
VRS Policy Change – 60 Day-Election Period for ORP Eligible Employees

No Retiree Credit or Group Insurance Until Election Made

Effective with the October, 2012 billing from myVRS Navigator (VNAV) VRS will not bill agencies for retiree credit or group life insurance for ORP-eligible employees until an election has been made between the VRS retirement plan and the available ORPs. **Therefore, no retirement code should be entered on HMCU1 or in PMIS until the employee has made an election.**

For the month of October a refund of the retiree credit and group insurance charged for undecided employees will ultimately be refunded to the agency default coding through the VRS Automated Reconciliation*. The funds should be left as a credit to that default coding since the VRS bill will be inclusive of all retroactive funds due once an election is made and will then charge the same default coding. Therefore, the retroactive adjustments (deduction overrides) should only be made for retirement (and LTD if applicable). Alternatively, deduction refunds for the retiree credit and group life insurance can be processed, turn the retirement code to LT, and upon election, use a Special Pay 099 transaction in the amount of the total creditable compensation due to perform the retroactive collections for all applicable deductions.

For November and subsequent months, do not enter the retirement code until the election is made at which time retroactive adjustments will be required.

* Due to the phased roll out of VNAV the October (and subsequent) automated reconciliation will be delayed.

VRS Modernization – No Payment Process Required for CIPPS Agencies

Funds are Transferred through CARS

Much of the VRS Modernization documentation and education tools refer to the need for a Payment Scheduler and a Payment Approver. However, this does not apply to CIPPS agencies. There will be no change in the manner in which VRS receives retirement contributions. DOA will continue to transfer the funds calculated in CIPPS through the Commonwealth Accounting and Reporting System (CARS).

VRS Modernization – Working Examples Updated

Policy Changes

As policy changes are identified or clarified with VRS the working examples provided in Payroll Bulletin 2012-16 and found using the link below will be updated.

http://www.doa.virginia.gov/Payroll/Payroll_Bulletins/VRSModernizationWorkingExamples.cfm

Expiring Tax Cuts in 2013

Educate Employees

Several provisions of legislation like the Economic Growth and Tax Relief Reconciliation Act (2001), the Temporary Payroll Tax Cut Continuation Act (2011) and the Middle Class Tax Relief and Job Creation Act (2012) will expire this year. As it is unlikely that employees are aware of these Acts and how they impacted net pay, employees will be confused and unhappy about the changes to their net pay starting in January. Among the changes are:

- Income Tax Cuts – Income tax brackets will increase. The lowest bracket is currently 10%. This will revert to 15%. All other brackets will increase with the highest bracket reverting to 35%.
- Payroll Tax “Holiday” - This “holiday”, enjoyed by employees for the past two years, provided for a 4.2% Social Security tax withholding rate. The Social Security tax rate will revert to 6.2% and the OASDI will remain 1.45%. (See note below.)
- Educational Assistance – Non-job-related educational assistance becomes fully taxable to the employee.

It is suggested that agencies communicate these changes to employees in advance to minimize employee questions in January.

Note: The 2013 social security wage base will be \$113,700. The Medicare tax wage base remains unlimited with an additional 0.9% (total of 2.35%) taxed on earnings in excess of \$200,000.
