

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

DATE: November 5, 2015

PAYROLL LETTER #15-016

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

FROM: Debra Spellman, Acting Chief  
Personnel and Payroll Services Division

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

As the end of 2015 quickly approaches, Personnel/Payroll Operations Bureau (PPOB) anticipates an increase in state employee separations with lump sum amounts deferred into the Savings Plus Program. To accommodate this workload, PPOB reminds departments/campuses of the procedures and tools available for preparing the separation Personnel Action Request (PAR)/ Personnel/Payroll Transaction (PPT) and supporting documentation.

- Departments/Campuses can key an S70 separation transaction completing Item 606 only. Subsequently, the department/campuses needs to submit corrected PARS/PPTs with supporting documentation to PPOB for Lump Sum Deferral processing. Please follow the instructions below for processing the corrected PARs/PPTs.
- The Savings Plus Lump Sum Separation Pay Transfer form recommends the employee submit paperwork at least 30 days prior to their separation. This allows their Personnel Office time for to prepare the necessary documents. However, if PPOB processes the Lump Sum Deferral prior to master personnel cutoff date the month prior to the employee's retirement, all subsequent pay will be issued as a warrant, including master pay. The employee would no longer have direct deposit. Therefore, employees deferring a portion of their lump sum to Savings Plus in the 2015 tax year, departments/campuses **should submit the separation PAR/PPT and supporting document(s) as early as possible**, however after the master personnel cutoff day the month prior to retirement. For example, employees with a December 30, 2015 retirement date, the department/campus can submit the PAR/PPT and supporting documents as early as November 19, 2015.
- PPOB must receive the PAR/PPT(s) no later than December 16, 2015 to ensure deferral amounts process timely for the 2015 tax year. For employees deferring into the 2016 tax year, PPOB must receive the PAR/PPT no later than January 13, 2016 to ensure a Savings Plus account posting date of February 1, 2016. **Deferral amounts processed after these dates may result in fines assessed on the Department as stated in PML 2011-042.**
- Please ensure PAR/PPT Item 10 remarks clearly states the Savings Plus, Savings Plus ROTH and/or Tax Shelter Annuity information.
- For those employees deferring into the next tax year, departments/campuses **must** indicate a separation date of November 1, 2015 or later on the PAR/PPT.
- For employees deferring into the next tax year:
  - On the original separation PAR/PPT, or corrected separation PAR/PPT if S70 already processed, Item 620 should show vacation/annual leave needed to cover the amount deferred to Savings Plus for the 2015 tax year only. Use Item 625 only after exhausting Item 620 and the employee requires using extra time, such as CTO, Holiday Pay, etc. to cover the requested deferral amount. Ensure that Item 10 remarks clearly states the Savings Plus, Savings Plus ROTH and/or Tax Shelter Annuity information for 2015 tax year.
  - Submit the corrected separation PAR/PPT, or 2nd corrected separation PAR/PPT if S70 already processed, between January 1, 2016 and January 13, 2016 to ensure 2016 deferral amount posts to the

Savings Plus account(s) by February 1, 2016. Item 620 should show the **total** vacation/annual leave paid and Item 625 should show the **total** extra time for both 2015 and 2016 tax years. Ensure that Item 10 remarks clearly states the Savings Plus, Savings Plus ROTH and/or Tax Shelter Annuity information separately for both 2015 and 2016 tax years, if applicable.

- For employees claiming a tax exemption, it will expire on January 31, 2016. Any Lump Sum payment issuing beyond the January pay period will revert to “single” and “0”. Therefore, departments/campuses **must** key an EAR transaction permanently exempting the employee from taxes to ensure Lump Sum payments after the January pay period issue correctly. To permanently exempt an employee from taxes, use the same procedures as the “deceased” employee EAR transaction in the PAM Section 10.16.1. PPOB recommends departments/campuses key the permanent exemption EAR transaction prior to submitting the PAR/PPT and supporting documentation. **PPOB will not re-issue lump sum payments due to untimely or incorrect EAR transactions.**
- For employees participating in the Savings Plus “Catch-Up” program, **departments/campuses must submit the Savings Plus, Catch-Up Approval letter with the PAR/PPT.** 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.
- As stated above, PPOB recommends mailing the PAR/PPT as early as possible. However, Agencies/Campuses located in the Sacramento area can hand-carry the PAR/PPT and supporting documents to PPOB to save mailing time. The receptionist window is located on the 10th Floor at 300 Capitol Mall.
- Agencies/Campuses outside of the Sacramento area can fax the PAR/PPT and supporting documents to PPOB. Include item 10 remarks on the fax cover sheet and do not reduce the size of the original documents, as data may be too small to read. **Please do not call to verify that PPOB received your fax.** Include department/campus contact name and complete telephone number including extension and **identify an alternate contact** on the fax cover page. PPOB will communicate with the department/campus contact or the alternate contact, as needed. Fax the documents to (916) 322-8137.
- For PAR/PPT(s) with errors, PPOB will attempt to contact the department/campus contact or alternate contact. However, if PPOB does not receive a response by the close of business (COB) the following business day, PPOB will cancel and return the PAR/PPT to the department/campus. For example, if PPOB leaves a voicemail message on Friday and does not receive a response from the department by Monday COB, PPOB will cancel the PAR/PPT and return it to the department/campus contact.
- CalHR’s website contains a Lump Sum Calculator to assist department/campuses in calculating and running out leave time for employees separating from state service.
- The Year End Separation Handbook, located on the State Controller’s Office (SCO) website, contains additional year-end separation information. This handbook includes PAR/PPT instructions, lump sum calculation process, and various PAR/PPT samples.
- Departments/Campuses should cancel direct deposit for all separating employees or PPOB will administratively cancel direct deposit. This enables the department/campus to submit documents to PPOB early, allowing time to process the requested action through the employment history and payroll systems, and leaving the department/campus time to review and verify the payments issued and deductions withheld. The department/campus may then hold the warrant until the employee’s final day to release the payment to the employee. Following these guidelines assists in a much quicker turnaround for corrections, if necessary.
- **If PPOB correctly processed the document as requested by the employee, PPOB will not reprocess the documents. Please provide the appropriate information to your employees to ensure they make a thoughtful decision regarding their options before submitting documents. Savings Plus provides a checklist to help employees with items they should consider when retiring.**

For assistance with payroll related issues, please call SCO’s Customer Contact Center at (916) 372-7200 to reach the appropriate Civil Services Payroll Liaison, PAR Liaison, or CSU Audits Liaison. The SCO website contains a Customer Service Call Center Tree Diagram to aid in directing callers to the appropriate area.

Referenced websites:

- [CalHR PML 2011-042](#)
- [PAM Section 10](#)
- [CalHR Lump Sum Calculator](#)
- [Savings Plus Retirement Checklist](#)
- [SCO Year-End Separation Workshop Handbook](#)
- [SCO Customer Service Call Tree Diagram](#)

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