

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
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DATE: October 30, 2014

PERSONNEL LETTER #14-019
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel/Payroll Services Division

RE: **ATTRIBUTES OF RETIREMENT ACCOUNT CODES, "COSMETIC" VS. "MATERIAL"
RETIREMENT CONTRIBUTION ADJUSTMENTS AND MOVEMENT BETWEEN
ACCOUNT CODES EFFECTIVE JULY 1, 2013**

This letter provides additional information regarding retirement account codes, retirement contribution adjustments and movement between retirement account codes effective July 1, 2013.

Retirement Account Code Attributes

Historically the retirement account code identified the retirement benefit eligibility. However, the California Public Employees' Retirement System (CalPERS) no longer uses the account code to identify benefit eligibility. Rather, the benefit eligibility is determined based on the membership date identified in the CalPERS system. Existing retirement account codes are identified with the specific attributes of retirement category, subjectivity to social security/medicare, exclusion amount, employee contribution rate, and hire date tied to final compensation period (final comp) and benefit formula. Because CalPERS no longer uses the specific account code to determine eligibility, the account code attributes of hire date with final comp period and benefit formula are no longer necessary.

The elimination of hire date as an attribute results in multiple account codes with the same attributes. As an example, the table below reflects the attributes for the account codes of 2W, 4G and 2M. All three account codes are in the miscellaneous retirement category, subject to social security and medicare with an exclusion amount of \$513.00. Because hire date is now considered as an unnecessary attribute, the only difference between the three account codes is the contribution rate. The rate for 2M is 8%, while the rates for 2W and 4G are both at 9%. The account codes of 2W and 4G are now considered to be duplicate retirement account codes.

Account Code	Retirement Category	Subject to Social Security/ Medicare	Exclusion Amount	Employee Rate %	Hire Date (Benefit Formula/ Final Comp)
2W	Miscellaneous	Yes	\$513	9.0	On/after 01/15/11 (2% @ 60/ 3 yrs.)
4G	Miscellaneous	Yes	\$513	9.0	Prior to 01/15/11 (2% @ 55/ 1 yr.)
2M	Miscellaneous	Yes	\$513	8.0	On/after 11/2/10, (2% @ 55/ 1 yr.)

Account Codes Consolidation

We are working towards the consolidation of the retirement account codes, eliminating duplication and simplifying the process of assigning account codes. Until the consolidation can be finalized, agencies may continue to assign retirement account codes as instructed in previous Personnel Letters based on hire date. However, retirement contribution adjustments, i.e., payroll debits and credits, will only be processed if the difference is considered “material”. If EH is retroactively corrected to reflect a new account code and the attribute difference is only with the hire date, contribution adjustments will not be processed as this is considered a “cosmetic” difference.

“Cosmetic” vs. “Material” Retirement Contribution Adjustments

When employment history (EH) is corrected to reflect a retirement account code that differs from the account code on previously issued payroll, retirement contribution adjustments, i.e., adjustments to payroll, may be required. However, adjustments will only be processed to correct payroll when a “material” difference exists. “Material” differences occur when the account code on EH is compared to the account code on the payroll and a difference in attributes is reflected. For example, if EH is corrected to reflect 2W at a rate of 9% with payroll previously issued as 2M at a rate of 8%, debit and credit retirement contribution adjustments would be necessary. Because the EH account code change impacts how the payroll was reported, retirement contribution debits and credits would be processed to correct the payroll to reflect account code 2W and recover the additional retirement contributions owed. The difference in contribution rate is considered to be “material” as contribution rate is a necessary attribute.

“Cosmetic” differences occur when the EH account code and the payroll account code share the same attributes. Retirement contribution adjustments would not be processed if payroll issued with account code 4G and EH is corrected to 2W. The only differences between the account codes of 4G and 2W is the hire date, which, as stated earlier, is no longer a necessary attribute of an account code. There is no difference in payroll reporting with account codes 4G and 2W. Therefore, the change is considered “cosmetic” only and no retirement contribution adjustments are necessary.

Erroneous Account Codes/Rates

Research performed during implementation of PEPRA in 2013 identified over 1,100 employees appointed with erroneous/incorrect account codes. As a consequence, the employees’ retirement contribution rates were incorrect. To correct the employees’ contribution rates, 505 transactions, effective July 1, 2013, were processed in the fall of 2013 moving these employees to different account codes. At the time the 505 transactions were posted, Civil Service Employment History PSD-40 Letters (“ding notices”) were sent to the impacted agencies with instructions to review history and correct records prior to July 1, 2013.

The account codes used to correct the employee’s retirement contribution rate as of July 1, 2013 were chosen with no consideration given to the unnecessary attribute of hire date. As a result, the account codes used in this update may differ from the account codes previously identified in Personnel Letters as appropriate. The account codes assigned effective July 1, 2013 are valid as the remaining necessary attributes are correct.

Example:

A new R02 employee was appointed effective 02/01/11 with the erroneous account code of 2M. (2M was not a valid account code for an R02 employee.) Per Personnel Letter #11-003, dated January 24, 2011, account code 2W is appropriate for this employee because the hire date was after 01/15/11. 4G was appropriate for R02 employees with hire dates prior to 01/15/11. Because the hire date is no longer a necessary attribute, either 2W or 4G would have been correct for this employee. Account code 4G was used on the 505 effective 07/01/13 correcting the EH record to reflect an appropriate account code with a correct contribution rate of 9%. (The account code of 2M was an erroneous account code for an R02 employee not only because #11-003 provided instructions to use 2W or 4G, but also because the contribution rate for 2M remained at 8 %.)

PPSD Audit

Although letters were sent to the agencies identifying the employees at incorrect contribution rates prior to July 1, 2013, not all records have been corrected. In an effort to ensure the records are correct, PPSD will perform an audit of the records in question and correct employment history (EH) as needed. All resulting retirement contribution adjustments will be processed by CalPERS in accordance with section H 202 of the PPM (Payroll Procedures Manual).

Note: Because the 505 transactions effective July 1, 2013 reflect the appropriate attributes, these transactions will not be fixed/eliminated as a result of the PPSD audit.

Account Code Movement Effective July 1, 2013

The following chart details the movement between account codes. (Only employees who were identified as appointed with an incorrect account code were moved.)

CBID	Account Code Prior to 07/01/13	Account Code as of 07/01/13	Rate as of 07/01/13	Category/Exclusion	Social Security/Medicare*
R12, R18, R19	19	1D	11.0	SAF/\$317	MED
R02, R12, R13, R18, R19	45	4G	9.0	MIS/\$513	SS
R01, R03, R04, R10, R15, R17, R20, E48, M12, M16, M18, S01, S11, S12, S13, S15, S16, S18, S19	1D	1J	10.0	SAF/\$317	MED
S12, S18	1E	1H	10.0	SAF/\$317	NO
R03, R15, R17, R20, S12, S13, S16, S18, S19	1F	1J	10.0	SAF/\$317	MED
S13, S16, S18, S19	1F	1J	10.0	SAF/\$317	MED
R04, S19	1G	1H	10.0	SAF/\$317	NO
R17, R20, M16, S12, S16, S18, S19	1K	1J	10.0	SAF/\$317	MED
S11, S19	1L	1H	10.0	SAF/\$317	NO
R12, R13, R16, R18, R19	1P	1D	11.0	SAF/\$317	MED
R12, R16, R18, R19	1S	1D	11.0	SAF/\$317	MED
R12, R16, R18, R19	1V	1D	11.0	SAF/\$317	MED
R13	1X	1D	11.0	SAF/\$317	MED
R01, R04, R07, R11, R15, R17, R20, R21, E48, E98, E99, M01, M12, M16, S01, S03, S11, S12, S13, S16, S18, S19	2C	2M	8.0	MIS/\$513	SS
R01, R04, R15, R17, E12, E48, E97, S01, S04, S12, S13, S18, S19	2E	2R	8.0	MIS/\$513	SS

CBID	Account Code Prior to 07/01/13	Account Code as of 07/01/13	Rate as of 07/01/13	Category/Exclusion	Social Security/Medicare*
R12, R13, R16, R18, R19	2M	2C	10.0	MIS/\$513	SS
R02	2M	4G	9.0	MIS/\$513	SS
R02, R12, R19	2R	2E	10.0	MIS/\$513	SS
R02	2R	4H	9.0	MIS/\$513	SS
R12	4L	2E	10.0	MIS/\$513	SS
R02	4V	2W	9.0	MIS/\$513	SS
R12, R13, R16, R18, R19	4V	4W	10.0	MIS/\$513	SS
R01, R04, S12, S19	4W	4V	8.0	MIS/\$513	SS
R12, R13, R16, R18, R19	6P	1D	11.0	SAF/\$317	MED
S16	9F	9V	10.0	IND/\$513	SS
E98, S20	9G	9N	9.0	IND/\$513	SS
R20	9L	9N	9.0	IND/\$513	SS
E99, S12, S19	9M	9N	9.0	IND/\$513	SS
R12, R19	9N	9G	10.0	IND/\$513	SS
R19	9P	9M	10.0	IND/\$513	SS
R12	9W	9G	10.0	IND/\$513	SS

* SS identifies subject to social security and medicare, MED identifies subject to medicare only, NO identifies as subject to neither social security, nor medicare

Contacts

For assistance with EH documentation, contact SCO's Personnel Liaison Unit at (916) 372-7200.

Questions regarding the retirement account codes identified in this letter should be directed to SCO's Retirement/Social Security Liaison at (916) 324-1471. (**DO NOT** contact CalPERS regarding the assignment of retirement account codes when an account code change was initiated by the SCO.)

Questions regarding CalPERS eligibility and benefits should to be directed to CalPERS at (888) 225-7377.

Questions regarding ARP eligibility should be directed to the ARP Employer line at (916) 324-2909.

For retirement policy and legislation assistance, contact CalHR representative Desi Rodrigues at (916) 324-9400.

LC:PMAB:dm