

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: May 21, 2014

PERSONNEL LETTER #14-006
(CIVIL SERVICE ONLY)

TO: All Agencies in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel and Payroll Services Division (PPSD)

RE: EMPLOYEE RETIREMENT CONTRIBUTION RATE CHANGES, EFFECTIVE JULY 1, 2013

As part of the ongoing implementation of the Public Employees' Pension Reform Act of 2013 (PEPRA) and consistent with the Department of Human Resources' (CalHR) Policy Memo #2013-021, dated July 10, 2013, a number of changes for certain employees are required to ensure their withholdings are consistent with the increased retirement contribution rates for state employees per Government Code Section 20683.2.

Employment History (EH) Mass Update

On July 19, 2013, employees' records were updated, posting 505 – Account Code transactions to Employment History (EH), in order to adjust for the new retirement contribution rates effective July 1, 2013. There were records identified as exceptions to the mass update, which were excluded from the automated process.

Mass Update Exceptions

Exceptions to the mass update were processed manually by PPSD, when possible. For example, employees with an EH record reflecting an out-of-sequence status (i.e., the effective date on the most current transaction was after July 1, 2013), were processed manually.

PPSD was unable to update the EH records to reflect the new rates when the employee was off pay status (e.g., on a leave of absence, or an Appointment Expiration Date prior to July 1, 2013). These employees' Item 505 – Account Code field must be updated by the appointing agency once their appointment is extended or the employee returns to active pay status following a leave of absence. Although Item 505 is not a required field when returning an employee to pay status, the new account code must be entered on the Personnel Action Request (PAR) in order to reflect the new retirement rate on the employee's record. If the account code is not entered, the retirement contribution will be withheld at the incorrect rate and will require future adjustments.

PPSD will perform a review of EH records to identify employees who returned to pay status in the account codes below, but with incorrect rates, and will correct the account codes accordingly.

The following chart details the changes implemented by PPSD in compliance with CalHR's policy memo.

Account Code	New Rate %	Prior Rate %	Category *	Social Security/ Medicare **	Exclusion Amount
TS***	9.0	5.0	IND	SS	513.00
AR, AS, AU, 9C, 9N, 9P, 9W	9.0	8.0	IND	SS	513.00
9S, 9V	10.0	9.0	IND	MED	317.00
9T	10.0	9.0	IND	NO	317.00
49	9.0	9.5	IND	SS	513.00
98	1.5	0.0	IND-2	MED	0.00
47, 9D, 95, 96	1.5	0.0	IND-2	SS	0.00
24***	8.0	0.0	MIS	SS	513.00
4***	8.0	5.0	MIS	SS	513.00
2P, 27	8.0	7.0	MIS	SS	513.00
45	8.0	5.0	MIS	SS	513.00
4T***, 4X***	10.0	5.0	MIS	SS	513.00
09, 2I, AY, TJ, TK	8.0	9.5	MIS	SS	513.00
03, 04, 4D, 4E, 4F, 4R, 4S, 4Y, 4I, 44	1.5	0.0	MIS-2	SS	0.00
01	1.5	0.0	MIS-2	NO	0.00
6T, 6I, 62	9.5	8.0	PAT	MED	863.00
3Y	11.5	10.0	POF	MED	513.00
3B****, 3F****	11.5	10.0	POF	MED	513.00
36**** ****	11.5	6.0	POF	MED	513.00
5B, 5D, 5F, 5H, 5V	11.5	10.0	POF	MED	513.00
3A****, 3E****, 5C, 5E, 5G	11.5	10.0	POF	NO	513.00
3D, 3M, 5K	12.0	11.0	POF	MED	863.00
3C, 5J	12.0	11.0	POF	NO	863.00
55	12.0	8.0	POF	NO	863.00
3T	12.0	12.5	POF	MED	863.00
1J, 1P, 1S, 1V	10.0	9.0	SAF	MED	317.00
1H, 1R, 1T, 1W	10.0	9.0	SAF	NO	317.00
6R	10.0	6.0	SAF	NO	317.00
6J, 6L	11.0	10.0	SAF	MED	317.00
19, 1X, 6P	10.0	10.5	SAF	MED	317.00
13	1.5	0.0	SAF-2	MED	0.00

* MIS-2, IND-2 and SAF-2 identifies 2nd Tier

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

*** Refer to the section, Erroneous Account Codes/Rates

**** The exclusion amount was increased to \$513.00 from \$238.00 for account codes 3A, 3B, 3E, 3F, and 36.

Retirement Adjustments

For those employees with account code/rate changes identified as a result of PPSD's ongoing implementation efforts, the retirement adjustments will be processed after the EH records are updated. These retirement adjustments to recover or refund contributions for those employees moved to the new account codes/rates will be processed over the next several months.

If an accounts receivable, or retirement adjustment already exists for the pay period, or the payroll to be adjusted is related to IDL (Industrial Disability Leave), the payroll will be reviewed and corrected as needed.

Erroneous Account Codes/Rates

Research performed for implementation of this personnel letter identified a number of EH records reflecting erroneous account codes and associated old contribution rates. For example, account codes 4L and 36 are no longer valid account codes as of the mass updates processed by PPSD in 2010/2011. However, there are active employees appointed with these account codes. To immediately correct the employees' contribution rates, the rates on the erroneous account codes were increased effective July 1, 2013.

At this time, the EH records reflecting account codes TS, 24, 4L, 4T, 4X, and 36 are being reviewed and updated to reflect the correct account codes. Retirement adjustments will be processed after EH is updated.

The use of erroneous account codes is not limited to the six codes identified above. We will continue the review of erroneous account codes and proceed as appropriate, updating employment history to reflect the correct account codes/rates and correcting retirement contributions as needed. At this time, no action is required by the agencies.

Future Changes

Due to the additional complexity in retirement brought on by PEPRA, it is our intent to simplify the assignment of retirement account codes in the future. As future changes are implemented, additional Personnel Letters will be issued as soon as possible.

Contacts

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

For questions regarding the accounts receivables and/or refunds identified in this letter contact SCO's Retirement/Social Security Liaison, by telephone at (916) 324-1471.

For questions regarding CalPERS' eligibility and benefits contact CalPERS, by telephone at (888) 225-7377; while questions regarding ARP eligibility should be directed to the ARP Employer line, at (916) 324-2909.

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

LC:PMAB:dm