

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
May 2004**

DATE: June 21, 2004

TO: All Civil Service/Exempt Departments

FROM: State Controller's Office
Don Ward, Operations Manager
Personnel/Payroll Operations
(916) 322-8805

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the May 13, 2004 Personnel/Payroll Committee (PPRC) Meeting and provides information for the July 8, 2004 meeting.

We would like to thank those department representatives that participated in the May meeting for their time and effort. There were 51 representatives from 36 departments that participated in this meeting.

Personnel/Payroll Review Committee
May 13, 2004 Meeting Notes

The meeting was called to order at 1:30 by Don Ward

Departments represented:

Air Resources Board, Alcohol Beverage Control, Alcohol and Drugs Program, California Highway Patrol, CalPERS, California Student Aid Commission, Consumer Affairs, Corrections, Developmental Services, Earthquake Authority, EDD, Financial Institutions, Food & Agriculture, Forestry and Fire Protection, Franchise Tax Board, General Services, Health and Human Services Data Center, Health Services, Housing and Community Development, Justice, Lottery, Managed Care, Mental Health, Motor Vehicles, Parks and Recreation, Peace Officers Standards and Training, Personnel Administration, Secretary of State, State Controllers Office, State Personnel Board, Statewide Office of Health Planning, Toxic Substances Control, Transportation, Treasurer's Office, Water Resources, and Water Resources Control Board.

Old Business:

None

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns

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Confirm Next Meeting Agenda, Time and Place

Discussion:

Approved March 2004 meeting notes.

Guest Speaker: Glenda Hlawaty, CalPERS Office of Employer & Member Health Services (OEMHS), (916) 658-1242, provided draft copies of the newly redesigned HBD-12 health enrollment form to the attendees. As part of the redesign project, OEMHS wanted to have the form reviewed and receive feedback from the users. At this time it is unknown when the form will be implemented for use since OEMHS is waiting for a response from the CalPERS Legal Office. The legal office is also reviewing the verbiage contained in the form.

Any feedback or comments may be emailed to Kathy Sanchez at: Kathleen_Sanchez@calpers.ca.gov. Also, members of the redesign project team will be returning to the July PPRC meeting and will pick up the comments at that time.

Guest Speaker: William Page, Benefits Manager, DPA (916) 445-9801, provided the following information on Flex Elect, COBRA, Dental and Vision Programs, and answered questions from the members.

Susan Coats is the new Flex Elect coordinator at DPA Benefits Division. She can be reached at (916) 327-6429. This phone number is for Personnel Office staff only, please do not provide it to your employees.

Employees in a medical reimbursement account must remain in the program after a separation in order to still submit claims. This is a COBRA benefit and they must be offered this as well as health, dental and vision when there is a permitting event for COBRA. This is covered in the BAM Section 700 under Flex Elect Program.

The 2005 Plan Year FlexElect Handbook will be available prior to the fall open enrollment period and all departments will get a memo from DPA to order handbooks in mid-June.

The dental permitting event code chart erroneously omitted the "Death of Spouse" cancellation permitting event code. The code is being added back to the chart soon, but should be considered a current valid permitting event. A revised chart should be sent to all Personnel Offices soon.

Question: If an employee separates in May, can they file claims for services provided in May or June?

Answer: The premium deducted from their May warrant is for the June pay period, so, yes, these are covered months. If the employee does not enroll under COBRA and pay premiums, they would not be able to file claims after their last covered month. The COBRA enrollment is only required for the Medical Reimbursement Account (in order to continue to submit claims). There is no requirement to enroll in COBRA for the

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Dependent Care Reimbursement Account, you can continue to submit claims after separation.

Question: We provide eligible employees/dependants with the COBRA information, but they never respond. Are we in compliance?

Answer: All you are required to do is provide the notice of COBRA eligibility within 14 days. If the employee and/or eligible dependents don't respond within the 60-day election period, then all rights to elect COBRA continuation coverage is lost. You must be able to prove that the notice was sent to the last known address, you are not required to prove receipt.

Question: Can the Vision enrollment form be modified to include dependant information?

Answer: There is no anticipated change for the STD. 700 for the addition of dependent information. The State's current contract with VSP involves a composite rate structure that permits all eligible dependents on an employee's vision coverage. Enrollment is automatic for most employees and an enrollment form is not usually required.

Question: Are there planned changes to the dental plans or rates?

Answer: There are no further mergers of contracted dental plans for 2005.

The State is still in negotiations with our current carriers regarding rates. Once negotiations are complete and rates finalized, any new rates, if there are any changes at all, will be released.

Question: We have an ongoing issue with Delta and the way they record a 2 party code if the second person is not the spouse.

Answer: At this time, we continue to work with Delta Dental to ensure proper coding is done. There are times when Delta's system defaults to an employee and spouse code for a two party enrollment. Delta continues to do its utmost to correct any coding errors once they have notice of the correct enrollment coding, when applicable.

Question: Has anyone ever advised the departments to tell their employees to contact Delta prior to using dental insurance in these cases? This might alleviate some of the errors caused when a child is sitting in the chair and the dentist won't work on them because they cannot confirm coverage.

Answer: There has been no directed instruction to personnel offices to check party code listing with Delta. However, over time, DPA has encouraged personnel offices in discussion to ensure that employees are made aware to check their payroll information to see if deductions are appropriate. Also, with the availability of the on-line eligibility review system through Delta, any enrolled employee may view his or her own eligibility, party codes, benefit structure and amounts used to date. However there is certainly the need for the dental office to properly apprise their patients of coverage, and if there are any problems with coverage. The State, as a whole, does not intervene at the provider level as Delta contracts directly with the providers. However, we certainly feel that there

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is a great deal of responsibility of the dental office to properly identify coverage for a patient, including party code, and report any problems with coverage to their patient well in advance of any appointment without waiting until the last minute.

Question: Will DPA ever identify 23 year old dependants like CalPERS does for health?

Answer: We have talked to SCO about including this option in the 21st Century Project.

Question: Are you planning to revise the BAM?

Answer: The Dental Procedures Manual was revised 9/2003, there are no planned revisions for 2004 (other than correcting permitting event code chart to add "Death of Spouse"). We are updating the Vision Procedures Manual; Brian Bruno is in charge of this project. Brian can be reached at (916) 445-9841. The FlexElect/CoBen manuals are normally revised and sent to Personnel Offices prior to open enrollment. The COBRA manual is normally revised annually and sent to Personnel Offices in January.

Guest Speaker: Pat Quinn from the 21st Century Team provided an update on the status of the 21st Century Project.

The *21st Century Project* is a statewide, multi-year effort to replace the existing payroll and human resources systems operated by the State Controller's Office with a modern, integrated, automated system that utilizes the most current technology. The 21st *Century Project* will impact all departmental personnel and human resources operations. The project is currently in the Procurement Phase with the Request for Proposal scheduled for release on May 18th, 2004.

Your participation is key to the success of the 21st Century Project. Currently, departments are taking part in a Business Case Benefits Study. Later this summer, we will be asking for your involvement in Focus Group Meetings. Key functions of the new system, and topics that will be discussed in this summer's Focus Group meetings include: Employment, Payroll, Position Management, Employee Self-Service, Timekeeping, Leave Accounting and Management Reporting.

A new 21st Century Website will soon be released. The site will contain information about the project including project phases, key features, project status and timeline. The website will also contain information about upcoming Stakeholder Meetings. News Updates will be issued on an ongoing basis to alert you on various subjects such as; newly scheduled meetings, project updates, and requests for your attendance and input in focus group discussions. To subscribe to a 21st Century distribution list, participants at the PPRC meeting were asked to complete a sign-in sheet. If you want to subscribe to receive 21st Century News Updates please send an email to 21stCentury@sco.ca.gov.

Guest Speaker: Cheryl Salvador, CalPERS Actuarial & Employer Service Division, (916) 341-2918 addressed the following:

State Service Credit vs. CalPERS Service Credit

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CalPERS' has been receiving many phone calls from members who feel their CalPERS service credit is incorrect because they are comparing it to their State Service credit. If the member believes their CalPERS service and/or contributions are incorrect, they need to send their request in **writing** instead of calling.

You can not compare State Service to CalPERS Service. State Service is credited on a Fiscal Year of October through September, whereas CalPERS Fiscal Year is July through June. Also, CalPERS service credit is earned by tenths of months; State service is based on 12 months.

Additional Retirement Service Credit (ARSC) and Other Service Credit Purchases

A handout was provided to attendees that provided information regarding anticipated changes in the actuarial assumptions. If adopted, the assumptions will apply to service credit purchases, retirement benefits, and new optional benefits starting in December 2004.

Included in the handout was information how members could look up the status on Service Credit Cost Requests and the ARSC purchase request. The information can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/member/service-credit/purchase-options/home.xml>

Working After Retirement for a CalPERS Covered Employer
Circular Letter 200-143-04 (Here's the link www.calpers.ca.gov/eip-docs/employer/cir-ltrs/200-143-04.pdf)

IRS rules do not permit the distribution of benefits to a member who retires prior to the plan's normal retirement age unless the member has a "bona fide" separation from service. CalPERS is in the process of establishing regulations regarding this. Attached is a copy of the proposed regulations that define "normal retirement age" based on the retirement formula and a "bona fide" separation as 60 days. Also, attached is a chart that provides the "normal retirement age" based on the retirement formula. See Attachments A and B below.

Attachment A

**Proposed Regulatory Action by CalPERS
Adoption of Title 2, Section 586 through 586.2**

**Title 2. Administration
Division 1. Administrative Personnel**

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Chapter 2. Board of Administration of Public Employees' Retirement System

Subchapter 1. Employees' Retirement System Regulations

Article 7.5 Normal Retirement Age and Bona Fide Separation in Service

§586. Purpose

The purpose of this Article is to ensure the federal tax-qualified status of the Public Employees' Retirement System by prohibiting in-service distributions to the extent required by the Internal Revenue Code, and the regulations promulgated thereunder. In the event the applicable federal law changes, the federal law shall supercede these regulations.

§586.1 Normal Retirement Age

(a) The normal retirement age of a member shall be the later of:

(1) the age when the member is first eligible to retire pursuant to Article 1 through Article 5 of Chapter 12, Part 3, Division 5 of Title 2 of the Government Code; or

(2) the highest specified age applicable to the member in the benefit formula, where the highest specified age is defined as:

(i) 65 if the member is entitled to benefits under section 21076 or 21100;

(ii) 60 if the member is entitled to benefits under section 21353 or 21354.3; 55 if the member is entitled to benefits under section 21354, 21354.1, 21354.5, 21363, 21363.1, 21366, 21369, or 21369.1; and

50 if the member is entitled to benefits under section 21362, 21362.2, 21363.3, 21363.4 or 21363.8.

(b) In the event an existing benefit formula is modified or a new benefit formula is enacted, the chief actuary may determine the normal retirement age until such time that the regulations may be amended.

§ 586.2 Bona Fide Separation in Service

(a) For purposes of working for a CalPERS-covered employer after retirement pursuant to Article 8, of Chapter 12, Part 3, Division 5 of Title 2 of the Government Code, a member who has not attained normal retirement age shall have a bona fide separation in service. A bona fide separation in service is defined as:

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(1) no predetermined agreement between the employer and the member prior to retirement to return to work for the employer after retirement;

(2) a separation in service of at least 60 calendar days between the date of the member's retirement and the first day of work for the employer as a retired person. The 60 days shall commence on the day after retirement.

(b) Any retired person employed in violation of this regulation shall be subject to the consequences provided in Government Code section 21220.

(c) In the event an emergency has been declared as provided in Government Code Section 8558 that requires the employment of a retired person, the 60 calendar day separation in service requirement set forth in subdivision (a)(2) of this regulation shall not apply.

NOTE: Authority Cited: Section 21220.5, Reference Section 21220.5
Authority Cited: Section 20121, Reference 20121

Attachment B

Government Code Section	Benefit Formula	Normal Retirement Age
21076	1.25% @ 65 (State Misc./Industrial)	65
21100	1.5% @ 65 (Local Misc.)	65
21353	2% @ 60 (State Misc./Industrial, Local Misc. or School Misc.)	60
21354.3	3% @ 60 (Local Miscellaneous)	60
21354	2% @ 55 (Local Miscellaneous)	55
21354.1	2% @ 55 (State Misc./Industrial or School Misc.)	55
21354.5	2.7% @ 55 (Local Miscellaneous)	55
21363	2.5% @ 55 (State POFF or Local Safety)	55
21363.1	3% @ 55 (State POFF or Local Safety)	55
21366	½ @ 55 (State Patrol or Local Safety)	55
21369	2% @ 55 (State or Local Safety)	55
21369.1	2.5% @ 55 (State Safety)	55
21362	2% @ 50 (State Patrol or Local Safety)	50
21362.2	3% @ 50 (State Patrol or Local Safety)	50
21363.3	3% @ 50 (CSU Police)	50
21363.4	3% @ 50 (State POFF – Units 6 & 8)	50
21363.8	3% @ 50 (State POFF – Unit 7)	50

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Personal Leave Program (PLP): When PLP was implemented, it was agreed that SCO would report the normal monthly payroll with the lower 5% pay rate and earnings. However, the bargaining agreements state, for retirement purposes, the final compensation will be based on the higher pay rate prior to the 5% reduction. CalPERS is now receiving the retroactive higher pay rate from SCO (we have the information for 7/03 – 10/03. CalPERS will manually identify any state retiree that has not already had their allowance adjusted for the PLP increase and make any necessary adjustment retroactive to the retiree's retirement date. The retiree **DOES NOT** need to contact CalPERS.

SCO Update:

AB 2530: This proposed legislation will allow SCO to charge up to \$3.50 for each garnishment deduction. This is very close to our actual cost in processing a garnishment deduction. The same legislation will allow us to increase the threshold for writing off Accounts Receivable from \$5 to \$25.

Tax Exempt Letters: Per SB25, we will no longer print the SSN on the annual letters advising employees that their exempt status will expire in February. Also, we were asked at the last meeting if we could provide departments with a listing of their employees that filed tax exempt status along with the letters. The departments could use the listing to determine if their employees filed a new EAR. We will provide a listing along with the employee letters in December.

PARs: We are receiving PARs without signatures. Please ensure you review your PAR documentation before sending them to us.

Statute of Limitations for ARs: We assume that when an AR is requested via a 674 that all the rules regarding proper notification to the employee were followed. This is the agency's responsibility.

CA Personnel Office Directory (CPOD): The CPOD is a widely used reference tool for contacting other agency Human Resources staff. The directory includes Human Resources staff and their respective phone numbers, FAX numbers and email addresses. Please be sure to update your information whenever you have changes. The following link will take you directly to the CPOD home page:
<http://www.sco.ca.gov/ppsd/cpod>.

Master Payroll Certification (MPC): We are finding many agency/reporting units where the MPC is either not cleared or is cleared after 674s have already been submitted to PPSD to transfer or adjust payments. The members at the May PPRC indicated that about 10–14 days into the month is the time frame where they should have cleared MPC. We are now running a report on the 15th of each month and will be contacting the Transaction Supervisor if MPC has not been cleared timely. We hope to be able to save time for the Human Resources staff and PPSD by allowing the system to automatically issue these adjustments. Contact Ann Mitchell, (916) 322-7978, or email at anmitchell@sco.ca.gov if you have questions or comments.

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Position Control Update: Reminders were provided regarding Forms 607 deadlines. Specifically, June 4th for any packages that require cycling, June 11th for all other 607's that need to be processed by the end of the fiscal year. Also, any position changes or additions/deletions that need to be processed after July 1st should not reach our office before July 2, 2004.

Finance Conversion Codes were mailed out May 3, 2004 and were due back May 25, 2004.

Annual Payroll Headers PR421 were mailed out May 6, 2004 and were due back May 25, 2004. If anyone cannot meet these due dates, please contact Cindy Rounds at (916) 324-6290 to request an extension.

Probable Vacant Position Reports were mailed out April 1, 2004 for departments to start verifying the positions they may potentially lose to Government Code (GC)12439. Any position on the report with an X99 document number is a position Department of Finance (DOF) requested us to add back to the position roster. These positions were added back with the effective date of July 1, 2003. However, because we did not process the transactions to add these positions back until October 2003, DOF indicated that we will only track these restored positions from October 2003 forward for six consecutive pay periods without expenditures. Any concerns about these restored positions should be directed to Tim Lynn, DOF at (916) 445-3274. Copies of the Government Code 12439 were distributed that identified specific instructions departments are to use this year to self certify re-establishment of positions. The web site for GC 12439 is www.leginfo.ca.gov.

Questions/Answers:

Question: Is there any news on allowing use of the A/R leave credit offset program to other bargaining units than those already using the process?

Answer: Yes, DPA is very close to releasing a PML on this process. Once this occurs, SCO will issue a Payroll Letter identifying the instructions for this new process.

Question: What is the status of SDI implementation?

Answer: DPA and CSEA have reached an agreement on SDI. The agreement requires SCO to implement SDI 18 months after funding is received. It is anticipated that the project will start in July 2004, pending a signed budget.

Next Meeting:

The next Meeting is Thursday, July 8, 2004 from 1:30 to 3:30 at:

State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814

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Listed below are the PPRC meeting dates for the remainder of the 2004 calendar year.
All meetings are from 1:30 to 3:30 at the above location.

July 8, 2004
September 9, 2004
November 18, 2004

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at dward@sco.ca.gov.