

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
JANUARY 2008**

Date: February 25, 2008

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 January 10, 2008 Personnel/Payroll Review Committee (PPRC) meeting and provides information for the March 13, 2008 meeting.

We would like to thank those department representatives that participated in the January meeting for their time and effort. There were 33 representatives from 25 departments that participated in this meeting.

Personnel/Payroll Review Committee
January, 2008 Meeting Notes

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

Departments Represented:

Alcohol and Drug Programs, Board of Equalization, California Highway Patrol, California Horse Racing Board, California State Library, Commission on Teacher Credentialing, Consumer Affairs, Developmental Services, Employment Development Department, Financial Institutions, Fish and Game, Food and Agriculture, Franchise Tax Board, Health Services, Industrial Relations, Inspector General, Mental Health, Personnel Administration, Secretary of State, State Controller's Office, State Personnel Board, Unemployment Insurance Appeals Board, Veteran Affairs, 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
Confirm Next Meeting Agenda, Time and Place

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Discussion:

Approved November 2007 meeting notes.

There were no guest speakers.

SCO Update:

Ann Mitchell addressed the following information:

Copies of the 674 completion samples we have provided in the last couple of meetings are still available by contacting Debbie Soto, Senior Payroll Specialist in our Premium Pay Unit, at (916) 322-4461 or by emailing her at dsoto@sco.ca.gov.

Personnel/Payroll Specialist/Supervisor Annual Recruitment and Retention Pay (R & R): As a reminder, Payroll Letter 08-002 View Direct instructions are for those employees whose R & R eligibility period is from January through December 2007. The R & R must not be keyed before January 31, 2008. The R & R overtime adjustment requests will not be accepted until after the R & R payment has been issued. Some agencies send in the R & R overtime adjustment requests early thinking that by the time we work the overtime adjustment, the R & R would have issued. We will be returning any R & R overtime adjustment requests if received before February 4, 2008. If you have any questions, please contact Debbie Soto at (916) 322-4461.

Military Pay: There has been no major action on H.R. 3997, the Heroes Earnings Assistance and Relief Act of 2007. Contrary to the information originally received, the House and Senate did not pass the bill in the same form before they adjourned December 19, 2007 and it is not awaiting the President's signature. However, the House and Senate are expected to take it up after resolving differences. If the bill is not signed by the end of January, we will issue another month as reportable taxable income and not as wages which is what we did for the December 2007 supplements.

2007 Form W-2 Wage and Tax Statement: Payroll Letter 08-001 has information regarding the mailing of W-2's as well as information for agencies on how to verify employees' mailing addresses via ViewDirect. Agencies must verify mailing addresses for those employees that haven't received their W-2's by January 31, 2008 for fee waivers. The cost for a duplicate W-2 is \$8.50. The ordering of duplicate W-2's will begin February 8, 2008.

Health Vesting: Vesting rates were updated incorrectly. We are aware this occurred and are working on it. Please do not call to inform us. We recently increased our voice mail capability in the Benefit Unit.

Please do not call to verify receipt of a document as our voice mail fills up quickly. If you submit your documents after the tenth of the month, they will not be worked until the following month.

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Flex: If an employee has flex cash and wants to enroll in health benefits, a flex cancel MUST be submitted to the State Controller's Office, not CalPERS. CalPERS is unable to do anything to cancel the flex deduction.

Question: We don't know when you're processing the flex.

Answer: The benefits calendar will indicate the dates for specific cutoffs. If you're keying it in ACES early in the month then there is plenty of time for the flex document to get here. It is a timing issue but it's based more on when you're keying to ACES. If you are keying to ACES on a benefits cutoff then there is no time for us to cancel the flex before pay issues with both and that becomes the problem. We are not saying to not key it at all during that month, just make sure you send us the cancellation as soon as possible. If it turns out that you have to do it all on the same day, then we'll have to set up an A/R to take back the flex cash. We cannot eliminate this situation; we're just asking that you to do the best you can to get the flex cash cancelled before you set up the health benefits so the employee doesn't end up with both.

Question: Do you accept faxed documents?

Answer: No, but you can overnight documents and those people here in town usually have couriers that can hand deliver the documents.

Question: What is the timeframe? Do you key it right away?

Answer: If it is delivered to 300 Capitol Mall, it's received in the unit the same day. When things go through the mail they go to 33rd and C Streets first and then come over to our office. We key documents based on priorities and workload cutoffs. Again refer to the benefits cutoff calendar.

We have had tremendous staff movement again so we have made up new org charts so you can see what areas are changing. We will bring new copies to the next PPRC meeting.

Question: Is there any update with the 21st Century Project?

Answer: No. When there is a new announcement to make we'll have someone from the project come and speak.

Question: An employee's IDL claim was initially denied so they applied for SDI and now a couple of months later the IDL claim was retroactively approved; should we go ahead and process the IDL pay even though we know the employee received SDI essentially making them overpaid by EDD? Should we concern ourselves that they've been getting SDI?

Answer: EDD tells us we shouldn't concern ourselves. Therefore, process the IDL because they are now entitled to the IDL. EDD will take care of any overpayment. On your 674D you should show in remarks they have received SDI also.

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Question: Regarding vesting, even though the employee is not enrolled when does the time start?

Answer: The employee is subject to vesting the first 24 months of State service. If a permanent fulltime employee chooses flex instead of the benefit for 18 months then decides to go to PC 2 or 3 they would then be vesting at the 75% rate. At the end of the remaining six months the rate would be 100%.

Question: One of our staff spoke to Penny in the Disability liaison and was told when you have SDI working while on, for a current pay period you can fax the 674D. But supplementation, which is considered miscellaneous pay, when faxed is processed in a green cycle and, creates exceptions to our payroll. Is there any way to change that so we don't have so much paper work with exceptions in processing the supplemental pay?

Answer: SDI, working while on for current month payments, can be faxed and will be processed in a green cycle. Supplementation payments for current month when faxed will also be processed in a green cycle. Supplementation is paid as regular pay not miscellaneous pay. Because these are current payments there is no way to avoid the exception process.

Discussion by attendees:

A comment on that; at EDD we are trained to not include supplemental pay whether the employee is on SDI or IDL. If that's all of their pay it's going to be issued through green cycle from the disability unit. We don't include them with our master totals at all even when we do the reconciliation. We just leave that attendance out. Most often these people are entered on a last page. We use a 672 so everyone is just handwritten in, we don't even total. So we don't even write them up as exceptions.

They shouldn't be on a 672 because they should be off on a leave of absence, A50.

When we were audited we were told we have to be accountable for every payroll warrant issued from Controller's. Because we use a 672 for reconciliation we know when an employee is on an S50, if supplementation or an employee is working while on, of course, that would be an exception.

Just to be clear here, are you saying that if you do put it on your 672 and it doesn't reconcile with your pay then you do a STD. 666?

Yes, if master doesn't match our attendance, we do a STD. 666 and keep it in our warrant packets for audit purposes.

I thought we were told not to send the STD. 666 to Controllers unless we are returning a warrant?

That's correct. We don't work them, send them only if you are returning a warrant on the STD. 666.

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Question: Would you mind repeating what you said earlier on Military Pay?

Answer: We have always considered Military pay as wages; it has always been shown on the W2 as wages. Then we did a lot of research and determined that under the law as it is currently this pay should be considered income and not wages and reported on the 1099. We were in the process of switching everything over to that process when this new legislation, the Heroes Earnings Assistance and Relief Tax Act of 2007, proposed to change from income reported on the 1099 back to wages reported on the W2. We were under the impression that it had passed the legislature and was ready for the President's signature. Then we discovered at the last minute, that it had not passed. There were some minor differences between the two houses of federal legislature and those differences have to be reconciled before the President can sign. We anticipate that he will sign it; it's just whether it will be signed timely before we have to issue the January difference for these employees between military pay and what they would get if they were working at their state jobs. Right now we are back to doing it as income and not wages. We are hoping that it will switch back because it is more beneficial to the employee if it's wages.

Cindy Rounds:

The Retirement unit wants to remind everyone to check with CalPERS on any new appointments; make sure you get your employees appointed into the right retirement. If we have to go back and make changes it is a huge workload. We do understand that there is a lot of confusion with all the retirement codes we have now.

Audits: When you fax your separation PAR's to us, please don't call and tell us you are faxing it now or call and ask if we received it. Rely on your fax print out, because we average over 100 phone calls a day. We know you are worried, but if your system says "OK," then it went through. We have a whole team working on them, so we can assure you they are getting processed. Also, please fax your separation PAR in two pieces, the bottom and the top, and we'll put them together rather than reducing it. Reduced PAR's are difficult to read. Please make sure you put a complete phone number where you can be reached, including an extension in case we have a question. If we have a question and can't find you, it delays processing.

Fiscal Year End: We have a significant change this year in that Laura Miller is leaving the end of January. Lynn Leino will be the supervisor of the Position Control unit until we can fill Laura's position.

Next Tuesday we will be mailing out the contact letter information. We will be sending it to the current year contact, so if you know the contact from last year is gone, or there is someone new, please email me at crounds@sco.ca.gov. I will make the correction and send it out Tuesday; otherwise they will go out to last year's label information. We will expect you to confirm that is correct or send us the new information. When you receive this letter, it's only going to be folded in half, stapled and the address label placed on the front. We have been sending them out for the last couple years in this manner and find it works well.

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The first thing that goes out will be the re-org questionnaires, then we will send the probable vacant list which goes out the first of April (this will also be on ViewDirect). Once we get the re-orgs back and if anyone is doing a re-org we send out listings and instruction letters. The first of May we send out the finance conversion code listings and the annual payroll header information. These all have to be updated and sent back to us by the end of May, to allow us to complete processing by cutoff in June. It is much easier for us and departments if you have a central location and person that is the main contact.

We are trying to get as many reports on ViewDirect as possible to help us all with these processes. The blanket balance reports are now on ViewDirect; we only send out that report annually, but it seems to get lost every year. Periodic position control reports have been on ViewDirect since last year. We are working on getting the blanket expenditure report put out on ViewDirect. We're running into some problems there because the agency code moves around and we are trying to get that reformatted. I can't tell you when that will be resolved but hopefully soon. In the meantime, it is a report we still send out with the socials on it. We will try to get the SSN changed to only print the last 4 numbers.

I know we have covered this a couple times recently but, those of you have employees who file exempt from taxes, they absolutely have to do a new EAR before the 14th of February, otherwise they will revert to single and zero. Letters were mailed out to your personnel office right after Christmas. New EARS have to be keyed by the 14th of February otherwise they will automatically change back. If by chance they did a new EAR in December and you processed it in December, they will have to complete a new EAR that must be processed after 1/1/08 and by 2/08/08.

Question: We have an employee who retired from our department, and then came back as a retired annuitant. When he received his check for some reason the deductions show a health benefit for the entire amount and also 457 and 401K, we are not sure why that happened due to that he is a retired annuitant now.

Answer: What happens in the deduction deletion process is if you bring them back too soon, some of those deductions that would delete after a certain set period of time do not meet the time frame. They are still on the Payroll Master file when the new retired annuitant pay issues. Just submit 674s to us and we can refund that withholding. These employees cannot have 401 and 457 if they are retired.

Question: If it was taken from a check; if we re-deposit it and re-keyed it, would that help?

Answer: Fixed deductions will apply again. If it's a fixed deduction on our system we need to refund it.

Question: Does he need to cancel the 401 and 457?

Answer: Yes, either that or by administrative cancellation.

Question: So we should just return his check and then contact you?

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Answer: No, do not return the warrant. We will issue a credit issue warrant once we get the appropriate deductions cancelled. Some deductions cancel immediately upon separation and some cancel after a couple of months. See PPM section H011 H015

Question: I have a retired employee who had deferred comp taken from their lump sum into the next year. We wrote it up and sent it over to be keyed. Now we are trying to do the correct. Should I be showing all of the remaining lump sum to be paid or the total time due?

Answer: The total lump sum to be paid should be shown on the new PAR, however, the months to be deferred to the next tax year with savings plus should be notated in the remarks section.

Question: The SPP website informs the employee they should complete and turn in their form five days prior to retiring. Is there a way we can make that a requirement?

Answer: If they are asking for special processing the legislation has given us more time. If it involves lump sum with 401 and/or 457 issuing in a second tax year or with savings plus withheld from the current tax year then we have more time. If they don't get it to you timely all you can do is tell them you'll do the best you can. If you anticipate an employee is planning on retiring soon you can suggest they contact SPP for information as well as contacting their tax preparer to get guidance so they can make an informed decision. Outside of the above mentioned special handling conditions, you must abide by AB 2410 rules.

Next Meeting:

The next meeting is Thursday, March 13, 2008 from 1:30 to 3:00 at:

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.

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

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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.