

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
NOVEMBER 2007**

Date: December 20, 2007

To: All Civil Service/Exempt Departments

From: State Controller's Office
Cynthia Rounds, Manager
Ann Mitchell, Manager
Personnel/Payroll Operations
(916) 324-6290/322-7978

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the November 8, 2007 Personnel/Payroll Review Committee (PPRC) meeting and provides information for the January 10, 2008 meeting.

We would like to thank those department representatives that participated in the November meeting for their time and effort. There were 32 representatives from 23 departments that participated in this meeting.

Personnel/Payroll Review Committee
November, 2007 Meeting Notes

Cynthia Rounds called the meeting to order at 1:30.

Departments Represented:

Board of Equalization, California Horse Racing Board, California Student Aid Commission, Child Support Services, Commission on Teacher Credentialing, Corrections, Developmental Services, Employment Development Department, Financial Institutions, Fish and Game, Food and Agriculture, Franchise Tax Board, General Services, Justice, Mental Health, Personnel Administration, Secretary of State, State Controller's Office, Teale Data Center (DTS), Toxic Substances Control, Transportation, and Water Resources.

Old Business:

None.

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns
Confirm Next Meeting Agenda, Time and Place

Discussion:

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Approved September 2007 meeting notes.

Guest Speakers:

Lorena Medina, SCO/PPSD, had this information to share regarding Military Leave pay:

Military leave differential payments, known as 'military leave pay', are payments made by the SCO to represent the difference between the regular salary of an employee and the amount being paid by the military, if the regular salary is higher.

Effective January 1, 2008 military leave payments (Payment Type 7) will no longer be subject to Federal, California State, Social Security, Medicare, and State Disability Insurance (SDI) tax withholding by the SCO. Military leave payments are not considered wages and wage related income taxes are not to be withheld from the payments.

A payroll letter will be released announcing the change. A sample letter will be attached to the payroll letter explaining military leave payments to the employees. Departments are encouraged to inform their employees of this change before the December 2007 military payment issues.

Although these payments are not considered wages, they are reportable on Form 1099-MISC effective with the 2008 tax year.

Pre-tax deductions such as 401(k), 457, and 403(b) and retirement buy-back deductions will no longer be withheld from military leave payments. Employees enrolled to have health, dental and vision care will retain their benefits, but the benefit codes will be changed to reflect after-tax benefit deductions.

There are no changes to the procedures for requesting military leave payments. DPA and the Chancellor's Office will release revised Military Leave worksheets and completion instructions.

Begin using the new Military Leave worksheet January 2008 only if an employee is going on a new tour, is newly eligible for military leave payments or wishes to make changes to their current deductions. New worksheets for employees currently on military leave are not needed.

For more information employees can visit the IRS website www.irs.gov and run a search for newsroom article, "Employers with Employees in a Combat Zone."

Sandy Westlake, SCO/PPSD discussed health vesting (health coverage for dependents).

She asked for their (the department's HR staff) assistance in verifying that those employees that are subject to health dependent vesting are receiving the appropriate vesting State share amount.

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Bargaining units 2 and 7 employees are now rolling over from the 50% rate to the 75% rate level because they have been in vesting for a year and are eligible for the higher rate. Other bargaining units that are subject to vesting will roll to the 75% rate come January 2008. In these first groups of employees that are rolling over we found a few employees that should have the vesting state share but received the full (100%) state share. We are trying to tighten our program and requirements to control this but if you notice one of your employees should be vesting but is not please contact us.

Question: If the SCO notices an employee should be vesting but isn't, will you take the necessary appropriate action?

Answer: Yes, we are establishing accounts receivables as needed.

We selected employees that we thought should have vesting by checking if they had a prior state service code of 1, are in a bargaining unit subject to vesting and have been hired after a certain date. At the time of the appointment the employee doesn't have health insurance (they have sixty days to select their health coverage). If a correction is made to the appointment the prior state service code doesn't carry forward to the next appointment and that's how some of these are being missed. We have a solution to the problem but some may have slipped through prior to the system correction.

Question: What if your new hire doesn't choose a health plan and chooses flex? An example would be if the employee had flex part of 2007, all of 2008 and in 2009 during open enrollment they chose to opt out of flex and enroll in health, they would still be subject to vesting, correct?

Answer: The employee is subject to vesting for the first 24 months of health eligibility. So, if you were to have a permanent full-time employee that chooses the cash in lieu of the benefit for 18 months then decides to go to party code 2 or 3 they would be vesting at the 75% rate. At the end of the remaining 6 months it would be 100%.

SCO Update:

Ann Mitchell addressed the following information:

Once again here is the link for the Year End Separation Handbook
<http://www.sco.ca.gov/ppsd/empinfo/links.shtml>.

Those of you who have employees separating at the end of this year who need special handling of their separation pay:

1. You may fax the Separation PARs to Linda Danko's attention.
2. Do not wait until the last minute.
 - The last date/time to fax is 12/26/07 and no later than 2:00 PM (the last payroll cycle in December).
 - The last issue date for 2007 is 12/27/07.

If your employee is deferring payment into the 2008 tax year as well:

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1. The initial PAR must show only vacation pay, if possible, to reach the amount of pay desired.
2. Show only 2007 deferred compensation information in remarks.
3. After the last cycle in December you will complete an S70C showing the total amount of leave to be paid.
4. Show only the 2008 deferred compensation amounts in remarks on the S70C.

Please fax a copy of the Savings Plus Program form that the employee has completed.

Remember we run out of payroll cycles very quickly in December.

We do not accept faxes for FMLA. There are no exceptions. The deduction companies get their reports and money twice a month only. We work as much as we can to apply to the first half report. Anything we didn't get worked for the first half will be worked just before or on the last green of the month.

We should not be receiving any dental forms for an R06 employee who is NOT a union member. (We are still receiving them.)

We really need agencies to attach the carrier copy when they submit a STD692. The STD692 comes in four parts; the white and yellow copies should be submitted to the SCO. Once we process the document, we pull the carrier copy and send it to the deduction company. Per the BAM 520, document completion item #3, STD692 can be ordered from the Office of State Printing, Department of General Services.

Please do not call us to rescind a document; we will not pull it per a phone call. Per DPA the document must have the employee's and department's signatures.

We are receiving multiple open enrollment documents for the same employees. If they are doing a correcting document, they need to indicate that at the top of the document. The employee must sign it and they should attach a copy of the original that was previously submitted. The deadline to submit a returned document is December 5, but we would appreciate receiving them back as soon as possible.

We are working flex documents and some dental documents dated October 11, 2007, if the document was submitted after that date, please don't call us to see if we have received it. If it doesn't show on the November master, either resubmit it as an inquiry or phone us after that to inquire about the status.

Important: When submitting flex cash requests please make sure the health and/or dental has been cancelled.

Lately we have been receiving documents with no contact information completed or the phone number is completed but there is no extension number. It would help us to expedite the pay requests if we have current contact information available on the documentation submitted to us.

We have been receiving documents with incorrect social security numbers. This also slows down processing if we are unable to get in touch with you.

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We are seeing a lot of 674's submitted for original premium pay requests that can't be keyed via PIP. The specialists are completing Item 6A and leaving Item 6B blank – which is incorrect, 6B must be completed.

We are receiving documents from new personnel specialists who aren't fully trained and only complete a portion of the document hoping we will call them to advise how it should be completed. You might want to contact Debbie Soto for a packet of sample 674's and 674 A/R's that were distributed at the September meeting.

You do not need to wait for us to create an A/R under our new process. If you know your employee is overpaid, go ahead and send us a 674 A/R and indicate the method of collection. This will save time if you plan to use payroll deduction to collect.

Year End Processing: Agencies should refer to Payroll Letter 07-017 for cut off dates to submit documents.

2007 W-2 mailing addresses: A global message was printed on October's earning statement/direct deposit advice indicating the employee's mailing address that will be used for the W-2 mailing. If the mailing address is incorrect, personnel must be notified by December 15. Personnel can key EAR changes until December 19.

No mailing address or invalid characters used in the mailing address: Agencies attending this meeting can check to see if they have an envelope that contains listings of employees who have an incorrect or invalid mailing address. For those agencies not attending today's meeting, the envelopes will be mailed to them.

A reminder regarding Exemption from Income Tax Withholding: Employees that file exempt from taxes must reinstate their exempt status by filing out a new Employee Action Request before the middle of February otherwise their exemptions will revert to Single and 0.

Cindy Rounds had a few issues she wanted to bring up:

The final Vacant Position report went to the legislature October 15. We had some calls from departments, had some late documents that Department of Finance (DOF) signed off on and didn't get here in time so we are adding those positions back and notifying DOF to take them off the final list. We do not rerun that final list so the legislature does have that report but DOF does make the changes to it. We also had a couple departments that had key entry errors on some 607's. We are correcting those and notifying DOF as well.

Direct Deposit: One new staff has been added to the unit. We are working on some technical changes to the client builder programs used by the unit. This will help streamline processes so you should see an improvement in the turnaround time of your phone calls and the actions you requested. We hope to have the modifications up and running by the end of the month.

Question: We have an employee that completed the Direct Deposit enrollment form by putting his last name and first name as the same. We didn't catch it before it was

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mailed out of the office and sent to the SCO. Do you think the form will be rejected? Everything else on the form was correct.

Answer: Unfortunately it will be processed with the wrong name. Our system will not kick it out for last name and first name being the same. What you should do is send in a 'change' with the correct name.

Question: We have an issue with Alternate Retirement Program (ARP), the posting and running of the MIRS reports. Who do we bring that up to?

Answer: The MIRS unit, specifically Pam Geyer. Her telephone number is 324-7268.

Question: I have a couple of employees that received checks without a routing number. I received information from the SCO that we should talk to the bank and have them speak to the SCO. One employee called the bank and was in contact with the SCO but was unable to resolve the problem. We ended up giving her a salary advance because she wasn't on direct deposit. Another employee had a problem with the routing number because it was missing a digit. The employee had a portion of their money going into a savings account but it didn't get deposited.

Cindy: Were these replacement warrants?

Answer: No, they were regular warrants.

Cindy: I haven't heard of this situation. I know there has been a problem in the past when replacement warrants are issued. The banks usually tell the employees that are trying to deposit or cash the warrant it's the routing number that's missing when it's actually the warrant number. We don't have preprinted numbers on the replacement checks because we never know ahead of time what check number we need to replace. I'll check with Disbursements to see if we can determine what the problem is.

Ann: A similar situation occurs when the printer jams while printing warrants. They can rerun that section but they use different paper so it's not the typical warrant paper plus it's also missing that one number. If that happens a letter is typically sent out with the warrant explaining the situation.

Cindy: I'll have something posted in the PPRC notes to let you know what I found out. If anyone has an urgent problem regarding this please contact me at crouds@sco.ca.gov or call me at (916) 324-6290.

The only situation Disbursements is aware of is the replacement warrant issue.

Lina Ayala, DPA: I would like to let everyone know that at the end of November DPA will be sending out a PML regarding Savings Plus and the ability to enroll online. This will become available December 3, 2007. If employees don't have access to the DPA website you can call customer service at (866) 566-4777.

Next Meeting:

The next meeting is Thursday, January 10, 2008 from 1:30 to 3:00 at:

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

The PPRC encourages attendance by department representatives interested in improving the efficiency of personnel/payroll administration. However, if you are unable to attend these meetings and you have an issue or question you would like the committee to address; please contact Cynthia Rounds or Ann Mitchell with pertinent information.

Listed below are the PPRC meeting dates for the 2008 calendar year. All meetings are from 1:30 to 3:00 at the above location.

January 10, 2008
March 13, 2008
May 8, 2008
July 10, 2008
September 11, 2008
November 13, 2008

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact either Cynthia Rounds at (916) 324-6290 or Ann Mitchell at (916) 323-2539. They can also be reached via email at crounds@sco.ca.gov and anmitchell@sco.ca.gov, respectively.