

**State Controller's Office
Personnel and Payroll Services Division**



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

**Version 5.0
September 30, 2023**

Prepared for use by the:
Personnel and Payroll Operations Bureau

DATES & TIMELINES	REFERENCES – FORMS	TOOLS – OTHER INFORMATION
<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> - November 2023 deadlines: <ul style="list-style-type: none"> - 1st PAR rec'd by 12/8/23 - 2nd PAR rec'd between 12/11/23 to 12/22/23 - December 2023 deadlines: <ul style="list-style-type: none"> - 1st PAR rec'd by 12/8/23 - 2nd PAR rec'd between 12/28/23 to 1/12/24 	<ul style="list-style-type: none"> • Payroll Letter 23-015 • PAM • FAQ • Lump Sum Separation Pay Contribution Election Form • CalHR 1802: Transfer Leave Credits and Catch-Up • 457(b) Traditional Catch-Up Application • Coversheet for a Lump Sum Separation PAR Package • Labor Codes 201 and 202 	<ul style="list-style-type: none"> • LOOK! Separation Checklist for Personnel Specialists • Lump Sum Worksheet (to reconcile leave balances) • Lump Sum Pretax Calculator • STD 640 State Pay Period Calendar • Decentralized Calendar • Civil Service Weekly Processing Dates • CalHR Pay Differentials • Talking Points for a Kickoff • Lump Sum Separation Process eLearning Series

ABOUT THIS GUIDE: This guide covers instructions for avoiding 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/guidance. The **UPDATED** Separation Checklist for Personnel Specialists is available to assist with the steps to document and process a lump sum separation.

1. WHERE TO START → Information for the retiring employee (EE)

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

- **Civil Service State Employee Guide to Retirement ([EE Retirement Guide](#))**
- **Savings Plus Lump Sum Separation Pay Contribution Election Form ([Election Form](#))**
 - The 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. No changes will be accepted after the five-day threshold has passed.
 - 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/PDF and date the leave balance obtained in LAS (or your departmental leave system). **TIP:** Also provide the EE an estimate of their lump sum leave accrual payout amount available at separation, as this will help the EE decide how much to cash out or contribute to a Savings Plus account.
 - Print/PDF and date the EE’s year-to-date Savings Plus contribution obtained in TAXI.
 - Be sure to remove the Social Security number on each page before giving to the EE.

- The EE may refer to the Election Form for the annual contribution limits.
 - **Will the EE participate in 457(b) Traditional Catch-Up?** (see the [Application](#) and the [Election Form](#))
- 2. REVIEW THE SUBMITTED ELECTION FORM (Note: An EE may officially submit only one election form; therefore, an EE may not submit an election form for the current tax year and another election form for the next tax year.)**
 - **Date stamp** the submitted Election Form. (Note: If the Election Form is not signed, dated, and submitted at least five workdays prior to the separation effective date, it must be rejected ([201](#), [202](#)).
 - **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.
 - Refer to your departmental business process for converting days/hours to dollars.
 - The EE must enter the appropriate year under **Plan Year** in Section II.
 - If the EE has been approved for 457(b) Traditional Catch-Up, that amount(s) must be included in the total(s) entered in the box(es) under 457(b) for the appropriate year.
 - If the EE wishes to have the maximum amount contributed to a Savings Plus account, they must enter the maximum dollar amount that applies to them (maximum amounts are shown in the 401(k) and 457(b) plan contribution limits chart of the Election Form).
 - Refer to TAXI and the 457(b) Traditional Catch-Up Approval Letter (if applicable) to ensure that the amounts entered in the boxes under 401(k) and 457(b) do not exceed the contribution limits for the tax year.
 - **Which Savings Plus account to max out (if applicable)?** Validate that the EE has indicated at the bottom of page 1 of the Election Form which plan (pre-tax 401(k), pre-tax 457(b), Roth 401(k), or Roth 457(b)) should be used for maximum contribution, in the event that the lump sum separation pay amount is not sufficient to contribute the maximum to both plans (401(k) and 457(b)).
 - Total tax year contribution may not exceed the [annual contribution limits](#).
 - **Review SECTION III:** The EE must have signed and dated the Election Form.

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 processing errors often result from illegible writing, and those errors may significantly impact the time it takes for SCO to process the transaction.
- **Item 205: Enter the separation transaction code** (e.g., S01, S70, etc. - PAM [3.200](#))
- **Item 210: Enter the 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.
Example: Retirement date is November 30th; separation date should be November 29th.
- **Item 606:** Verify the time possible for the pay period with the Std. 640 pay period calendar.
- **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 at the end of the separating pay

period. Note: If the EE makes monthly contributions into Savings Plus, the issue date of regular pay could impact contribution 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 (see step 4 below - Reconcile leave balances)...
 - 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 the 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 the EE is using all of their leave in one tax year, enter in Items 620 and 625 the TOTAL accrued leave.
- **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](#)).
- **Items 635 & 636:** Enter information ONLY IF you want lump sum 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](#)).
- **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.
- **Line 10:** Indicate in Remarks which account (401(k) or 457(b)) to max out first, if applicable.
- **Line 11:** Be sure to sign and date the PAR. Include phone number and contact person.
- **Do not send a duplicate or inquiry PAR,** as this may significantly impact the time it takes SCO to process the transaction. You will receive a confirmation email upon submitting the PAR using ConnectHR.

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:

- **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), and professional development days (PDD). (If the EE is disability retiring (S71), see PAM [2.82](#) and [3.25](#).)
- **Determine the salary rate to be used in the leave balance projection.**
 - 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.
- **Project the leave balance.**
 - The [Std. 640 State Pay Period Calendar](#) is helpful in projecting the leave balances.
 - Use the [Lump Sum Pre-Tax Calculator](#) to calculate the leave balances by pay period (enter 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 USING ConnectHR

To help ensure timely and accurate processing, be sure to address the following items:

- **All documents must be received by the receipt dates indicated below.**
 - **Coversheet for a Lump Sum PAR Package** (required)
 - **PAR** (required)
 - **Lump Sum Separation Pay Contribution Election Form** signed and dated (required)
 - **457(b) Traditional Catch-Up Approval Letter** (required, if applicable)
- **Additional information and suggestions:**
 - In the PAR package, include only the documents listed above. Sending additional documents increases the time it takes SCO to process the Lump Sum PAR package.
 - A supervisor/senior member should approve all documents to be submitted to SCO.
 - You will receive a confirmation email upon submitting the PAR package using ConnectHR.
 - Do not send a duplicate or inquiry PAR, as this may significantly impact processing time. Your upload history in ConnectHR shows all of your submitted documents, and when you submitted them. See the [FAQ](#) for more information regarding checking the status of a PAR package.
 - CS Audits Ding Notices are sent to departmental HR offices to inform them that (1) a PAR has been cancelled, or (2) there is an error(s) in the PAR that must be corrected within 48 hours or the PAR will be cancelled. Be sure to follow the instructions in the Ding Notice to help ensure timely and accurate processing of the PAR.
 - The month of separation determines the date or timeline by which documents must be received by SCO. See the dates below to allow adequate time to process incoming separations. PAR packages received after the dates below will be processed; however, there may be charges

assessed by CalHR to the agency (as stated in [section 1802 of the CalHR Manual](#)) and/or a corrected W-2 for the 2023 tax year.

○ **Lump Sum PAR Receipt Dates**

- When separating in October
 - PAR package received at SCO as soon as possible
- When separating in November 2023
 - 1st PAR received at SCO by 12/8/23
 - 2nd PAR received at SCO between 12/11/23 and 12/22/23
- When separating in December 2023
 - 1st PAR received at SCO by 12/8/23
 - 2nd PAR received at SCO between 12/28/23 and 1/12/24

○ **Uploading Documents to SCO**

- Use ConnectHR
 - In the dropdown menu, select *CS Audits - Separation PAR Package (Lump Sum)*.
 - Upload one PAR package per SSN – do not combine PAR packages in an upload. A PAR package includes: Coversheet, PAR, Election Form, and 457(b) Traditional Catch-Up Letter (if applicable).
- Please be advised that this is a time sensitive workload. Labor Codes 201 and 202 require timely processing of lump sum separation pay. Errors in the PAR package may extend processing time. Please refer to the lump sum toolkit, and provide the necessary information to your employees to ensure they make a thoughtful decision regarding their options before submitting documents. Also, the [Civil Service State Employee Guide to Retirement](#) is available on SCO's website. And the Savings Plus website includes a [Resource Center](#) to help employees with information that they should consider when retiring.

FINAL STEPS

- Zero out balances on the California Leave Accounting System (CLAS) to accurately reflect the separated EE's leave balances.
- It is recommended that agencies cancel direct deposit for all separating employees the same day that you upload your lump sum separation PAR package through ConnectHR. This enables the agency 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 time to verify that payments issued correctly and that contribution amounts were withheld. The agency may then hold the warrant(s) until the EE's final day, and then release the payment(s) to the EE. Following these guidelines allows for a much quicker turnaround for corrections, if necessary.
- Obtain the EE's contact information (mailing address, email, and phone number).

Please refer to the [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 PARs, select #2 for Civil Service, and then #2 for Civil Service Audits.

- For questions related to payroll or deferred compensation, select #2 for Civil Service, then #4 for Payroll, and then #1 for General Payroll Questions.

Contact:

- [Statewide Customer Contact Center](#) (916) 372-7200
- ConnectHR Help connecthrhelp@sco.ca.gov
- HR Suggestions Email (All HR Staff) PPSDHRSuggestions@sco.ca.gov

SCO Key Initiatives:

- [Cal Employee Connect 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 Centers](#) 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 enhance 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.