

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

State Payroll Operations

Director Lora L. George

Assistant Director Cathy C. McGill

VRS Modernization Changes – Part 3 of a Series

Full Month Contribution Requirement

VRS Modernization plan rules are effective immediately. Among the plan rule changes is the requirement to collect/contribute VRS-related benefits for a whole month – partial month contributions will no longer be accepted. If an employee cannot contribute a full month of contributions, no retirement amounts (employee or employer) should be reported to VRS and the employee will not receive a service credit. Similarly, the agency contributions for Retiree Healthcare Credit and Long-term Disability would not be calculated. (Group Insurance would need to be calculated as the employee would still be covered.) The employee can request the contributions to be collected via payroll in a future paycheck not to exceed two months after the missed month. At that time the missed employer-paid contributions would then be calculated.

Service Purchase Contracts (Buyback) – Less than 12 Month Employees

Service Purchase Contract (SPC) deductions are initiated through the receipt of the VRS Forms 26-C (Post Tax) and 26-E (Pre Tax). When the form is received, the appropriate deduction (017 for Post-Tax or 043 for Pre-Tax) is established based upon a buyback retirement plan code (e.g. “BV”) entered on HMCU1. The result is a percentage deduction on H0ZDC that is applied against Creditable Compensation.

Under the new VRS Modernization rules, Creditable Compensation for employees with a contract length of less than 12 months represents the full annual contract amount divided by the contract length – regardless of the number of pays that contract amount is actually paid over. Similarly, SPCs (Buyback Agreements) will only be in effect during the contract period; therefore, no buyback amounts are to be taken during the off-contract months. However, the amount to be purchased each month *can only be 1/12 of annual creditable compensation*. For example, a 9-month contract employee who is purchasing a full year through a SPC will have 1/12 of the purchase collected September through May of the first year and September through November of the second year. Since the monthly Creditable Compensation base in CIPPS (SP 099 X 2) represents 1/9 of the annual contract the current percentage based buyback deductions cannot be used.

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VRS Modernization Changes – Part 3 of a Series, continued

Service Purchase Contracts (Buyback) – Less than 12 Month Employees, continued

Two new deduction numbers have been established to allow flat amounts for buyback deductions in these cases.

- Deduction 018 – BUYBACK2 – Post Tax Buyback
- Deduction 044 – PREBYBK2 – Pre Tax Buyback

The Retirement Plan code entered on HMCU1 must reflect a non-buyback value (e.g., VS) and the corresponding buyback deduction must be entered on H0ZDC with a deduction amount representing the applicable percentage times the annual contract amount and divided by 24.

NO	NAME	AMT/PCT	GOAL	UTILITY	DED YTD
CALC GN FR	PRTY	START DATE	END DATE	DED MTD	
— 18	BUYBACK2	250.00	.00	000000000000000000	
96 2 00	000	08/25/2012	05/09/2013	.00	.00
— 44	PREBYBK2	250.00	.00	000000000022200000	
85 1 09	000	08/25/2012	05/09/2013	.00	.00

At some point in the future VRS will begin to interface fixed amount buyback deductions to CIPPS including the appropriate deduction start and stop dates. However, until the interface is operational agencies will need to perform payroll actions to establish and cease the deductions timely. The use of deduction start and stop dates on H0ZDC can facilitate timely payroll action.

Elimination of Certain Special Pays

With the introduction of new rules regarding pay docks and VRS-related deductions new special pays were introduced in Payroll Bulletin 2011-12 to aid in processing deduction amounts appropriately. However, effective September 2012, these deductions will be based on Special Pay 099, CONTBASE, in lieu of actual earnings. The following special pays are no longer necessary and will be removed from CIPPS effective 9/3/2012:

- Special Pay 075 – Dock & Ben
- Special Pay 081 – Calc Retirement
- Special Pay 082 – Retro Pay

Special Pay 076 – Pay Dock will remain active. This special pay reduces the amount of automatic regular earnings paid to the employee and will continue to have no effect on retirement-related deductions.

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VRS Modernization Changes – Part 3 of a Series, continued

New Field on HMCU1 – Deduction Start Date

Effective 9/3/2012, a new field, DED START DATE, will be available on the HMCU1 screen. This field will be extremely useful when a new hire is added to CIPPS.

When an employee is hired after the first working day of the month VRS-related benefits do not begin until the first of the following month. (This does not apply to the ORP deductions.) Using the DED START DATE the Retirement Plan code on HMCU1 can be entered at the time the new hire is established and the START DATE field on H0ZDC for the VRS-related deductions will reflect the date entered. The deductions will not begin until the START DATE is greater than or equal to the pay period begin date certified.

Note: If you make an error in the initial entry of the DED START DATE you must rekey the Retirement Plan Code at the time the date is corrected.

Group Insurance/Retiree Credit Only Field Expanded on HMCU1

Effective 9/3/2012, the Group Insurance/Retiree Credit Only field will be expanded to allow the following values:

- “Y” = Group Insurance and Retiree Credit Deductions – This value is appropriate when an ORP eligible employee is still making a decision during the 60 Day Election Period. Group Insurance and Retiree Credit deductions are subject to the VRS plan rules regardless of whether the employee chooses an ORP or a VRS Plan. A “Deduction Start Date” should be entered if the employee does not begin employment by the first working day of the month.
- “G” = Group Insurance Deduction Only – This value is appropriate for an employee that is receiving 12 months of Severance Benefits or Military Leave Without Pay. In addition, when an employee is on LWOP for the entire month, Group Insurance contributions are still due even though the employee has not earned creditable compensation for the month.

Specific processing instructions can be found later in this bulletin for each of the situations mentioned above.

Elimination of Deduction Overrides during VSDP

As all VRS-related deductions are calculated as a percentage of SP 099, CONTBASE, deduction overrides are no longer required when an employee is receiving less than pre-disability earnings while on VSDP.

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CIPPS Processing Instructions – New VRS Modernization Rules

New Hire Salaried Employees who Begin Employment on the First Working Day of the Month

Follow these procedures when establishing a new hire record for an employee hired on or before (e.g., 25th of prior month) the first working day of the month:

1. Establish the employee record using the procedures described in [CAPP Topic 50305](#), New Employee Adds.
2. However, when establishing the health care and retirement data on HMCU1, enter the following:
 - a. Leave the Healthcare Provider Code and Membership Type blank and allow the automated BES to CIPPS interface to populate the data. (Manual entry may be required if a Report U130 identified an error or there is insufficient time to allow the interface to update before payroll certification.)
 - b. Enter the Retirement Plan Code for the employee. If you are unsure of the Retirement Plan Code contact VRS.
 - c. Leave the DED START DATE field blank because retirement deductions should start immediately.

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> GUH 00230,00999999900 ON HMCU1

          -EMPLOYEE BENEFITS-

- COMPANY--> 00230 EMPLOYEE NUMBER--> 00999999900
  NAME-> NEW HIRE BEGINS ON FIRST WORK DAY OF MONTH

-HEALTHCARE BENEFITS-

PROVIDER CODE-----> __
MEMBERSHIP TYPE----> _

-RETIREMENT BENEFITS-

RETIRE PLAN CODE--> VN DED START DATE----> 00/00/0000
GROUP INS AND RETIREE CREDIT --> _
(G = GROUP INS ONLY / Y = BOTH)

BUY BACK TAXING----> _
BUY BACK TYPE INDICATOR (PLAN 2 ONLY)--> __
BB BEGIN DATE-----> 00/00/0000 BB END DATE -----> 00/00/0000

0001I-ENTER HEALTH TRANSACTIONS IN BES
08/21/12 15:00:31 1 M3LL CID5 ____

```

Note: If this employee is eligible for an ORP and they have not chosen a Retirement Plan yet (60 Day Election Period), please see the procedures entitled “New Hire ORP Eligible Salaried Employees – 60 Day Election Period”.

CIPPS Processing Instructions – New VRS Modernization Rules, continued

New Hire Salaried Employees who Begin Employment Mid Month

Follow these procedures when establishing a new hire record for an employee hired after the first working day of the month:

1. Establish the employee record using the procedures described in [CAPP Topic 50305](#), New Employee Adds.
2. However, when establishing the health care and retirement data on HMCU1, enter the following:
 - a. Leave the Healthcare Provider Code and Membership Type blank and allow the automated BES to CIPPS interface to populate the data. (Manual entry may be required if a Report U130 identified an error or there is insufficient time to allow the interface to update before payroll certification.)
 - b. Enter the Retirement Plan code for the Employee. If you are unsure of the Retirement Plan code, contact VRS.
 - c. Enter the DED START DATE. This should be the first day of the pay period that the Retirement Deductions should start. For example, if the employee started on 8/10/2012, the Retirement Deductions should begin with the 8/25/2012-9/9/2012 pay period. Enter “8/25/2012” as the DED START DATE. If the DED START DATE is entered properly, you do not have to remember to activate retirement deductions at a later date.
 - d. Retirement Deductions for ORP Plans (CP, CN, FI, FN, TA, and TN) are not subject to the new VRS Modernization rules. However, the Group Insurance and Retiree Credit Deductions for that employee are. The DED START DATE will only apply to Group Insurance and Retiree Credit Deductions when an ORP Plan code is entered.

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> GUH 00230,00999999900 ON HMCU1
-EMPLOYEE BENEFITS-
■ COMPANY--> 00230 EMPLOYEE NUMBER--> 00999999900
NAME-> NEW HIRE BEGINS MIDDLE OF MONTH
-HEALTHCARE BENEFITS-
PROVIDER CODE-----> ___
MEMBERSHIP TYPE--> _
-RETIREMENT BENEFITS-
RETIRE PLAN CODE--> VN DED START DATE-----> 08/25/2012
GROUP INS AND RETIREE CREDIT --> _
(G = GROUP INS ONLY / Y = BOTH)
BUY BACK TAXING--> _
BUY BACK TYPE INDICATOR (PLAN 2 ONLY)--> ___
BB BEGIN DATE-----> 00/00/0000 BB END DATE -----> 00/00/0000
0001I-ENTER HEALTH TRANSACTIONS IN BES 08/21/12 15:03:07 1 M3LL CID5 ___

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Note: If this employee is eligible for an ORP and they have not chosen a Retirement Plan yet (60 Day Election Period), please see the procedures entitled “New Hire ORP Eligible Salaried Employees – 60 Day Election Period”.

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CIPPS Processing Instructions – New VRS Modernization Rules, continued

**New Hire
ORP Eligible
Salaried
Employee – 60
Day Election
Period**

Follow these procedures when establishing a new hire record for an ORP eligible employee who is deciding between an ORP and VRS during the 60 day election:

1. Establish the employee record using the procedures described in [CAPP Topic 50305](#), New Employee Adds.
2. However, when establishing the health care and retirement data on HMCU1, enter the following:
 - a. Leave the Healthcare Provider Code and Membership Type blank and allow the automated BES to CIPPS interface to populate the data. (Manual entry may be required if a Report U130 identified an error or there is insufficient time to allow the interface to update before payroll certification.)
 - b. Key VN (the default) as the retirement code.
 - c. If the employment date is not the first working day of the month, enter the DED START DATE. This should be the first day of the pay period that the Retirement Deductions should start. For example, if the employee started on 8/10/2012, the Retirement Deductions should begin with the 8/25/2012-9/9/2012 pay period. Key “8/25/2012” as the DED START DATE. If the DED START DATE is entered properly, you do not have to remember to activate retirement deductions at a later date.
 - d. Press Enter
 - e. Key a “Y” in the GROUP INS AND RETIREE CREDIT field. (This will deactivate all deductions except group insurance and retiree credit. Remember *Retirement* deductions for ORP Plans are not subject to the new VRS Modernization rules. However, the *Group Insurance* and *Retiree Credit* deductions are. The DED START DATE will only apply to Group Insurance and Retiree Credit deductions when an ORP Plan code is entered.)
 - f. Press Enter again

Once the employee makes an election, at the proper time either a) remove the “Y” from the GROUP INS AND RETIREE CREDIT field and subsequently change the RETIRE PLAN CODE to the appropriate ORP code or b) simply remove the “Y” from the GROUP INS AND RETIREE CREDIT field. These actions will activate all required deductions for the coverage elected.

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CIPPS Processing Instructions – New VRS Modernization Rules, continued

**Terminations,
Transfers and
Long-term
Disability**

VRS-related retirement deductions are to be collected for a whole month. Typically half is collected during the first semi-monthly pay period (25th – 9th) and half during the second semi-monthly pay period (10th – 24th). However, when there is a mid-month termination, transfer or transition into LTD, a full month of VRS-related retirement deductions is to be collected by the **initial** employing agency. The following instructions apply for the standard semi-monthly payrolls:

- Termination or Transfer Dates between the 25th and the end of the month:
 - 1) On H10AS, change the frequency for SP 099, CONTBASE, to “00”. Do not change the Retirement Code on HMCU1.
 - 2) Pay the employee the earnings due for the time worked between the 25th and the end of the month. If this employee was in a VRS retirement plan, no retirement deductions will process during this pay period. If this employee was in an ORP plan, only the ORP retirement amount will process as a percentage of the amount of pay received.
- Termination or Transfer Dates between the 10th and 24th of the month:
 - 1) Leave the current Retirement Code on HMCU1 – Do not change.
 - 2) Pay the employee the earnings due for the time worked between the 10th and the 24th. There is no need to process deduction overrides.
 - If this employee was in an ORP plan, only the ORP retirement amount will process as a percentage of the amount of pay received. Group Life will process as a percentage of the SP 099, CONTBASE, amount on H10AS.
 - If this employee was in a VRS plan, all VRS-related deductions will process as a percentage of the SP 099, CONTBASE.
- Termination or Transfer Dates between the 1st and 9th of the month:
 - 1) Leave the current Retirement Code on HMCU1 – Do not change.
 - 2) Pay the employee the earnings due for the time worked between the 1st and the 9th. If this is an ORP plan, only the ORP contribution will process automatically as a percentage of the earnings received.
 - 3) On HUE01 key an override for SP 099, CONTBASE. The override amount will be double the amount shown on H10AS. For example, if the H10AS SP 099 amount is \$2500.00, key \$5000.00 as the override amount on HUE01. This will double all of the applicable VRS-related deductions.

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> GUH 132                                     ON HUE01
-----SPECIAL PAYMENTS-----
i_ COMPANY--> 00132 BATCH NUMBER--> 0001 PAGE NUMBER--> 00001

      T           T C D
EMPLOYEE C   PAY STATE DEPT A H E   DATE   DATE   HOURS   RATE/AMT
NUMBER  D TRN NO LOCAL  SEC X K D   FROM   TO      WORKFIELD  ADJ AU
      (2ND LINE) DIV/OF LABOR CODE                                500000
0019073720 0 9XX 099 000000 _____ 0 0 0 00000000 00000000 00000000 500000
    
```

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CIPPS Processing Instructions – New VRS Modernization Rules, continued

Intermittent Pay Dockings

When an employee is docked for intermittent periods there is no need for any special processing or deduction overrides in regard to retirement or OPEB deductions. The VRS-related deductions will process as a percentage of the amount on H10AS for SP 099, CONTBASE, not actual earnings; therefore, the VRS-related deductions will calculate in full. ORP plan retirement deductions will appropriately continue to calculate as a percentage of eligible earnings.

LWOP – Extended Periods – (14 Days or More)

If an employee experiences extended LWOP (14 days or more) *after* the first working day of the month, VRS permits a full month of service credit *provided that the full member-portion is collected from the employee*. However, if the employee returns from extended LWOP *after* the first working day of a subsequent month, they will not be eligible for service credit for that month. Similarly, no service credit is received for a full month of LWOP. However, in each case group insurance premiums are still due to VRS.

1. If desired, change the frequency for SP 099, CONTBASE, to “00” on screen H10AS so the benefits won’t automatically calculate in the future. Do not change the retirement code on HMCU1.
2. Key an HUE01 override for SP 099,CONTBASE, as shown below. If collection is being done in the first pay period of the month for the full month, the override amount will be double the amount shown on H10AS. For example, if the H10AS SP 099 amount is \$2500.00, key \$5000.00 as the override amount on HUE01. This will double all of the applicable VRS-related deductions. Independent evaluation of each case must be performed to determine if this amount should be doubled or not.

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> GUH 00132,0001                                ON HUE01
-----SPECIAL PAYMENTS-----
__ COMPANY--> 00132 BATCH NUMBER--> 0001 PAGE NUMBER--> 00001

  T      T C D
EMPLOYEE C  PAY STATE DEPT A H E  DATE  DATE  HOURS  RATE/AMT
NUMBER  D TRN  NO LOCAL  SEC X K D  FROM   TO      WORKFIELD  ADJ AU
          (2ND LINE) DIV/OF LABOR  CODE
0019073720 0 9xx 099 000000  0 0 0 08252012 09092012 0000000 00000500000
                                         000000000000  - 1
    
```

3. In the subsequent month, if the employee does not return before the *first working day*, change the Group Insurance and Retiree Credit Switch on HMCU1 to “G”. Do not change the Retirement Plan Code. This will deactivate all VRS-related deductions except Group Life Insurance.
4. Key a penny of regular pay on HUA03 to process the Group Life deduction each pay period while the employee remains on LWOP.
5. Once the employee has returned to work for a period that includes the *first working day of the month* remove the “G” from the Group Insurance and Retiree Credit switch on HMCU1 to resume all applicable deductions.

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CIPPS Processing Instructions – New VRS Modernization Rules, continued

**Severance
Benefits and
Military
LWOP**

If the effective date of Severance Pay or Military Leave Without Pay occurs *after the first working day of the month*, VRS benefits should be collected through the end of the month - similar to a termination.

1. If desired, change the frequency for SP 099, CONTBASE, to “00” on screen H10AS so the benefits won’t automatically calculate in the future. Do not change the retirement code on HMCU1.
2. Key an HUE01 override for SP 099, CONTBASE, as shown below. If collection is being done in the first pay period of the month for the full month, the override amount will be double the amount shown on H10AS. For example, if the H10AS SP 099 amount is \$2500.00, key \$5000.00 as the override amount on HUE01. This will double all of the applicable VRS-related deductions. Independent evaluation of each case must be performed to determine if this amount should be doubled or not.

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> GUH 00132,0001                                ON HUE01
-----SPECIAL PAYMENTS-----
COMPANY--> 00132 BATCH NUMBER--> 0001 PAGE NUMBER--> 00001

      T      T C D
EMPLOYEE C   PAY STATE DEPT A H E  DATE   DATE  HOURS  RATE/AMT
NUMBER  D TRN NO LOCAL SEC X K D FROM   TO    WORKFIELD  ADJ AU
      (2ND LINE) DIV/OF LABOR CODE          WORKFIELD  ADJ AU
0019073720 0 9XX 099 000000      0 0 0 08252012 09092012 0000000 00000500000
                                           000000000000          - 1
    
```

3. In the subsequent month change the Group Insurance and Retiree Credit Switch on HMCU1 to “G”. Do not change the Retirement Plan Code. This will deactivate all VRS-related deductions except Group Life Insurance.
4. Key a penny of regular pay on HUA03 to process the Group Life deduction each pay period while the employee is receiving the benefit.
5. For Military LWOP, once the employee has returned to work for a period that includes the *first working day of the month*, remove the “G” from the Group Insurance and Retiree Credit switch on HMCU1 to resume all applicable deductions.
6. For Severance: In the final month of life insurance coverage (not severance payment) the agency must contribute a full month of premiums to group life insurance. Therefore step 2 will need to be applied with the value of SP 099 equal to double the H10AS value.

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CIPPS Processing Instructions – New VRS Modernization Rules, continued

Retroactive Payment Processing A new automated VRS Reconciliation will be introduced when myVRS Navigator is launched. More information will be provided about this reconciliation in a future bulletin

Until then, retroactive adjustments for VRS-related deductions must continue to be processed on HTODA (or HTM00) providing the pay period begin and end dates to denote the month for which the funds need to be posted in RIMS.

Deceased Pay When a death occurs after the first work day of a month, VRS will credit the employee with a full month of service for that month. However there are times when the final payment (wages plus leave payouts) cannot be paid in the month of death. Therefore, the employee-paid member-portion cannot be collected timely.

When this occurs the agency must calculate the remaining amount due for the member-portion and enter deduction overrides on HUD01 to add that amount to deduction 116, employer retirement, and zero for deduction 012, employee contribution. When the final payment to the estate is processed deduction 010, Due Agency, should be used to collect the previously uncollected member-portion from the final payment.

If the deceased is an ORP Plan participant, the agency still owes a full month of employer paid OPEBs to VRS. However, the defined contribution amounts (employee and employer paid ORPs) are not to be collected until the final payment is made. Agencies should calculate the amount of ORP contributions (member and employer paid) and process HUD01 deduction overrides along with the final deceased payment. A penny of regular pay must be keyed to force the deduction overrides to calculate along with the final Deceased Pay.

Mass Transaction Requests for Less than 12 Month Employees Employees who work less than 12 months annually will have VRS-related deductions calculated ONLY during their on-contract months. (The months when the employee actually earns service credits.)

Previously, agencies requested mass transactions to change individual deduction frequencies to “00” in order to control the deduction processing for less than 12 month employees. A second set of mass transactions was requested when the employees returned from their break to return the frequencies to “09”.

Going forward, agencies can request mass transactions to simply add the desired deduction start date to the affected deductions. (This is not limited to the VRS-related deductions.) By entering the deduction start date, the deductions will cease until the desired pay period and automatically begin without the need for a second set of mass transactions.
