A Guide for Avoiding Common Errors: Lump Sum Documentation and Processing

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Prepared for use by the:
Personnel and Payroll Operations Bureau
A Guide for Avoiding Common Errors: Lump Sum Documentation and Processing

DATES & TIMELINES

- Signed and dated Election Forms must be officially submitted by the employee at least five (5) workdays prior to the separation effective date.
- For November & December Separations
  - November deadlines:
    - 1st PAR rec’d by 12/11/20
    - 2nd PAR rec’d by 12/28/20
  - December deadlines:
    - 1st PAR rec’d by 12/11/20
    - 2nd PAR rec’d by 01/8/21

REFERENCES – FORMS

- Payroll Letter 20-021
- PAM
- FAQ
- Lump Sum Separation Pay Contribution Election Form
- CalHR 1802: Transfer Leave Credits and Catch-Up
- 457 Traditional Catch-Up Application
- Labor Codes 201 and 202

TOOLS

- Lump Sum Worksheet (to reconcile leave balances)
- Lump Sum Pretax Calculator
- STD 640 State Pay Period Calendar
- Decentralized Calendar
- CalHR Pay Differentials
- Talking Points for Kickoff

ABOUT THIS GUIDE: This guide covers suggestions to avoid common errors when preparing lump sum separations. Using it will help decrease the time it takes to document and process a lump sum separation, by targeting those common errors and increasing the accuracy of what is submitted to SCO. Because it is limited in scope, it should be used along with the relevant manuals and training documents. Also, the preparation of some lump sum separations may require additional information specific to an employee’s unique situation. Please refer to the references, forms, tools, and government codes above for additional information or guidance.

1. WHERE TO START → INFORMATION FOR THE Employee (EE)

Provide the following information/forms to the EE at least 5 to 6 weeks prior to separation.

- Savings Plus Lump Sum Separation Pay Contribution Election Form
  - Must be signed, dated, and officially submitted by the EE at least 5 workdays (Monday through Friday, excluding Saturdays, Sundays and legal holidays) prior to the separation effective date.
  - Encourage EEs to submit the Election Form 30 days prior to separation, as doing so provides more opportunity to address questions and correct any errors.

- Year-to-Date (YTD) Accrued Leave and Contribution to Savings Plus Account(s)
  - Print and date the leave balance obtained in LAS (or your departmental leave system).
  - Print and date the EE’s year-to-date Savings Plus contribution obtained in TAXI.
  - Be sure to white-out the Social Security number on each page before giving to the EE.
  - For the EE, note the contribution limits for the tax year in which the EE is separating.

- Will the EE participate in 457 Traditional Catch-Up? (see the Application and the Election Form)

2. REVIEW THE SUBMITTED ELECTION FORM

- Date stamp the submitted Election Form. (Note: If the Election Form is not signed, dated, and received at least five workdays prior to separation effective date, it must be rejected.

- Review SECTION I for completeness and accuracy. Be sure to validate the correct separation effective date (e.g., by checking the EE’s retirement date with CalPERS).
Review SECTION II for completeness and accuracy.*

Part A: Using TAXI, validate year-to-date contribution amount(s) entered in Part A.
Part B: Validate the Lump Sum contribution amounts entered in Part B:
  - Check the totals entered in Part B against the Lump Sum Pre-Tax Calculator.
  - Total tax year contribution may not exceed the annual contribution limits.

Review SECTION III: The EE must have signed and dated the Election Form.
*Contributions to the 403(b) must be included in 401(k) totals.

3. DOCUMENTING THE PAR
Refer to the PAM when completing the Turnaround PAR for a separating EE. ALSO, to help ensure timely and accurate processing, be sure to address the following items as you document the PAR:

  - Print legibly on the PAR, as keying and computation errors often result from illegible writing, and those errors may significantly impact the time it takes for SCO to process the transaction.

  - Item 205: Separation transaction code (e.g., S01, S70, etc. - PAM 3.200-3.202)

  - Item 210: EE’s separation effective date (last day on payroll)
  Validate by confirming the EE’s retirement date (1 day after the separation date) with CalPERS.

  - Item 615: If Item 615 is completed with an “X” for immediate pay, regular pay will issue for the month of separation in a daily payroll cycle. If left blank, regular pay will issue with a master date. NOTE: If the EE makes monthly contributions into Savings Plus, the issue date of regular pay could impact deferral totals for the tax year. (PAM 2.81)

  - Items 620 & 625: After you have used the Lump Sum Worksheet to determine the accrued leave balance (in steps 4a and 4b below)...
    - If more than 99 days of leave...
      - Items 620 & 625: If the total lump sum vacation and/or lump sum extra time to be paid is greater than 99 days, enter 99 in the lump sum ‘days’ field and convert the remaining days beyond 99 into hours.
      - Item 620: If EE has over 99 days 999 hours (vacation, annual leave, PLP) – Item 620 should reflect 99 DAYS 999 HOURS and Item 215 must reflect total vacation, annual leave, and PLP time.
      - See PAM 2.82 and 2.83.
    - If deferring any leave balance into the next tax year:
      - On the 1st PAR (1st tax year), complete Item 620 (lump sum vacation) with time needed to process EE’s request for the 1st tax year. (Note: Complete Item 625 (lump sum extra) ONLY after all time in Item 620 is used and more time is needed to cover the EE’s request.
      - On the 2nd PAR (2nd tax year), enter the TOTAL accrued leave in Items 620 and 625 (this TOTAL will reflect what is to be paid out across both tax years).
      - If not deferring any leave balance into the next tax year, enter in Items 620 and 625 the TOTAL accrued leave.
o **Item 630**: Item 630 is required ONLY IF you are entering information into Item 635/636 for lump sum to be paid from a unit and/or serial number other than the regular position number shown in Item 121 and/or 123 (PAM 2.84).

o **Items 635 & 636**: Enter information ONLY IF you want pay to issue from a unit and/or serial number other than the regular position number shown in Item 121 and/or 123 (PAM 2.85).

o **Item 962 completed correctly?** (see PAM 2.149)
  - **EID/Established Earnings**: If there is an EID that is not indicated on the PAR, write the EID number and amount in the Remarks box. All EID sources must be verified by SCO.
  - For unverifiable 962 salary rate, show the breakdown in Box 10.

o **Line 10**: Indicate in Remarks which account (401(k)* or 457) to max out first, if applicable.

o **Line 11**: Be sure to sign and date the PAR. Include phone number and contact person.

o **Do not send a duplicate or inquiry PAR**, as this may significantly impact the time it takes for SCO to process the transaction. You will receive a confirmation email upon SCO’s receipt of the PAR.

o **Do not staple any documents.**
  - *Contributions to the 403(b) must be included in 401(k) totals.

4. **PROCESSING LUMP SUM BALANCES**

Refer to the PPM when processing lump sum balances for a separating EE. ALSO, to help ensure timely and accurate processing, be sure to address the following items:

o **Reconcile leave balances by completing the Lump Sum Worksheet**.
  - Remember to add any leave time if there is accrual that has not yet posted; go into the B14 screen in CLAS to verify when the last leave accruals were posted.
  - All compensated leave balances are cashed out except sick leave, holiday informal time (ITO), professional development days (PDD). (If the EE is disability retiring S71, see PAM 2.82 and 3.25.)

o **Determine the salary rate to be used in the leave balance projection**.
  - Lump sum vacation and lump sum extra (PAR items 620 and 625) are paid at the unreduced salary rate.
  - Determine if the separation pay should be at an alternate salary rate in PAR Item 962 (PAM 2.149).
  - Examine EID/Established Earnings (PAR Line 9); refer to the CalHR Pay Differentials to determine if this should be included in the salary rate.
  - Time to be paid (PAR item 606) is at the reduced salary rate.

o **Project the leave balance**.
  - The **Std. 640 State Pay Period Calendar** is helpful in projecting the leave balance.
  - Use the **Lump Sum Calculator**, calculate the leave balance by pay period (Vacation first, then Extra).
  - Be sure to check the amounts that the EE indicated on the Election Form against the accrued leave balances using the Lump Sum Calculator: Is there enough leave balance to cover all amounts indicated by the EE on the Election Form?
5. **SUBMIT ALL REQUIRED DOCUMENTS TO SCO***

Refer to the PPM when processing lump sum balances for a separating EE. ALSO, to help ensure timely and accurate processing, be sure to address the following items:

- **Send only a copy, keep the original; all documents must be received by the dates in the table below.**
  - Lump Sum Documents Cover Sheet (at the end of this Guide)
  - Lump Sum Separation Pay Contribution Election Form signed and dated
  - Traditional Catch-Up Approval Letter (if applicable)
  - PAR (see submission dates below)

- **Additional information and suggestions:**
  - In the PAR package, include only documents listed above. Sending additional documents (such as lump sum calendars, 7k worksheets, LAS printouts) increases the time it takes SCO to process the Lump Sum PAR package.
  - A supervisor/senior member should approve of all documents to be submitted SCO.
  - Lump sum vacation and lump sum extra (PAR items 620 and 625) are paid at the unreduced salary rate.
  - You will receive a confirmation email upon SCO’s receipt of the PAR.
  - Do not send a duplicate or inquiry PAR, as this may significantly impact processing time.
  - The month of separation determines the date or timeline by which documents must be received by SCO. See the dates below to allow SCO adequate time to process incoming separations. PAR/PPT packages received by SCO after the dates specified will be processed; however, there may be charges assessed by CalHR to the agency/campus (as stated in [section 1802 of the CalHR Manual](#)) and/or a corrected W-2 for the 2020 tax year

- **Lump Sum PAR Receipt Dates**
  - September-October
    - PAR Received at SCO as soon as possible
  - November
    - 1st PAR Received at SCO by 12/11/20
    - 2nd PAR Received at SCO by 12/28/20
  - December
    - 1st PAR Received at SCO by 12/11/20
    - 2nd PAR Received at SCO by 1/8/21

- **Delivering Documents to SCO**
  - Encrypted Email
    - Follow your agency’s/campus’ encrypted email protocol. If you are unsure about your encrypted email protocol, contact your supervisor before emailing the document.
    - In the Subject Line type **CS Audits Lump Sum PAR**.
    - Email the completed form to: [PPSDTempOps@sco.ca.gov](mailto:PPSDTempOps@sco.ca.gov)
6. **FINAL STEPS**

- Zero out balances on the California Leave Accounting System (CLAS) to accurately reflect the separated EE’s leave balances. (PAYROLL LETTER #18-018).

- Cancel direct deposit for all separating EEs (or SCO will administratively cancel direct deposit). This enables the agency/campus to submit documents to SCO early, allowing time to process the requested action through the employment history and payroll systems. This will also leave the agency/campus time to review and verify the payments issued correctly and the deferral amounts were withheld. The agency/campus may then hold the warrant(s) until the EE’s final day to release the payment(s) to the EE. Following these guidelines allows for a much quicker turnaround for corrections, if necessary. (ref: PAYROLL LETTER #18-018)

- Obtain the EE’s contact information (mailing address, email, and phone number).

Please refer to the SCO Statewide Customer Contact Center (SCCC) at (916) 372-7200 for further assistance, or visit the SCO website for additional contact information.

For questions related to PAR/PPTs, please contact the liaisons for Civil Service (CS) or CSU Personnel.

For assistance with payroll or deferred compensation please contact the liaisons for CS or CSU Payroll.

Please refer to the SCCC Call Tree on the SCO website to aid in directing your call to the appropriate area.
Contact:

- Statewide Customer Contact Center (916) 372-7200
- HR Suggestions Email (All HR Staff) PPSDHRSuggestions@sco.ca.gov
- CSU Inquiry Email (HR Supervisors and Managers) PPSDCSUInquiry@sco.ca.gov
- Cal Employee Connect Email connecthelp@sco.ca.gov
- Cal Employee Connect Feedback Email connectfeedback@sco.ca.gov

SCO Key Initiatives:

- Cal Employee Connect Project
- CalATERS Replacement Project
- California State Payroll System Project

Updates to the Guide

This Guide will be updated as procedures and policies change. To ensure that you are using the most up-to-date version, always access it via the SCO Web site.

Was this Guide helpful?

Please give us your feedback by completing this very brief survey. DO NOT ENTER TECHNICAL QUESTIONS IN THE SURVEY – rather, contact the Statewide Customer Contact Center for all technical questions regarding documenting/processing personnel and payroll forms. The information that you provide in the survey will be used to update and improve future versions of the Guide, as well as inform broader support provided by SCO. Thank you!

The purpose of this publication is to provide general information about personnel and payroll topics and is meant solely as a reference source. This publication does not supersede current applicable laws or regulations and is not intended for purposes of providing legal advice. If there is a conflict between applicable law or regulation and the contents of this publication, the law or regulation shall prevail.
I. TO: State Controller’s Office
PPSD – Statewide Civil Service Personnel

FROM: Dept. ___________________________ Agency Code: __________
Contact: Name: ___________________________ Phone: __________
Email: ___________________________

Back Up: Name: ___________________________ Phone: __________

Supervisor: Name: ___________________________ Phone: __________

II. EE’s SSN: ___________________________
EE’s Full Name: ___________________________

III. If it is determined that the EE does not have enough leave to max out both 401(k) and 457 accounts, which account is the EE’s first choice to max out:

401(k)/403(b)______ 457____

IV. Message: ___________________________________________
_________________________________________________________

DOCUMENTS INCLUDED IN THIS LUMP SUM PAR PACKAGE
Select only one PAR choice below:
[ ] PAR for CASH ONLY Lump Sum Separation
[ ] PAR for CURRENT TAX YEAR ONLY Lump Sum with Savings Plus Contribution*
[ ] 1st PAR for Lump Sum Separation with Savings Plus Contribution
[ ] 2nd PAR for Lump Sum Separation with Savings Plus Contribution

→ Never send a duplicate or inquiry PAR to check on PAR status, as this will increase processing time.

*Current tax year contribution only; EE is not deferring any amount into the following tax year.