ONLY APPLY TO THE 8/10-24/2012 TRANSITION PERIOD****

New Hires with Less than 12 Month Contracts Employed 8/10-24/2012 Newly hired employees with less than 12 month contracts employed during the 8/10-24/2012 transition period should be handled as follows:

VRS Plan Employees – (JUDICIAL, SPORS, VALORS, VRS)

1. Establish the New Hire record in CIPPS
2. Enter the Retirement Code on HMCU1
3. On Screen H0ZDC enter the start date “09/01/2012” for each retirement deduction that is established for the Retirement Code (012, 115, 116, 120, 127, 136 or 144).
4. Establish Imputed Life on H10AS

ORP Plan Employees – (Fidelity, TIAA, Political Appointee ORP)

1. Establish the New Hire record in CIPPS
2. Enter the ORP Retirement Code on HMCU1
3. On Screen H0ZDC enter the start date “09/01/2012” ONLY for retirement deductions 115 (Retiree Credit) and 120 (Group Life).
4. Establish the Imputed Life on H10AS
5. The employer and employee deductions for the ORP plan should calculate during this period.

Employees who have not selected a Retirement Plan yet

1. Establish the New Hire Record in CIPPS
2. Do not enter a code on HMCU1
3. When the employee decides on a plan at a later date – retroactively collect the retirement deductions that apply. (A future Bulletin will give specific instructions for this.)

NOTE: If you key the new hire in before the automated update occurs on 8/20/2012, you will not need to key the start dates as shown above.