STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
January 2009

Date: February 17, 2009

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 8, 2009 Personnel/Payroll Review Committee (PPRC) meeting and provides information for the **March 5, 2009** meeting.

We would like to thank those department representatives that participated in the January meeting for their time and effort. There were 18 representatives from 12 departments that participated in this meeting.

Personnel/Payroll Review Committee
January 2009 Meeting Notes

Ann Mitchell called the meeting to order at 1:30.

Departments Represented:

Alcohol and Drug Programs, California Student Aid Commission, Child Support Services, Developmental Services, DPA/Rural Health, Food and Agriculture, Franchise Tax Board, Inspector General, Secretary of State, State Controller's Office, Veteran Affairs, 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

Discussion:

Approved November 2008 meeting notes.

Guest Speaker:

Kathy James, 21st Century Project:

Some of you may have heard already that as of last Friday (January 2) we have terminated our contract with our system integrator (BearingPoint). We would like to say thank you for all the hard work you have done providing information, attending the kickoff meetings and providing the Project with needed data when requested. We very much appreciated your input. The project has not been cancelled just delayed. The SCO Management Team is working to seek approval to re-procure with a new system integrator. As soon as a new integrator and strategy are developed we will be notify all department management staff at that time.

Question: You said you were working on a new strategy. Does that mean you're going for a smaller scope on the project?

Answer: I can't specifically say that we are going for a smaller scope, just that we are re-procuring.

Question: What does re-procuring mean?

Answer: It means that we will actually go out for another bid for a system integrator that will help us walk through the process of implementing the 21st Century Project.

Question: Will the new integrator be able to use what BearingPoint has already done or will they have to start from scratch?

Answer: That will depend on the scope of the Project and the contract requirements.

Question: What kind of timeframe are we talking about to re-procure?

Answer: Unfortunately, I can't give you that timeframe because it is still at the executive level of discussion.

Question: Do you know how long the timeframe is for the bid?

Answer: From my previous experience (at another department) in working with bids there is a minimum time of 30 days for the bidding process and then another 20 – 30 days before the contract is awarded.

Once we get more information we will be in communication with the departments to provide a project status.

Question: Is this going to create a problem for the 21st Century staff? Are you going to lose staff?

Answer: The SCO Management Team is meeting to determine how they will direct staff resources. When you say 'lose staff' I'm sure you are aware that all BearingPoint staff are no longer on the project but all our state staff are still there.

We will continue to come to the PPRC meetings as necessary to provide you with updates.

Bryan Bruno, DPA:

I've been asked to come and answer any questions you may have regarding Delta eligibility, dependent identifications, and recent changes to the BAM for domestic partners and same sex marriage. Does anyone have any specific questions?

Question: Regarding Delta, they have changed their database for confirmation of eligibility requiring birthdates so the eligibility data (that goes from SCO) has first initial, last name and premium. There's the continued issue where the dentist or the employee can't get confirmation of eligibility because their birth date is zeroed out. I have to spend time calling Delta on behalf of our employees to get that information. Is there something that can be done to alleviate this problem?

Answer: The thing about the eligibility is that date of birth shouldn't hang up (meaning hold or delay) eligibility. A lot of times that's localized with the provider not with Delta. If Delta or the dentist is stating that they can identify the person but not verify eligibility because of the DOB being incorrect (usually what they load in is 01/01/1901 or 01/01/2000) then that is contrary to what I've been told to date by Delta, however we know that this is happening. Again, I've been continually told that eligibility should not be stopped or interfered with because of a default date of birth. To answer your question for DOB reporting, I can't see a reasonable resolution until the (SCO) reporting gets better (through 21st century, which was part of their project). I will continue to speak with Delta on this matter to see about getting some resolution.

Question: How long does it take to be placed on the list of specialists allowed to call Delta for employee confirmation of eligibility?

Answer: The letter is usually updated quarterly but if Penny or I get an email I just send them to the plan and tell them to update their lists and have Penny update ours. With turnover within the departments, if you call and are told you're not on the list, ask them to get the last updated list and look to see if your name is on there. For anyone on the list and a plan is stating that that person is not on the call-in list, have the customer service representative pull up their list or ask to speak with a supervisor.

Question: Group ID's – I see a group ID number on a sheet that I have in the BAM and it gives me four digits. I'm being told its eight digits. Where do I get that?

Bryan: What plan are you talking about?

Participant: Delta.

Answer: There are two master numbers for Delta; 9949 which is Premier and 9946. There are sub-locations which are their own accounting, for our purposes such as premier 0101, for any employee in enhanced it's 2101, for the PPO it's 0101. The primary numbers are 9949 (primary with Sublocation example: 9949-0101) and 9946, they shouldn't need any more than that. If you have any problems let me know and I'll do my best to resolve it, hopefully that day.

Question: Just as you need to be notified of a specialist being authorized do you also want to be notified when they transfer or separate?

Answer: Yes, and then we update our master list for the next quarterly letter to make sure the most recent updates we have are included.

Question: Is there a way to find out who from our department is on the list?

Answer: You can call me and I can tell you.

Recent changes to the BAM on domestic partners and same sex marriage – Remember we have proposition 8, we have a Supreme Court decision. Prior to the Supreme Court decision we had no recognition of same sex marriages. There is a window period (from about June until when Proposition 8 passed), provided by the Supreme Court based on their constitutionality of the law. The day after Proposition 8 passage, it went into effect, closing the window. There is a case with the State Supreme Court on Proposition 8 at this time, however there is no way to determine the future result of the case. Nothing has been decided yet so as it stands right now, domestic partnership is still valid. Any same sex marriage certificates that are received after the window date are not recognized even if they come from the city or county of San Francisco (CCSF). They (CCSF) may have their own rules and how they handle it but here statewide for state benefits, no. Also, a PML was sent on this previously for anyone providing a 680 form (economic dependency form) that stays in file and you notify SCO. On the document be sure you put in the remarks section that the domestic partner is an economic dependent for tax purposes '680 on file' or something similar and you're going to code it a 2 or a 3. If there's no economic dependency for the domestic partner then it's an A or B because SCO has to levy the imputed tax (no 680 needed). If there's a question on how the imputed tax works you can go to Ann Mitchell. If anyone asks you about this there's a computation on the SCO website that's very good at explaining the math. For imputed taxes remember you're not expected to be a tax expert. You can explain, here's the state's policy and requirements, here's what's accepted, here's how SCO does it. If an employee has any difficulty in accepting these requirements that's what their attorney or tax professional is for. If an employee continues to press you on the tax matter or further understanding of this issue, send them to Ann Mitchell on the tax piece and to me for policy questions.

The IRS does not recognize same sex marriages or same sex domestic partners the same way it would recognize opposite sex marriages for tax purposes and that's just a condition of the internal revenue code which we have no control over. The state tax levies were removed under a prior legislation a few years back. SCO's attorneys did a lot of research work on this to be very clear about how this would work and used that research to construct the math for computing the tax imputation.

If you have any questions or think of something later you would like ask I can be reached at (916) 445-9841 or bryanbruno@dpa.ca.gov.

SCO Update:

Ann Mitchell addressed the following information:

PPRC MEETINGS FOR 2009
We had some scheduling problems this month and will have to change the dates of our future meetings to the first Thursday of every other month beginning in March. We provided a new schedule showing those dates but also told the group that it is in conflict with the dates in November's PPRC notes. We were unable to schedule room 635 for the second Thursdays for 2009 and this is the workaround.

CHILD SUPPORT
We have been getting quite a few PPSD 638s that leave the Payee Name in item 12 blank or are still being completed as 'SDU'. Also, HR staff are either submitting just an original without a copy, or they are placing the copy some where in the middle or back of all the court order information. Please put the packages in order before fastening them.

The 639 CFS (Child Family Support) is now available on the Department of General Services website and it is a fill and print form. It takes the place of the 638.

Once again, please do not call to have us look for a faxed PAR or a fax of anything. We are backlogged and do not have the time.

DEDUCTION CANCELLATION
Please remember, SCO cannot cancel or refund union dues or fair share deductions for rank and file employees. Employees need to contact their union for any changes needed.

Cancelling miscellaneous deductions: Section H014 of the Payroll Procedures Manual has a list of deductions that can be cancelled per the employee's request. There is also a link on the SCO website at http://www.sco.ca.gov/ppsd/empinfo/index.shtml where state employees can access vital information. All other deductions not on this list must go back to the company for any changes.

HEALTH/DENTAL BENEFITS ISSUES
The benefit unit is working returned open enrollment documents. If you think something should have already been done, please send an inquiry. Make a copy of the original document, write inquiry in red across the top and resign the document. Don't call us to ask when a document will be processed, we are still very behind, and all the calls we are getting on this issue are keeping us from our workload. Please do not call staff directly. We have liaison units to answer the typical day to day inquiries.

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
January 2009

2008 W-2s
W-2s are going to be mailed next week. Payroll letter 09-001 also refers agencies to View Direct for verifying employee's mailing addresses on the W-2s.

All calls from employees regarding 2008 W-2s are being referred back to the employee's personnel office.

We will begin processing duplicate W-2s for 2008 on February 6, 2009.

CHANGE TO MILITARY PAY EFFECTIVE JANUARY 2009
Please refer to Payroll Letter 08-018 for military pay changes. Specifically, the amendments indicate that military leave payments are now considered wages and as such, these payments will now be subject to Federal, State, Social Security, Medicare and SDI withholding effective with all payments issued in the 2009 tax year.

QUESTIONS/ANSWERS
Question: We have a problem again with new employees and health benefit vesting. We have identified two employees so far that the deductions aren't being taken at the vesting rate.

Answer: This is an on going problem. PPSD is dealing with vesting using a report writing program to identify these employees. We know it's a problem for the departments and it's an even worse problem for the employees. These are changes that came along after the system was built and it is not set up to deal with these types of changes.

Question: When benefits are adjusted is there a deduction on payroll or does the benefit fall under the rule of the $300 or more being an agency collection A/R versus an adjustment to payroll?

Answer: We are working on changing that to the $300. Currently this amount is $160.00. We have not yet made the switch to apply up to $300 to the next payroll warrant. Anything over $300 will continue to create an agency collection A/R after we make the dollar amount increase. The problem is not so much what happens once they are identified; it is getting them identified in the first place because some times our report program doesn't pick them up immediately.

Question: When we come across these employees and it's more then $300 can we make arrangements to spread them out?

Answer: You can bring it to our attention (the sooner the better) and we'll let you know what we can do to make it more acceptable to your employees. If you know that the person is vesting and his first health deduction came out with full state share, let us know right then. We will try to be proactive with you on adjusting these. If the $300.00 does apply to the payment and it's a hardship for the employee; let us know and we'll refund it and set up an A/R and take it over a couple of months or what ever arrangement you need to make.

Question: We received a series of minuscule amount A/Rs such as .26 which we think are for SDI. Was this some kind of error?

Answer: No, that is correct. A/Rs for taxes are mandatory so if it's Medicare, SDI, retirement benefits, even if they are small, they are required. They are different than the $25 threshold for time and wages A/Rs; those overpayments can be disregarded if you choose to but you may ask us to set up small A/Rs for wages as well if your agency wants to track something.

If it's a K A/R, no matter how small, it should be collected but again, these amounts for benefits or Medicare etc. are owed to your agency.

Cindy Rounds addressed the following information:

<u>TAX EXEMPT WITHHOLDING LETTERS</u>
The letters regarding Employee Notice of Exemption from Tax Withholding were sent out January 5, 2009 and you should have received them by today. Please make sure your employees get these letters and make the necessary EAR updates no later than February 14, 2009. If your employees made an EAR change in December, that will not update our system for the 2009 calendar year. The new EAR's must be keyed between 1/2/09 and 2/14/09. If a new exempt from tax withholding EAR is not keyed by 2/14/09 the employee's withholding will automatically go to single and 0 on 2/15/09.

<u>POSITION CONTROL</u>
The fiscal year end contact letter will be mailed out Monday, January 12, 2009. Please make sure that we get the correct contacts and addresses/phone numbers for this years fiscal year end processing. The letters need to be returned to us by February 6, 2009. It is important that we have current contacts in case there are questions regarding any of the reports that we send.

<u>RETIREMENT UNIT</u>
The retirement unit is currently 10 days backlogged so please judge your phone calls and inquiries accordingly.

When retirement unit staff identify an incorrect retirement ID it is sent to the Civil Service Audits Unit for verification and they send a PSD40 to the department requesting the correction. If these corrections are not done timely, the number of pay periods that need to be adjusted increases. Delays in correcting the PAR often invoke Government Code 20283, which 90 days after the original effective date can create a fine for the employer and the employer may have to pay the employees adjustments to CalPERS as well. Delays may reduce the timeframe that SCO can actually do adjustments, increasing the employee's chance of A/Rs and incorrect reporting to CalPERS. All of these things can impact your employees today and in their future retirement. So please respond and correct Employment History quickly.

DISABILITY

NDI

Holidays are paid as regular pay, only when an employee is supplementing or working while on NDI. If an employee is only receiving NDI they are NOT entitled to regular pay for the holidays. When an agency is keying their own NDI they must only key the gross for NDI shown on the line **employee monthly NDI benefit 50%**. That is the true gross, any other amount would be an over payment and we will hold the payment. Holiday and supplementation are payment type 0 not T and therefore can not be included in the gross for NDI.

When keying the PAR, item 215 must reflect A/L for an employee to receive ENDI. We see 100% or employee supping and this does not meet the required verbiage for ENDI. When keying an SPC, item 957 must be completed with a code 22 when the employee goes out on NDI and a 23 when they return. The SPC 23 is a beginning of business (BOB) transaction and should be keyed on the day following the last day of approved NDI. All time is to be certified on the 674d; that includes time before/after the NDI period that occurs during the month. Items 6 and 10 must agree. Item 6, the calendar, should reflect dock only during the time the employee is not on disability. Once the disability begins, the calendar should then reflect only the intervening work activity that occurs. If the employee does not work then the dates can remain blank. There is no dock while an employee is on NDI/TD/SDI. Dock can occur only during IDL. Item 10, **Payment should be**, must reflect all pay in the pay period as it should be. If you do not certify a payment that has already issued, then we will assume that you no longer want it and set up an A/R. Only NDI is a monthly benefit and needs to be shown as a full month for semi monthly's. All other disabilities are shown per actual pay period.

SDI

When an S50 is keyed for SDI it is a beginning of business (BOB) transaction and should be posted on the 8th day after the 7 day waiting period and cannot have hours into the day. Any time used should be shown as supplementation and not regular pay. Item 215 should reflect SDI. If the employee is working while on SDI then it should be WWO SDI. If the employee starts working after the S50 is keyed, then you will key a 215 transaction on the date the employee starts working, inputting WWO SDI. Fathers who wish to use time to supplement must apply for SDI. FMLA does not carry the benefit of supplementing. Be sure everyone knows they need to apply for SDI if they intend to supplement. Also due to the way it is written we receive documents requesting 40 hrs of supplementation. If the employee is full time, the request should be in days, not hours. Only a permanent intermittent employee’s request should be in hours. Requests for less than a full day would be in hours, but remember disability can not be requested in fractional hours for supplementation. All requests must be in whole hours unless it is for a fractional employee. A 4/5 time base employee works 6.4 hours a day so it is possible to have fractional hours for them. A 3/4 time base employee works 6 hours a day therefore could not have fractional hours.

Continuation of health benefits

STATE CONTROLLER'S OFFICE
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January 2009

When sending in your requests, please do not put SDI/TD on the 674, as the mail desk accidentally sends them to the disability unit instead of the benefits unit and this delays the A/R from being set up. If we are backlogged in the disability unit, like now at 9 days, the document will sit in the disability incoming for 9 days until we get to that work. When we get to it we will send it to the benefits unit and if they are backlogged it can sit there again.

Faxing

Only current month 674d's should be faxed, any others should be mailed. Do not put attention to a specific person unless they are expecting it. Please do not fax back up information with your current 674d's, as we do not need it. The only exceptions are: If an employee has separated, retired or passed away, we will take a non-current fax. Please call the liaison unit to alert us that you are faxing an exception, that way we can watch for it and be sure it is processed timely. When your current document is requesting a transfer of funds of a master, we can not process the transfer of funds until after the issue date of the payment, so please just mail those requests in.

PR250's

When you are returning a corrected 674d please be sure the ‘should be paid’ information is clear. Sometimes the documents are so over written it is difficult to know what ‘should be’. Create a new document if necessary. Always resign and date if resubmitting the same document. Be sure the phone number and extension are correct and readable. If your signature is unreadable please print your name somewhere close by.

Next Meeting:

The next meeting is Thursday, **March 5, 2009** 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 2009 calendar year. All meetings are from 1:30 to 3:00 at the above location. **Please note all meetings for 2009 will be the first Thursday of the specific month rather than the second Thursday.**

March	5,	2009
May	7,	2009
July	2,	2009
September	3,	2009
November	5,	2009

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.