STATE OF CALIFORNIA | BETTY T. YEE
California State Controller

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

DATE: October 9, 2017 PAYROLL LETTER #17-014

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

FROM: Debra Spellman, Chief
Personnel and Payroll Services Division

RE: SEPARATION PROCESS WITH LUMP SUM DEFERRAL

As the end of 2017 quickly approaches, the Personnel/Payroll Operations Bureau (PPOB) would like to remind agencies/campuses of the procedures and tools available for preparing the separation PAR/PPT and supporting documentation.

- The Savings Plus Lump Sum Separation Pay Deferral Election Form (Rev.4/16) states the employee **must** submit the form to their personnel office at least five working days **prior** to the employee's separation effective date [refer to CalHR PML 2016-018, California Labor Code (CLC) 201(b) and (c); and CLC 202(b) and (c)]. The State Controller's Office (SCO) and CalHR recommend agencies/campuses date stamp documents when received. Additionally, agencies/campuses should encourage employees to submit the necessary documentation 30 days in advance to allow time to verify calculations to lump sum and prepare the PAR/PPT. PPOB will cancel and return any PAR packages when the employee documentation does not meet the five day requirement.
- PPOB must receive the PAR/PPT no later than December 15, 2017 to ensure deferral amounts process timely for the 2017 tax year. For employees deferring into the 2018 tax year, PPOB must receive the second PAR/PPT no later than January 12, 2018 to ensure a Savings Plus account posting date of February 1, 2018**. Deferral amounts processed after these dates may result in charges assessed by CalHR on the agency/campus as stated in PML 2011-042.**
- Agencies/Campuses can key an S70 separation transaction completing Item 606 only to ensure regular pay issues timely. Subsequently, agencies/campuses need to submit a corrected PAR/PPT with supporting documentation to PPOB for Lump Sum Deferral processing. Please follow the instructions below for processing the corrected PAR/PPT.
- Please ensure PAR/PPT Item 10 remarks clearly states the Savings Plus, Savings Plus Roth, and/or Tax Shelter Annuity, 403(b) information.
- For those employees deferring into the next tax year, agencies/campuses **must** indicate a separation effective date of November 1, 2017 or later on the PAR/PPT. The employee's CalPERS retirement date should be November 2, 2017 or later. Employees with a CalPERS retirement date **before** November 2, 2017, **do not** qualify to defer into the 2018 tax year.
- For employees deferring into the next 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 **2017 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, 403(b), information for 2017 tax year. This PAR/PPT must be submitted no later than December 15, 2017.
  - Submit the corrected separation PAR/PPT, or 2nd corrected separation PAR/PPT if S70 already processed, between January 1, 2018 and January 12, 2018 to ensure the 2018 deferral amount posts to the Saving Plus account(s) by February 1, 2018.
  - Item 620 should show the **total** vacation/annual leave paid and Item 625 should show the **total** extra time for both 2017 and 2018 tax years.
  - Ensure that Item 10 remarks clearly states the Savings Plus, Savings Plus Roth, and/or Tax Shelter Annuity, 403(b) information separately for both 2017 and 2018 tax years, if applicable.
- For employees claiming a tax exemption, it will expire on January 31, 2018. Any lump sum payment issuing beyond the January pay period will revert to "single" and "0". Therefore, agencies/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 agencies/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, **agencies/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 the Savings Plus 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. The receptionist window is located on the 10th Floor at 300 Capitol Mall. Please provide a contact name and phone number as well as an alternate contact on the PAR/PPT so that we may contact you as needed. **Please do not call to verify that PPOB received your PAR/PPT package.**
- Agencies/Campuses outside of the Sacramento area can fax one copy of 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 an agency/campus contact name and complete telephone number including extension and **identify an alternate contact** on the fax cover page.

DS:RM:PPOB