

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



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

**Version 6.1
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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 <u>must be officially submitted</u> by the employee at least five (5) workdays prior to the separation effective date. • For November & December separations, see the dates in the appropriate year's Lump Sum Separation Pay and Contribution Payroll Letter at State Controller's Office Letters. 	<ul style="list-style-type: none"> • SCO Payroll Letters • 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 • Annual Contribution Limits • Labor Codes 201 and 202 	<ul style="list-style-type: none"> • 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 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 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 Savings Plus website 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. The election is irrevocable, and the form cannot be changed, amended, or revoked once submitted to their personnel office. The EE may wish to have their departmental human resources office review the information that they enter on the form before they sign, date, and officially submit it.)

- **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 1** 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 2:** The EE is prompted to select either the Full Deferral Option or the Custom Deferral Option. If no option is selected, the Lump-Sum Separation Pay contribution will automatically be processed using the Full Deferral Option.
- **Review SECTION 3:**
 - If the EE selected the Full Deferral Option, then nothing should be entered in Section 3.
 - If the EE selected the Custom Deferral Option:
 - They must enter the requested information in Section 3. (If the EE is separating in November or December, they have the option of entering amounts under Plan Year 2 in Section 3.)
 - If the EE is including Age-based Catch-Up and/or pre-approved 457(b) Traditional Catch-Up, those amounts must be included in the total(s) entered in Section 3.
 - Refer to TAXI and the 457(b) Traditional Catch-Up Approval Letter (if applicable) to ensure that the amounts entered in Section 3 do not exceed what is available to the EE.
 - **Which Savings Plus accounts to prioritize (if applicable)?** The EE must enter the numerical order of priority according to which funds will be contributed to each plan.
 - Total tax year contribution may not exceed the [annual contribution limits](#).
- **Review SECTION 4:** 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:

- **Information entered on the PAR must be legible, and it must be in black or blue ink** (see PAM [2.1](#) for documentation format requirements). 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 960:** Complete PAR Item 960 when submitting a corrected PAR transaction (PAM [2.148](#)).
- **Item 962: Completed correctly?** (see PAM [2.149](#))
 - **EID (Established Earnings) and Shift Differential:** If there is an EID or shift differential (SD) that is not indicated on the PAR, write the EID and/or SD number and amount in the Line 10 Remarks section. All EID sources must be verified by SCO.

- **For unverifiable 962 salary rate:** In the Line 10 Remarks section show the breakdown of those items that are contributing to an unverifiable 962 salary rate. (For example: \$8,936 (base pay) + \$228.08 (L8SP2) + \$433.31 (Shift Diff))
- **Line 10 Remarks:**
 - To document Savings Plus contribution amounts:
 - Enter “999 See Remarks” in PAR Line 9.
 - Enter “See Election Form” in the Line 10 Remarks section.
 - To document other deductions per PAM section 2.151:
 - Enter “999 See Remarks” in PAR Line 9.
 - Enter the other deductions per PAM section 2.151 (as applicable) in the Line 10 Remarks section.
 - If the employee is requesting cash only, you should notate in the Remarks section “Cash only.” (Note: This is not a deduction; therefore, do not enter “999 See Remarks.”)
 - If you are notating any future pay increase or breaking down Item 962 EID, you should notate this in the Remarks section.
- **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 your submitted documents, and the date submitted. See the [FAQ](#) for more information regarding checking the status of a PAR package.
 - If you receive a CS Audits Ding Notice, you must respond within 2 business days, or the PAR package will be cancelled. If the PAR package is cancelled, follow the steps in the Ding Notice received for the cancelled PAR, as it will include instructions for resubmitting the PAR package.
 - The date 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 2024 tax year.
- **Lump Sum PAR Package Receipt Dates**
 - When separating in January through October, the PAR package should be submitted to SCO as early as possible from the separation effective date.
 - When separating in November or December, the PAR package must be submitted to SCO according to the receipt dates in the appropriate year's **Lump Sum Separation Pay and Contribution Payroll Letter** at [State Controller's Office Letters](#). PAR packages received by SCO after those dates may result in charges assessed by CalHR to the department (as stated in [section 1802 of the CalHR Manual](#)) and/or a corrected W-2.
- **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 cover sheet, 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 website.

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.