

LUMP SUM SEPARATION PAY FAQ

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Q22. My employee has approval from Savings Plus for 457(b) Catch-Up Contributions. What do they need to do?

Q23. If my employee selects Full Deferral Option and has a November or December separation, do I submit one or two PAR packages?

Q1. When does a separating employee need to submit the Savings Plus Lump Sum Separation Pay Contribution Election Form (Election Form) to their Human Resources (HR) Office?

A. Per California Labor Code (CLC), 201 (b) and (c); and CLC 202 (b) and (c), separating employees must sign, date, and submit the Savings Plus Lump Sum Separation Pay Contribution [Election Form](#) (Election Form) to their HR office at least five workdays (Monday through Friday, excluding Saturdays, Sundays and legal holidays) prior to their separation effective date. The election is irrevocable, and the form cannot be changed, amended, or revoked, once officially submitted to their personnel office. PAR packages with an Election Form that does not meet the five-day threshold will not be processed by SCO.

Q2. Where can I find information on how to process a lump sum separation?

A. The [PPSD Lump Sum Separation Toolkit](#) has information and tools available to assist departments with separating employees. Please refer to the lump sum toolkit, as well as relevant manuals and training, when documenting a lump sum separation. A supervisor/senior member should review/approve all lump sum separation documents before they are submitted to SCO.

Q3. I have an employee who would like to defer all, or a portion of, their lump sum pay into the next tax year. What does the separation date need to be?

A. Only employees with a separation effective date in November or December may defer lump sum pay/Savings Plus contributions into the next tax year. The employee's CalPERS retirement date must be on or after November 2 of the calendar year.

(Note: The official retirement date is typically one day after the separation effective date. See [CalPERS Service Retirement FAQ](#).)

Q4. Will SCO notify me when my lump sum separation PAR package is received?

A. You will receive a confirmation email upon submitting the PAR package using ConnectHR. If you do not receive an email confirming submission of the PAR package, contact ConnectHR at connecthrhelp@sco.ca.gov.

Q5. I submitted a lump sum separation PAR to SCO using ConnectHR, and I need to make a correction. What do I need to do?

A. To make a correction to lump sum separation PAR already submitted to SCO:

1. If the lump sum separation PAR has not been keyed by SCO (see Q8 below to help determine if the PAR has been keyed):

The following PAR items can be changed over the phone: PAR Items 215, 603, 606, 607, 620, 625, 630, 635, 636, 710, 888, 962 and line Item 10. To correct one of these items over the phone, contact the Statewide Customer Contact Center ([SCCC](#)) at (916) 372-7200, **select #2 for Civil Service, and then #2 for Civil Service Audits.**

2. If the PAR has not been keyed by SCO, and the PAR item to be changed is not listed above:

Contact the [SCCC](#) and **select #2 for Civil Service, and then #2 for Civil Service Audits**, so the PAR can be cancelled and a new PAR may be submitted.

3. If the lump sum separation has been processed:

Contact the [SCCC](#) and **select #2 for Civil Service, then #4 for Payroll, and then #1 for General Payroll Questions.**

Q6. Whom do I contact for assistance with PAR documentation?

A. If you still need assistance after consulting with your supervisor or senior/trainer, and you have examined the lump sum toolkit, you may contact the [SCCC](#) at (916) 372-7200 and **select #2 for Civil Service, and then #2 for Civil Service Audits.**

Q7. What do I do if I receive a CS Audits Ding Notice?

A. 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 2 business days. Be sure to follow the instructions in the Ding Notice (including all information in the **Important Message** section) to help ensure timely and accurate processing of the PAR.

Q8. How do I check the status of a lump sum PAR package that I submitted to SCO?

A. To check the status of a lump sum PAR package, follow these steps:

1. Check Employment History (PIMS) to determine if the separation transaction (e.g., S70, S01) has been keyed. If the transaction has been keyed, then...
2. Check Pay History (POIS) to determine if the separation pay has issued.
3. If the separation pay has not issued, review the [Weekly Processing Dates](#) to determine the dates currently being worked by SCO:
 - a. In the Weekly Processing Dates document, under **Statewide Civil Service Payroll (General) Program** go to one of the following **Document Types**:
 - i. Personnel Action Request Std. 680 – Do Not Key Separations: January - October
 - ii. Personnel Action Request Std. 680 – Do Not Key Separations: November – December 1st Tax Year PAR
 - iii. Personnel Action Request Std. 680 – Do Not Key Separations: November – December 2nd Tax Year PAR
 - b. Then, review the information under **Usage, Transaction Request, and Processing**:
 - i. For January - October separations:
 1. If the date that your PAR package was uploaded in ConnectHR is more recent than the date shown under Oldest Date, the separation has not yet been processed. In general, please check your pay daily using PIMS, POIS, and/or TAXI to verify what has issued.
 2. If the date that your PAR package was uploaded in ConnectHR is older than the date shown under Oldest Date, then contact the [SCCC](#) at (916) 372-7200 and **select #2 for Civil Service, #4 for Civil Service Payroll, and then #1 for General Payroll Questions.**
 - ii. For November - December separations:
 1. For PAR packages submitted on time: Look for the separation dates being processed for the appropriate tax year.
 2. If the PAR package was submitted on time, and your employee's separation date is prior to the separation dates being processed, contact the [SCCC](#) at (916) 372-7200 and **select #2 for Civil Service, #4 for Civil Service Payroll, and then #1 for General Payroll Questions.**

3. For PAR packages not submitted on time, please allow up to three weeks for processing. If PIMS and POIS show that the separation has not processed at least three weeks after the PAR was submitted, contact the [SCCC](#) at (916) 372-7200 and **select #2 for Civil Service, #4 for Civil Service Payroll, and then #1 for General Payroll Questions.**

Q9. My employee's separation transaction is an S05. Are they eligible to transfer their lump sum pay into Savings Plus?

A. No. Per the [Exempt Salary Schedule](#), lump sum payments for any accrued leave credits are not eligible to transfer to a Savings Plus account, unless an individual has a bona fide separation from employment (and S05 transactions are not considered a bona fide separation).

Q10. Does the "five-workday" rule for submitting the Election Form apply to S71 and S95 transactions?

A. Yes. The five-workday rule (for an employee submitting their Election Form) applies to all permanent separations. The Election Form must be signed, dated, and submitted prior to the employee disability retiring (S71) or the employee's death (S95), or the lump sum time to be paid out will be issued as cash. (See [CalHR Manual 1802](#)).

Q11. I have a question about the lump sum payment(s) and Savings Plus contribution amount(s) that issued for my employee. Whom do I contact?

A. Contact the [SCCC](#) at (916) 372-7200 and **select #2 for Civil Service, #4 for Civil Service Payroll, and then #1 for General Payroll Questions.**

Q12. Do I have to cancel direct deposit for a separating employee?

A. It is recommended that agencies cancel direct deposit for all separating employees the same day that the lump sum separation PAR package is uploaded through ConnectHR.

Q13. How can I determine if the employee's request in the Election Form doesn't exceed the amount available to the employee per their leave accruals?

A. The [Lump Sum Worksheet and Lump Sum Pre-tax Calculator](#) are needed to determine an employee's total lump sum pre-tax amount at separation. The Lump Sum Worksheet assists with determining total accrued leave balances. The Lump Sum Pre-Tax Calculator assists with using those accrued leave balances to determine the total pre-tax amount available to the employee.

Q14. My employee wants to contribute as much as possible into their Savings Plus account(s), but they are not sure of the amount(s) needed. What amount(s) should they enter in Section 3 on the Election Form?

A. The employee has two options to contribute as much as possible into their Savings Plus account(s).

1. The employee can select the Full Deferral Option on the Election Form to contribute the maximum amount allowed using the pre-tax hierarchy order indicated on the Election Form.
2. The employee can select the Custom Deferral Option on the Election Form and then enter the [maximum amount\(s\)](#) allowed in Section 3 next to the desired plan. If the employee wants to contribute to more than one plan in a given year, they must enter a priority number (1-4) for each plan, and SCO will apply the contribution amounts available according to the priority indicated. (Note: Each contribution must be entered in Section 3 as a dollar amount.)

Q15. Will garnishments be applied to lump sum payments?

A. [Section H 309](#) of the Payroll Procedures Manual (PPM) lists garnishment types that apply to lump sum payments, and those garnishments will reduce the amount available to contribute into a Savings Plus account.

Q16. Will taxes come out of the lump sum payments with a Savings Plus contribution?

A. Lump sum payments with a pre-tax contribution may be subject to Social Security and Medicare tax withholdings, as indicated by the employee's retirement account code in PIMS. Refer to the lump sum pre-tax calculator for assistance with contribution amounts subject to Social Security and Medicare. Any remaining amount not being contributed may also be subject to federal and state taxes.

- Lump sum payments with a post-tax contribution (Roth) will be subject to all applicable taxes.

Q17. My employee's tax exemption expires on January 31st. How do I exempt the employee's taxes for lump sum payments that extend beyond the January pay period of the following year?

A. There are two ways for an employee's exemption status to continue past January 31st.

1. The employee may submit an Employee Action Request (EAR) prior to their separation to continue their tax-exempt status for payments that issue beyond the January pay period.
2. Departments may use the same procedure as the "deceased" employee EAR transaction in the PAM Section 10.16.1 to permanently exempt the employee. SCO recommends departments key the permanent exemption EAR transaction prior to submitting the separation PAR and supporting documentation to SCO.

If no action is taken, lump sum payments issuing beyond the January pay period will revert to Single for federal and Single and 0 (zero) exemptions for state.

Note: SCO will not re-issue lump sum payments due to untimely or incorrect EAR transactions.

Q18. How can I verify what the employee has already contributed into their 401(k)/457(b) Savings Plus account(s)?

A. Savings Plus contribution totals for the tax year can be verified using TAXI (Year to Date). In TAXI, select "F4" followed by "F8" (which will display the 2nd page of TAXI) to view year to date totals for pre-tax and post-tax 401(k) and 457(b).

Q19. When will the contribution(s) post to the employee's Savings Plus account(s)?

A. SCO submits two deduction files to Savings Plus each month: mid-month and end-of-month. The posting of funds will be based on (1) the issue date of the lump sum payments with the contribution amounts, and (2) when the deduction file with the contributions is sent to Savings Plus. If you have a question regarding this, please contact the [SCCC](#) at (916) 372-7200 and select #2 for Civil Service, #4 for Civil Service Payroll, and then #1 for General Payroll Questions.

Q20. Where can I find information on contribution options/limits for Savings Plus plans?

A. This information is located on the [Savings Plus](#) website.

Q21. Can an employee participate in more than one Savings Plus plan (e.g., Traditional

401(k) and 401(k) Roth)?

A. Yes, however, the combined total of both 401(k) plans cannot exceed the [IRS contribution limits](#).

Q22. My employee has approval from Savings Plus for 457(b) Catch-Up Contributions. What do they need to do?

A. The employee must submit the 457(b) Traditional Catch-Up Approval Letter (received from Savings Plus) to their HR office with their completed Election Form at least five workdays prior to their separation effective date.

1. If the employee selects the Full Deferral Option, the maximum contribution will be applied, not to exceed IRS limits, using the default pre-tax hierarchy order shown on the Election Form.
2. If the employee selects the Custom Deferral Option on the Election Form, the employee must include the Catch-Up amount(s) in the 457(b) total(s) when completing section 3.

The HR office must then submit the Traditional Catch-Up Approval Letter to SCO with the coversheet, PAR, and the completed Election Form (which together are called a PAR package) for processing.

Q23. If my employee selects Full Deferral Option and has a November or December separation, do I submit one or two PAR packages?

A. If the employee selects Full Deferral Option (see the [Election Form](#)) and has a November or December separation, and they still have accrued leave remaining after they meet their [IRS contribution limit](#) for 2024 for 457(b) and 401(k) combined, then you must submit two PAR packages. If the employee selects Full Deferral Option and has a November or December separation, and their Savings Plus Program (SPP) contribution for 2024 will not exceed the IRS contribution limit for 457(b) and 401(k) combined, then submit just one PAR package.

When an employee has a November or December separation, and selects the Full Deferral Option, follow these steps:

1. Determine the employee's **total accrued leave** available at separation.
An employee's leave balance may be obtained in the California Leave Accounting System (or your departmental leave system).
2. Determine the employee's **total leave accrual payout amount** available at separation.
Using the [Lump Sum Worksheet and Pre-Tax Calculator](#) will help determine the total amount available.
3. Does the employee's SPP contribution amount exceed the IRS maximum contribution for 457(b) and 401(k) combined for the current tax year?
 - a. Determine the employee's maximum allowed 457(b) + 401(k).
 - b. Then, subtract the amount already contributed for the current tax year.
 - c. Is the remaining amount greater than the total leave accrual payout?
 - i. If no, then submit only one PAR package to SCO.
 - ii. If yes, then go to step 4.
4. Submit two PAR packages to SCO:
 - a. First, submit a current tax year PAR (see the submission date deadlines in [Payroll Letter 24-014](#)), and select *1st Tax Year PAR Package with Savings Plus Contribution* on the Lump Sum PAR Package Coversheet:

- i. On the PAR include ONLY the time to cover the IRS maximum 457(b) and 401(k) combined contribution for the employee for the current year.
 - ii. Enter the employee's TOTAL accrued leave in the Message section of the Coversheet.
- b. Then, submit a next tax year PAR (see the submission date deadlines in Payroll Letter 24-014), and select *2nd Tax Year PAR Package with Savings Plus Contribution* on the Lump Sum PAR Package Coversheet:
 - i. On the PAR include the employee's TOTAL accrued leave available at separation.
 - ii. Enter the employee's TOTAL accrued leave in the Message section of the Coversheet.

If the employee wants cash along with making a contribution to the SPP, there are two ways:

- Custom deferral: Cash will be issued for any remaining time available after applying the amount(s) entered into Section 3.
- Full deferral: Cash will be issued for any time remaining after maximum contributions are completed for the first and second tax years.