

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

DATE: December 20, 2012

PAYROLL LETTER #12-021

TO: All Agencies/Campuses in the Uniform Payroll System

FROM: Lisa Crowe, Chief  
Personnel/Payroll Services DivisionRE: **CHANGE TO RETROACTIVE HEALTH /DENTAL AND/OR FLEXIBLE BENEFITS  
PROCESS**

*This letter clarifies the previously released Payroll Letter #12-019 to include not only health and dental benefits, but also all flexible benefits.*

In compliance with collective bargaining agreements, a recent legal decision and effective with the December 2012 payroll, there will be a change to the retroactive health, dental and/or flexible benefits process. Under withholding or no withholding of benefit premiums is considered to be a salary overpayment as the employee is receiving more in net income than he/she would have had the premium or flexible benefit applied to the effective pay period.

Previously, automated programs and error reports worked by our staff resulted in one-time deductions if the amount owed on the retroactive benefit and/or flex premium was \$300 or less. Additionally, for those amounts exceeding \$300, an agency collection account receivable (AR) was established.

Effective with the December 2012 payroll, our automated programs have been modified to set up agency collection ARs regardless of the amount owed. The one-time deduction will no longer be applied to future pay periods to recover these retroactive premium amounts. Additionally those error reports received in our office identifying retroactive changes to co-ben (consolidated benefits) and flexible benefits will be treated in the same manner as the automated health and dental program.

The option to change the method of collection after notification is provided to the individual employee remains available. The agency collection AR may be changed to either payroll deduction or leave offset (civil service only) should the employee choose to take advantage of one of these other repayment options.

To change the method of collection from agency collection to either payroll deduction or leave offset (civil service only), please follow the instructions in the Payroll Procedures Manual (PPM), Section I – 026.

Questions regarding this Payroll Letter should be directed to the Customer Contact Center at (916) 372-7200.

LC: PPOB