

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

Date: October 1, 2009

To: All Civil Service/Exempt Departments

From: State Controller's Office  
Cynthia Rounds, Manager  
Ann Mitchell, Manager  
Personnel/Payroll Operations  
(916) 324-6290/323-2539

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the September 3, 2009 Personnel/Payroll Review Committee (PPRC) meeting and provides information for the **November 5, 2009** meeting.

We would like to thank those department representatives that participated in the September meeting for their time and effort. There were 31 representatives from 20 departments that participated in this meeting.

Personnel/Payroll Review Committee  
September 2009 Meeting Notes

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

Departments Represented:

Air Resources Board, California Highway Patrol, CalPERS, Department of Personnel Administration, Developmental Services, Food and Agriculture, Forestry and Fire Protection, Franchise Tax Board, Justice, Mental Health, Motor Vehicles, Public Utilities Commission, Secretary of State, State Controller's Office, State Teachers Retirement System, State Treasurer's Office, Unemployment Insurance Appeals Board, Veteran Affairs, 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 July 2009 meeting notes.

Guest Speakers:

Bryan Bruno, DPA/Benefits:

The Open Enrollment PML is 2009-038. You can find it and all the attachments on DPA's website. If you have any questions on it at all let me know. We have received a few phone calls about the flex and COBEN handbooks. There have been some delays with OSP. They are being worked on and about ready to go out the middle of next week at the latest.

During open enrollment, you might see some changes come in on COBRA. With the current ARRA provision I am not aware from the dental and vision plans that there are a lot of people that have even elected the subsidy. Keep in mind, if you get someone with a change document for open enrollment with the ARRA subsidy, you will need to let your accounting office know that there is going to be a change in the premium, the 65% component.

Also, as far as the ARRA subsidy goes, even if someone is on limited term and the limited term is terminating that is still considered employer directed involuntary termination. So if it's employer directed and the termination is not due to gross misconduct, you still have to offer the ARRA subsidy along with COBRA.

As far as employees retiring remember we have a handbook and a lot of information on our website about the dental plans and the vision plan. If you need reference material or if you want to print something up you can just go to our website and get anything you need there. The bulk of our written information is there and it's a great resource. If you need any help or interpretations let Linda or I know, or Lisa Hatten on the retiree vision piece. We are in the process of doing the retiree vision handbook. There isn't a completion date yet, but it shouldn't be up too much later than the other documents.

On the 6 month limitation there may still be some confusion on how far back SCO can adjust. Just remember it's a 6 month limitation for employee share reimbursement on mandatory events unless it comes through DPA. That would be an appeal explaining why it needs to go past 6 months. If there is no basis to allow retroactive adjustment beyond 6 months, and the employee still wants to make an issue of it to request reimbursement, then it would need to go through Government Claims Board. The original PML that had explained the 6 month limitation was 2005-024.

The BAM change documents have been posted. It gives you the information on what is going to be changing in every section of the BAM. There are not a lot of significant changes. COBEN has a change in rates, not too much for dental, vision and retiree vision. The other programs I can't speak to.

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Remember that if an employee is retiring you have to offer COBRA and the retiree vision plan. They can elect either or they can elect both because they are paying for it. For the dental documents there is a paper document that has to go to CalPERS so make sure they are going to PERS and that they are completed. Make sure if you are sending it to an employee that is retiring to include instructions on where to send it back.

Question:

How far back will SCO adjust on permissive events?

Answer:

Up to SCO's limit of 36 months

Question:

My accounting office is having a really hard time understanding the ARRA on how to process it and they are really at a loss.

Answer:

I have heard that a lot from departments. Basically how you pay it is the departments business. We use the model of the 120 day death benefit as the sample model, and I tend to use this model in describing how a department may pay the subsidy. Departments and budgetary operations have their own different methods to pay it. How any department may pay the subsidy and what fund it's paid out of, is the department's decision. The only concern with that is the checks roll out to the plans once the subsidy eligibility is determined and election(s) is made. As far as the filing of the 941 goes, the basic form is pretty simple in the sense of a department is going to accumulate your FICA tax reporting, and the department is going to ask for a credit against what is reported paid for the total FICA tax; as we understand it, and FICA can be reported quarterly or yearend.

**PLEASE NOTE: REFERENCES TO CONTACTING SCO FOR ASSISTANCE WITH ARRA AND HOW CREDITS WILL BE RETURNED TO EMPLOYERS SHOULD BE CHANGED TO THE FOLLOWING: CONTACT THE INTERNAL REVENUE SERVICE REGARDING REFUNDS OF THESE CREDIT AMOUNTS, DO NOT CONTACT THE SCO. ALSO PLEASE SEE INFORMATION ON THIS SUBJECT AT: <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>**

IRS wants the accounting to ensure all accounting and record keeping is done by the employer, to coordinate with the departments 941 filing for the reduction of their FICA. SCO has stated to DPA that departments must do their own record keeping as they have all records related to their employees.

Again, the reason the 941 is done at the department level is because the departments have all the employment and accounting records. Record keeping by the individual employer is within the span of the IRS requirements.

On the 941 filing, I would say that it would be expected that a department would compile the FICA tax numbers and monies paid under ARRA for COBRA, so as

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the 941 is set up for filing, an accounting office will have all records and filing materials ready when it is time to file it with IRS. I would suggest that a department keep a copy of all materials related to the subsidy, including payment records, elections, declinations, etc. and probably keep a second copy for SCO in the event SCO needs to audit.

In form 941, a department, as we understand it, puts in what the reportable FICA is as a reduced amount, reported either as a quarterly or yearend filing, with the filing going direct to IRS; subsidy payments recorded as a reduction of what actually would be reported. There is an in-between piece where you've already reported FICA and SCO may have already collected and reported the FICA piece from the employees already separated. How to get that reduction between the two entities I can't tell you. I don't know about the internal accounting part. I think the question may be related more of how to get the money back, but remember ARRA reporting on the 941 is a tax reduction. That part I can't answer for sure. Your accounting officers should more know how this will work on the FICA reduction. The form 941 is on the IRS website. The form, the instructions, and the Q&A's are all there. (Please see paragraph above, in bold, regarding who to contact and the IRS website address)

Question:

Do the dental carriers bill monthly?

Answer:

The dental carriers aren't required to "bill" COBRA enrollees, but they do. Our carriers have agreed to bill departments for their share of the ARRA subsidy, they do however need to know where to send the invoice.

Question:

Is a 23 year old eligible for ARRA?

Answer:

A 23 year old child of an employee who is still employed is eligible for COBRA, but not ARRA. Be sure with your accounting office that ARRA isn't being paid when it shouldn't. Plans have no way of identifying the 65% without the employer telling them. ARRA follows COBRA, but only when it is an employer directed termination of employment, not due to gross misconduct.

Question:

If someone is retiring and they have 7 years or less, will the vesting requirement also apply to dental? Where do I find it?

Answer:

It depends on the bargaining unit. It's in the dental act in the Government Code Section 22958. The vesting schedule is there. It includes all the bargaining units that are affected and the dates of operation. PERS has this vesting piece, as I understand it, coded into their systems based on the Government Code requirements.

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Question:

Will the carrier bill the department for the 65%?

Answer:

Yes, and be sure to identify where the ARRA election gets sent back to, including to who's attention (Human Resources, etc.).

Trish Bauman, DPA/Furlough & Dock

I'm going to talk about furlough and the new dock process. Personnel Letter 09-020 was released right before we left the building. It is 17 pages long and it goes through all the procedures. If you were at the Transaction Supervisor Forum meeting in August, we discussed the instructions in the Personnel Letter.

The new process is going to be if an employee has dock you are going to take the earnings ID off of the PAR. You are then going to process a 350 transaction the first day of the pay period to remove the furlough earnings ID. Then you will key the dock which will include 3 days of furlough. Example: If the employee has true dock for 1 day you will key 4 days of dock to include furlough. Instead of reduction to salary, there will be a reduction in days.

Everyone should know furlough doesn't make a pay period non-qualifying. There is an old leave accounting letter 09-003 that says you can put a 'Q' to qualify the pay period, but that's not working. You need to key a 715 to non-qualify the pay period and then send over a 715C PAR to SCO for them to update the system. On a 715 if it looks like a non-qualifying pay period because of the furlough then you need to send the PAR to SCO to make it a qualifying pay period, you cannot key it on the PAR. (SCO is currently working on a system fix that will allow you to enter the 'Q' on the 715.)

Question:

If someone has 8 days of dock and the furlough made them go over would they still get a qualifying month?

Answer:

Yes. You would key the 715 so the pay is right, but that's going to show non-qualifying. You will need to send a correction to SCO so that they will qualify the pay period. If you have dock-of-the-month-employees you can do your 350 the first of the month and just keep it off. You don't have to go back and forth every single month. Make sure you key your 603's or 715's each month so they aren't overpaid.

SCO Update:

Cindy Rounds addressed the following information:

At our last PPRC meeting I was asked if we can change the verbiage on the NOPA regarding FMLA/SDI.

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We were told that we cannot change the verbiage on the NOPA without extensive programming. Now our data management staff is working on other changes to the NOPA so if you have some specific verbiage changes you would like to see please e-mail me at [crounds@sco.ca.gov](mailto:crounds@sco.ca.gov). We will look at all requests to see if we can incorporate the changes at this time.

Our backlogs are growing and our overtime is shrinking so be patient. If you hold off on phone calls for a couple extra days when you do not see something issued that gives us more processing time.

The 607's with technical errors have to be sent to Department of Finance first since we are after the 8/15/09 deadline where they could be sent directly to SCO.

The deadline to get all 607's adding back positions lost on the vacant position report due to G.C.12439 is by September 21st. This will ensure we have time to get them all processed by the end of September. Please call us if you have any questions.

IRS lock-in letters –

We will lock the state tax withholding in the same as the federal.

Taxes:

IRS lock letters should be done for both Federal and State. Previously, a lock was only processed for the Federal IRS taxes. Now we will include the State at the same lock as the federal.

The override capability will be removed so that agencies won't be able to change Federal and State entry fields once IRS has placed the lock on tax withholding exemptions. Letters will be forthcoming. SCO will run reports to go back and see any agencies showing the State not locked in at the same withholding as the federal and will make changes as necessary.

Penny Rose, Disability Liaison has retired and asked that I read her letter thanking everyone and expressing her enjoyment in working with you over the years.

Ann Mitchell addressed the following information:

If you have questions about COBRA/ARRA, it's not a payroll issue. You would not contact the Benefits Unit. The benefits unit doesn't do anything with COBRA, they only process benefits for active state employees.

A question was asked about what was going to happen with the proposal to move the 06/10 pay period into the 2010/2011 fiscal year. We have initiated some clarifying legislation so we will have a better understanding of exactly what pay would be moved into the next fiscal year. We will get clarification before the time comes.

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Please ask all staff to read PML 2009-038 for open enrollment. There are new/different instructions for submitting documents when employees need to change previously submitted dental documents. There is no longer a provision for rescind documents. Page 3 states a new document must be completed and signed by the employee by 10-09-09 (with a copy of the original attached). We will not accept any changes after that date.

There are 3 plans that use the name Delta: Delta Care USA (previously PMI), Delta Premier, and Delta Preferred Option. Please be sure to indicate which plan is being selected, just '*Delta*' is insufficient.

Page 7 of PML 2009-038 states if a domestic partner is economically dependent on employee the 680 must be on file. They must state the economic dependency on the dental form in remarks when using a numeric party code; otherwise the party code should be an alpha A or B.

Remember to STAPLE a copy for the carrier to the original, we will not make copies, your document will be returned.

When submitting a package, please STAPLE it together.

For BU6 employees, it would be helpful if they indicated union member for Western or primary, or not a union member for state sponsored plan in the remarks section.

Again, if you have a benefits question PLEASE call our benefit liaison number (916) 323-4718, DO NOT call staff directly.

I would like to remind everyone that when you are submitting a document for child and/or family support, you must use the new Std. 639CFS. We cannot accept the Std. 639 for these support orders. Additionally, please remember that we do not accept a FAX for the Std. 639CFS and that is because we must have the original and one copy for each document submitted. Also, the Std. 639CFS has a preprinted address for the State Disbursing Unit in item 12. You must not alter this preprinted information in any way.

New Furlough Dock Issues: If there is dock in the pay period, a 350 is keyed to remove the furlough effective the first day of the pay period. A 603/715 is keyed for true dock time plus 3 furlough days. The pay issues at the higher rate with less time. Timing on this will be critical.

Question:

But what happens when there is late dock and master has issued?

**LATE DOCK AND THE FURLOUGH PROGRAM**

- 1) Original payment with dock time issued to employee. Late dock has now been reported (4 days). You must now either return the warrant or submit a

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Std. 674 A/R to have SCO set up the Account Receivable (A/R) to recover the overpayment.

- If you return the warrant, you must key either 603/ETC or 715 if the newly reported dock plus the prior dock and furlough time will take the employee below a qualifying pay period. **IMPORTANT: You must wait for the redeposit before keying the 603/ETC or 715.** Remember, if the true dock time does not create a 'non qualifying' pay period, you must enter a "Q" on the 715 transaction to qualify the pay period. We are working on a system fix now that will allow you to enter the "Q". Until this is available to you, you must submit the PAR to SCO.
  - If you do not return the original payment, you must now submit a Std. 674 A/R to set up the account receivable to recover the overpayment. Again, remember, if the true dock time does not create a 'non qualifying' pay period, you must enter a "Q" on the 715 transaction to qualify the pay period.
  - If the new true dock time creates a non qualifying pay period, you must key a 715 as usual.
- 2) Original payment with no dock released to employee. It is now determined that the employee has late dock reported, 4 days. The following steps must be taken:
- Submit Std. 674 A/R to request A/R of less time at the higher rate
    - o Item 6A: 1 std at reduced salary
    - o Item 6B: 15 days at the higher salary rate
  - A 350 transaction must be keyed to delete the furlough earnings ID (EID) effective the first day of the pay period and you must complete item 606 (time to be paid) with 15 days (22 day pay period less, 4 days of dock and less 3 furlough days =  $22 - 7 = 15$ ) By entering the time in item 606, the payroll system will not generate an adjustment (in this case the adjustment would be an overpayment)
  - The time in item 606 must match the time on the Std. 674 A/R; item 6B.
- 3) Original payment with dock released to employee. It is now determined that the employee should not have dock for the pay period, the following steps must be taken:
- Key a 350 effective the first of the pay period to be adjusted and submit a Std. 674 to SCO to adjust the time still due the employee. SCO will issue the remaining time/adjustment due.

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- 4) Original payment with dock released to employee. It is now determined that the employee should have less 'true' dock (not furlough) for the pay period than was originally reported.

- Key a 603/ETC and adjustment for time will issue.

Question:

Is the retroactive/late dock included in the Personnel Letter?

Answer:

This issue was not discussed until the personnel letter was already in its final review. After we get the instructions out for disability they will begin to work on defining what the issues are with retroactivity and how to document them. If you have any questions give me or one of my supervisors a call. Please also use the information above under 'Late Dock and the Furlough Program'.

Question:

What happens if the warrant isn't going to be redeposited and there is late dock?

Answer:

See information above under 'Late Dock and the Furlough Program'.

Question:

If something happens, is there any way emails can be sent out to heads of personnel offices?

Answer:

No, because email is meant for simple information not important documentation instructions. In these cases formal notice must be made for all to have the same information.

Question:

Can an employee use furlough hours be used to supplement disability?

Answer:

Yes, it will be in the disability Personnel Letter.

Next Meeting:

The next meeting is Thursday, **November 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

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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.**

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](mailto:crounds@sco.ca.gov) and [anmitchell@sco.ca.gov](mailto:anmitchell@sco.ca.gov), respectively.