STATE OF CALIFORNIA

JOHN CHIANG,
California State Controller

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

DATE: October 29, 2014

PAYROLL LETTER #14-019

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel/Payroll Services Division

RE: **SEPARATION PROCESS WITH LUMP SUM DEFERRAL**

The end of 2014 is approaching quickly and if the current trend continues, we all should expect increased workloads due to retirements. As in previous years, Personnel/Payroll Operations is expecting an increase in workload processing state employee separations where lump sum amounts are being deferred into the Savings Plus Program. As we plan to accommodate this workload, Operations would like to remind you that there are several tools to assist you in preparing the PAR/PPT.

- For those employees who wish to defer some portion of their lump sum to Savings Plus in the current year, you **must submit** the separation PAR/PPT **and** supporting document(s). Lump Sum Separations Pay Transfer Form Documents can be submitted as early as the month, prior to retirement, after Master Payroll Cutoff. **Please submit documents as early as possible**.

- Employees wishing to defer into the next tax year must indicate a separation date of November 1st or thereafter on the PAR. On the 1st PAR only show time that is needed to issue deferral amounts for the 2014 only. Use lump sum vacation (item 625) up first. After January 1st, submit the 2nd PAR showing all total time to be paid out to the employee. Deferral amounts for the 2015 must be noted in line 10 remarks on the PAR.

- The PAR(s) must be received by SCO no later than **December 19, 2014** to ensure deferral amounts are processed timely for the 2014 tax year. Employees deferring into the 2015 tax year the PAR must be received by SCO no later than **January 13, 2015**. This is to ensure a posting date of February 1st 2015 into the employees Savings Plus account. Deferral amounts processed after these dates may result in fines assessed on the Department as stated in PML 2011-042.

- Employees claiming exempt status on taxes will expire on January 31, 2015. Lump sum issuing beyond the January pay period will revert back to "single" and "0." An EAR must be keyed to permanently exempt taxes for lump sum to issue correctly.

- A green cycle has been added to the December payroll calendar on December 29th issue date of January 1, 2015. Although this will be helpful, we request that you submit the PAR/PPT and supporting documents right after Master Payroll Cutoff of the month prior to retirement. For example, if the employee is retiring December 30th, the last full month is November. PAR/PPT and supporting documents should be submitted the day after November Master Cutoff.

- For employees who are participating in the Savings Plus "Catch-Up" program, **you must submit the approved Catch-Up approval letter with the PAR.** Please advise employees to complete the Traditional Catch-Up Application and submit it directly to Savings Plus. To access this form, the employee must log on to their Savings Plus account or call Savings Plus customer service center at (855) 616-4776.

- There is a calculator on CalHR's website, Lump Sum Leave Calculator that will assist you in calculating and running out leave time when someone separates from state service. There is also a checklist that you can provide employees to help them with things they should consider when retiring. Savings Plus Retirement Checklist.

- For Agencies/Campuses located in the Sacramento area, it will expedite processing if you mail or hand-carry your PAR/PPT and supporting documents to SCO. The receptionist window is located on the 10th floor at 300 Capitol Mall.

- Agencies/Campuses outside of Sacramento may fax the PAR/PPT and supporting documents to our office. Please ensure that the Savings Plus or Tax Shelter Annuity information on item 10 remarks is clear. Do not reduce the size of the original document as data may be too small to read. It is helpful if item 10 remarks are also on the fax cover sheet. **Please do not call to verify that your fax was received.** Include your name and complete telephone number including extension on the fax cover page, so we can contact you if we have any questions. It is helpful if you provide an alternate contact as well. Fax the documents to: (916) 322-8137.

Things to remember:

It is important to cancel direct deposit for all separating employees or direct deposit will be administratively canceled. This enables you to submit documents to SCO early, allows time to process the requested action through the employment history and payroll systems, and leaves you time to review and verify the payments issued/deductions withheld. You may then hold the warrant until the employee's final day at which time you will release the payment to the employee. This also provides for a much quicker turnaround time if corrections to a payment are necessary.

You can submit the PAR/PPT and supporting documents right after Master Payroll Cutoff of the month prior to retirement. For example, if the employee is retiring December 30th, the last full month is November; PAR/PPT and supporting documents can be submitted the day after November Master Payroll Cutoff.

If we have correctly processed the document as requested by the employee then reprocessing will not be done. Please be sure your employees are informed and make a thoughtful decision regarding their options before submitting documents.

You also find information regarding year end separations located in the Year End Separation Handbook on SCO's website. In this handbook, you will find information that will assist you in documenting the PAR, lump sum calculation process, and a variety of PAR samples.

For assistance with payroll related issues, please call SCO's Customer Contact Center at (916) 372-7200 to reach the appropriate Civil Service Payroll Liaison, CSU Payroll Liaison, PAR Liaison, and CSU Audits Liaison. A useful call tree diagram has been created to help direct you to the area you are calling. The link to the Customer Service Call Tree Diagram can be found at the bottom of the web page.

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