

USPS - Commonly Used Payroll Procedures



Developed by OME-RESA with excerpts
from SSDT documentation

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Explanation of Sick Advance Setup and Usage

>How does S/L advanced days work?

>We advance our regular employees (5) five days S/L when hired

In order for the sick leave advance to work on the system, you must enter a value in the BENSCN for advance maximum. In your case, you would enter 5.00 in this field on the BENSCN for each person entitled to it.

Also, there is a flag which must be set in the USPSDAT/USPCON program (screen 2 of 3) which indicates which method your district uses for the sick leave advance: A = Always available, accumulations will decrease the "Advance Used" field in BENSCN, or O = Available once, accumulations will not affect the "Advance Used" field.

For this explanation, the user would set the flag to O as it is available only once to employees in most districts.

>1. Does the computer TAKE days *AS NEEDED* for the "pool" >of those 5 days?

The way you would enter days for a person who would be using the sick leave advance would be no different than the way you enter it for someone who is still in the black on their sick leave balance. For instance, if someone has a zero sick balance and an advance maximum set up on their BENSCN of 5.00, the system would handle your entering an AB/SI entry in the ATDSCN as follows:

Prev BENSCN Balance:	After posting 2 AB/SI entries:
-----	-----
Sick Balance - 0.00	Sick Balance - -2.00
Advance used - 0.00	Advance used - 2.00
Advance max - 5.00	Advance max - 5.00

As you can see, the system will show their actual balance as a negative and will increase the field "advance used" by the number of advance days it had to use. The system will allow negative sick leave balances regardless of whether you use the advance maximum field or not, however, the "advance used" field will not be affected unless you have specified an advance maximum.

>2. If accrual pays back the *AS NEEDED* days used from
>someone's "pool", do those ADVANCED days show up on an
>individuals BENSCN under "ADVANCE USED"? (So that when
>five days are advanced the "pool" is full with 5 days
>showing?)

When you accrue days for someone who has had to use advance sick leave the sick leave balance field is the only one that will change. If you post an AC/SI entry in the ATDSCN for 2.00 days for the person above, the result in the BENSCN will be as follows:

Sick Balance -	-2.00	Sick Balance -	0.00
Advance used -	2.00	Advance used -	2.00
Advance max -	5.00	Advance max -	5.00

The balance will increase by 2 but the advance used field will remain the same.

>3. After 5 days ARE used, is that when ATDSCN starts
>to warn of negative balance?

The ATDSCN notifies you of a negative balance as soon as it occurs regardless of whether you are using the Advance Max field. You are also able to exceed the advance max through the system, you will get a warning, but you can choose to bypass it.

>4. Also, is that when an option to dock or not is
>presented when entering absences and all available
>sick leave AND advance are depleted?

Once you have a resulting negative leave balance, regardless of whether you use the advance fields, you will be prompted the option to dock in the ATDSCN.

Instructions for Issuing Refund of Deduction Checks

1. Go into each employee's deduction screen for which you are issuing the refund for and find the "Error adjustment" field on the screen. MODIFY the record and put in the negative amount of the deductions that you are refunding per employee. Do this for each employee deduction being refunded.
 2. RUN PAY:INICAL Take the option for "Special Pay". Use the same "Pay of the month" as you used in the original run of payroll. Leave paygroups blank. You can use today's date for beginning, ending, and the pay date.
 3. Go back into USPSCN and select the REFSCN option...ADD each employee into that screen.
 4. RUN PAY:CALCPAY - run all reports, although it will not produce budget reports since there are no new charges to the accounts...check reports.
 5. When satisfied with the reports, RUN PAY:CHKPRT to produce the checks.
 6. RUN PAY:CHKUPD. Even though there is no budgetary charging involved in the refund process, this step is necessary to update the employee files. Please note that there will not be a batch file to process through AUTOPOST from this run of "payroll". The program will prompt you for a USAS check, put in a check number....it needs it to proceed with the program but will NOT actually use a check.
- **If you plan to let the deductions work themselves out with the next pay, then
**you can skip step 7. You should NOT skip this step if you will cross months.
7. Proceed with deduction checks if necessary....if you need to give MORE money to a deduction company, simply run the deduction checks for those deductions and send these checks in along with your original run of deduction checks....if you need to give LESS to a deduction company, VOID the original deduction check (if you still have it ONLY!) and type up a new one for the corrected amount. (If you do not have the check then you will have to request a refund from the deduction company for the difference.) Send FSTAFF the Check number, Deduction code, Date, and amount of the check, and we will put it on the system for you.

If you have made adjustments to the deduction checks and/or sent additional checks to cover the additional charges, it is VERY important that you go back

to the employees' deduction records and zero out the accumulators for these deductions.

Voiding a Payroll Check/Rerunning/Reissuing Deduction Checks

1. Void the employee's original check. (This will produce a batch file that will need to be processed in AUTOPOST at a later time.)
2. Type up a blank payroll check for the gross amount of the voided payroll check and deposit this check into your general fund bank account.
3. Run a special payroll for this person for the correct amount of their pay. (Run this pay all the way through CHKUPD...it will create another batch file and another clearance check....deposit this check into your payroll account.)
4. If you still have the deduction checks that will need adjusted, do the following:
 - A. If the checks are MORE than they should be, VOID the deduction check(s), and type up new ones for the correct amounts. Email FSTAFF with the check numbers, deduction codes, dates, and amounts and we will put them on the system for you.

***If you do STEP A, then you must go back to the deduction records and blank out the accumulators so that the next deduction checks run are not affected.
 - B. If the checks are LESS than they should be, process the deduction checks through DEDRPT/PAYDED and send these additional checks with the original ones.

Instructions for Refund of Annuity from a Prior Calendar Year

Process a refund of deduction check for the employee to return the refund. However, this will update CURRENT year totals, deducted amounts, etc, therefore you **MUST** contact FSTAFF after processing the refund check but **BEFORE** processing deduction checks.

1. Deposit the check that the deduction company sent you into your payroll account. That will cover the refund to the employee. Nothing else needs done as far as moving money or with the general fund bank account.
2. You will need to obtain and fill out a w2c for this employee to correct the amounts that show on their prior cy w2. This form will have 6 parts...file one with federal, one with state, one for you, and give the remaining 3 copies to the employee. You might want to contact this employee if you haven't already to tell them that this correction is coming...just so they don't file their taxes in the meantime if they haven't already. Also, we normally have this form on hand if you need it...please let us know if you do and we'll send it to you.
3. You must file a w3c to correct the totals that were reported for your district for the prior cy.
4. You will need to file a 941C to correct the qtr totals in which the check was issued and all subsequently affected quarters for the prior cy. You must also list the amount that you deducted in the refund check as an error from a prior quarter and submit the payment as such.
5. You will need to file an it3c with the state for corrections to your prior cy data.

Direct Deposit Setup

(Excerpt from SSDT Documentation)

Purpose of Direct Deposit

The purpose of direct deposit is to deposit money directly into an employee's bank account(s) on payday instead of receiving a check which they must deposit or cash. The employee will still receive a pay stub which shows the earnings, taxes, and deductions. The employee is required to deposit the entire net pay of their pay check into their checking or savings account(s). It is not possible to deposit only a portion of the net pay into a bank account.

Employee Advantages of Direct Deposit

Some employee benefits of utilizing direct deposit are:

- It eliminates a trip to the bank to cash or deposit your pay check and wait in long lines.
- Funds are deposited when the employee is sick, on vacation, or traveling on business.
- No lost or stolen checks.
- Encourages savings. You can designate part of your pay to go directly to your savings account.
- Eliminates holds on checks. Your funds are in your account and available to you on payday.
- You can split your pay deposits between checking and savings accounts, even at different financial institutions.

Employer Advantages of Direct Deposit

Some employer benefits of utilizing direct deposit are:

- Eliminates check reconciliation.
- No lost checks will occur which eliminates the need for stop payment replacement checks.
- Eliminates critical delivery.
- Minimizes storage and security of checks.

The Planning Stages

There are several matters which should be thoroughly investigated prior to trying to implement direct deposit. Close communication with the Data Acquisition Site (DAS) and the banking institution will be required to successfully submit direct deposit information. The following paragraphs discuss some of the issues which should be researched.

Submission of Direct Deposit Information to the Financial Institution

A special tape file containing the direct deposit information is created when the payroll is processed. The procedures on how the tape file is handled depends upon the procedures established by the DAS involved. Some DAS's will create either a magnetic tape or a diskette which must then be submitted to your bank. Either the DAS or the district will be responsible for getting the tape to the financial institution which will be processing your direct deposit information.

If a magnetic tape or diskette is utilized, the district must then determine what personnel will be responsible to deliver the tape or diskette to the financial institution.

Other DAS's have the ability to electronically submit the direct deposit information to banks. The DAS would take the tape file created during the payroll process and submit it to the bank for you. This eliminates the need to create a physical tape or diskette to take to the financial institution. The DAS's that have agreements to handle direct deposit information in this manner might have you run an additional procedure during the payroll. If electronic submission is available through your DAS, you might be asked to just call the financial institution and provide them with the total of your direct deposit transactions each pay period.

It is important to contact your DAS long before you do anything with direct deposit processing to discuss their policies and procedures regarding the tape file created through payroll.

Selecting a Bank to Handle Direct Deposit Data

You will have to determine which bank will be used to process the Automated Clearing House (ACH) file which is created during your payrolls. You will need to contact the bank and determine if they have the equipment available to read a magnetic tape or diskette which is created during your payrolls. The physical tape or diskette is actually produced by your DAS. Discussions with your DAS may help you with this decision.

The bank can also tell you what the 'deadline' is for submitting a direct deposit file. Sometimes it requires a district to finish their payrolls a day or so earlier in the week than what you are accustomed to finishing a payroll. For instance, perhaps you normally finish your payrolls on Thursday for a Friday pay date. The bank might indicate that you must have the direct deposit information submitted no later than noon on Wednesday. This could possibly cause the district to change policies

regarding the cut-off dates for paperwork to be submitted for the current payroll.

There are also some additional pieces of data that are required to process direct deposits. The DAS will have to enter this information into the payroll system. However, the DAS may ask the member site to help obtain this information directly from the bank. These items will be discussed later.

Policies and Procedures

A district implementing direct deposit has some initial decisions which will need to be made.

- How will direct deposit affect our current policies?

If the bank requires your direct deposit information to be submitted earlier in the week than when you are accustomed to finishing a payroll, perhaps you will need to change the policy for the cut-off date on time sheets and paperwork from your employees.

- What happens if the direct deposit is required on Wednesday and we have a holiday on Monday and the Treasurer's office is closed?

The district will need to determine if they will start the payroll a day early when this situation occurs or if they will pay someone overtime.

- Will direct deposit be optional or mandatory?

Direct deposit employees will receive a pay stub to show them their earnings and deductions for each pay. Is the district willing to print both the stubs for the direct deposit employee as well as physical checks for those employees that are not on direct deposit? Some employers choose to make it mandatory for all new employees to avoid "forcing" current employees into direct deposit.

- Will we limit the number of direct deposit accounts the employee can utilize?

The USPS system allows the employee to deposit money into multiple direct deposit accounts. Some employers only allow the employee to deposit money into one account, even though the system is capable of handling multiple accounts.

- How often will an employee be allowed to change the direct deposit accounts?

Some districts only allow employees to change direct deposit accounts once a year in a particular month. In some cases when direct deposit is optional, employees can only switch to direct deposit certain times during the year.

- What paperwork will be necessary from the employees interested in direct deposit?

Employers and employees that participate in submitting direct deposits through the ACH Network must have written agreements in place. The employers that originate the transactions must sign an agreement defining responsibilities with its financial institution. The employee must sign a written authorization to permit transactions to be made to their account(s). Sample authorization forms for the employee are shown below:

AUTHORIZATION AGREEMENT FOR AUTOMATIC DEPOSIT (ACH CREDITS)

EMPLOYER NAME _____ LOCATION _____

I hereby authorize my EMPLOYER (named above) to initiate credit entries and to initiate, if necessary, debit entries and adjustments for any credit entries in error to my (our) account or accounts listed below.

FINANCIAL INSTITUTION NAME *TRANSIT/ABA NO. ACCOUNT NO. TYPE OF ACCOUNT

1. _____ CHK SAV
 LOCATION _____ ** % _____ AMOUNT _____

2. _____ CHK SAV
 LOCATION _____ ** % _____ AMOUNT _____

3. _____ CHK SAV
 LOCATION _____ ** % _____ AMOUNT _____

The authority is to remain in full force until EMPLOYER has received written notification from me (or either of us) of its termination in such timely manner as to afford EMPLOYER and FINANCIAL INSTITUTION a reasonable opportunity to act on it.

NAME _____ ID NUMBER _____
 (Please Print)

DATE _____ SIGNATURE _____ SIGNATURE _____

* Nine digit number that appears on the bottom of a check or deposit slip.

** This is where you designate a percentage of pay or fixed amount. Percentages must add up to 100%.

It is recommended that you ask the employee for a canceled check or a deposit slip so you can verify the transit routing number, which identifies a specific financial institution, and the employee's account number. It is critical that this information is correct so the money will be deposited in the correct account number at the appropriate bank.

Steps To Implementing Direct Deposit

The steps which are required by the district in order to implement direct deposit are:

- 1 Create DEDNAM record(s) for direct deposit using Deduction Type DD.
- 2 Create deduction records for each employee participating in direct deposit in USPSCN/DEDESCN.
- 3 Set the field "Direct Deposit" in BIOSCN to "Y" for anyone who chooses to use direct deposit. This would be done just prior to the payroll where the pre-note tape will be processed.
- 4 Set the field "Clear Direct Dep. Accum." in USPSDAT/USPCON to the correct option for your district.
- 5 Some DAS's request your help in obtaining the information needed for entry in the DIRDEP program. This program requires information regarding your district and the bank processing the direct deposit information. The DAS personnel are required to actually enter this information, but the DAS might request your help in obtaining the data needed from your bank.

Prior to going "live" with direct deposit, the direct deposit must be run through a testing phase (prenotification) to make sure all the account numbers and the financial institution transit routing numbers are correct. The direct deposit pre-notes have to be transmitted to the ACH Network Processor ten days ahead of the first live entries. This is done by setting up deduction records for your employees at a "pre-note" status for the first payroll rather than "live". During the course of your payroll, you will have the ability to mass change the "pre-note" records to "live" records for the subsequent pay.

The "pre-note" file actually contains all zeros as far as the amounts to be deposited into the employees' accounts. Again, the purpose is to ensure the account number and institution numbers are correct. No posting takes place in the employees' bank accounts.

The following sections address each of these steps in detail.

Creating the DEDNAM Records for Direct Deposit

Direct deposit is handled through setting up deduction records for the employees who choose to participate in direct deposit. As with any other deduction in the USPS system, at least one DEDNAM record is required. There are a few rules for direct deposit which should be noted prior to establishing the DEDNAM records. The following rules relate directly to the deduction records that you will set up for each employee. However, these rules may help you determine how many DEDNAM records will be necessary.

1 An employee can use multiple deduction records (accounts) for direct deposit.

2 There are two types of direct deposit deduction records; fixed and percentage. An example of a fixed record would be an employee who wants \$25.00 per pay placed in a savings account.

3 Every employee must have one or more percentage deduction records that total 100% of the remainder of the net pay. This applies whether the employee has any fixed amounts or not.

Some districts choose to have just two different deduction codes established. For example, they choose one deduction code for their savings accounts and another for checking accounts. Another example of how these could be set up would be one deduction code for the first direct deposit record a person holds, a second code if they want to deposit into a second account, and a third code if three accounts are going to be used, etc.

Creating Direct Deposit Deduction Records

One or more deduction records will need to be created for each employee participating in direct deposit. Below are the fields that need to be identified for each direct deposit deduction record in USPSCN using the DEDSCN option:

Find: Add: Mask:			
SSN	Code	Last name	First name
SSN: _ - _ - _	Code: _	Name: _____	
Deduction type - Direct Deposit Name: _____			
Fixed or percent: _	Start: _/ _/ _	Institutions # : _____	
Deposit amount : _____	Stop : _/ _/ _	Acct. #: _____	
Type of deposit: _			
User Defined Fields:			
Amount 1: _____	Amount 2: _____		
Code 1: _	Code 2: _	Date: _/ _/ _	
Text: _____			
	Accum QTD Totals	FYTD Totals	YTD Totals
Deduct total : _____			
DEDSCN - Deduction record data maintenance program			

The fields you need to be concerned with filling out when you are initially implementing direct deposit are described below:

Field Name Explanation Values

SSN Employee's social security number.

Code Deduction code number.

Name Employee's name.

Fixed or percent Is this deduction a fixed amount or a percentage?

F-fixed P-percentage

Field Name Explanation Values

Deposit amount	If a fixed amount is selected, enter the dollar amount. If a percentage is selected, enter the percent. The sum total of all direct deposit accounts must equal 100% excluding any fixed amount(s). Example: record 1=\$10.00, record 2=50%, record 3=50%
Start Pay date	The payroll in which the deduction should start being deducted. MM/DD/YY
Stop Pay date	The payroll in which the deduction should stop being deducted. MM/DD/YY
Type of deposit	An employee must have either all prenotification records or all automated deposit records. 22-automated deposit (demand credit records) 23-prenotification of demand credit authorization 32-automated deposit (savings account credit records) 33-prenotification of savings credit authorization
Institutions #	Bank code number.
Acct. #	Employee's bank account number.
Amount 1	District defined data. Numeric
Amount 2	District defined data. Numeric
Code 1	District defined data. Alpha or numeric
Code 2	District defined data. Alpha or numeric
Date	District defined data. MM/DD/YY
Text	District defined data. Alpha or numeric
Deduction accum	Accumulated deduction total.
Deduct QTD total	Quarter to date deduction total.
Deduct FYTD total	Fiscal year to date deduction total.
Deduct YTD total	Year to date deduction total.

Each employee could have multiple direct deposit records, if the district allows the employees to deposit into multiple accounts. The percentage record(s) must total one hundred percent. The fields that appear at the bottom of the screen on the "Deduct total" line are updated during the course of a payroll. You do not enter values into these fields when initially implementing direct deposit. The following example will show an employee that would like to deposit \$50.00 per pay into a savings account and have the remainder of the pay deposited into a checking account. The example will show the deduction records as pre-notification records.

DEDSCN - Direct Deposit Savings Pre-Notification Record

Find:		Add:	Mask:
SSN	Code	Last name	First name
SSN: 333-33-3333 Code: XXX Name: John Smith			

Deduction type - Direct Deposit Name: Sample City Bank

Fixed or percent: F	Start: __/__/__	Institutions #: 04200327
Deposit amount : 50.00	Stop : __/__/__	Acct. #: 295093

Type of deposit: 33

User Defined Fields:
 Amount 1: _____ Amount 2: _____
 Code 1: __ Code 2: __ Date: __/__/__
 Text: _____

	Accum QTD Totals	FYTD Totals	YTD Totals
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Deduct total : _____

DEDSCN - Deduction record data maintenance program

This first direct deposit record has a fixed amount for \$50.00. The account number specified is the employee's savings account number. Note that the 33 in the "Type of deposit" field indicates that this record is a pre-notification record for a savings account. Once the pre-notification tape has been created and prior to the first live payroll, the 33 will need to be changed to 32, which indicates the deduction record is "live" rather than a pre-note record.

DEDSCN - Direct Deposit Checking Pre-Notification Record

Find:		Add:	Mask:
SSN	Code	Last name	First name
SSN: 333-33-3333 Code: XXX Name: John Smith			

Deduction type - Direct Deposit Name: Sample City Bank

Fixed or percent: P	Start: __/__/__	Institutions #: 04200327
Deposit amount : 100	Stop : __/__/__	Acct. #: 48920405

Type of deposit: 23

User Defined Fields:
 Amount 1: _____ Amount 2: _____
 Code 1: __ Code 2: __ Date: __/__/__
 Text: _____

	Accum QTD Totals	FYTD Totals	YTD Totals
--	------------------	-------------	------------

Deduct total : _____

DEDSCN - Deduction record data maintenance program

The second direct deposit record has 100% specified. The account number specified is the employee's checking account number. The "Type of deposit" field contains a 23 which indicates this record is a pre-notification record for a checking account. Once the pre-notification tape has been created and prior to the first live payroll, the 23 will need to be changed to 22, which indicates the deduction record is "live" rather than a pre-note record. Another possible scenerio would be to add the third deduction record. The first record still has the fixed amount of \$50.00 on it. The second deduction record might have a percentage of 70% and the third direct deposit deduction record would have 30%.

Even though you are dealing with one financial institution (FI) to handle getting the direct deposit information to the ACH Network, each employee is able to designate the institution number of their local bank, savings and loan or credit union. Therefore, your direct deposit information is routed through the FI but the money can actually be deposited in numerous FI's. It is strongly recommended that you require the direct deposit employees to provide you with a cancelled check or a deposit slip. These documents will provide the transit routing number (their financial institution) and the employee's account number. This information is critical to ensure the money is deposited in the appropriate bank account.

Setting Direct Deposit Field in BIOSCN

Now that the DEDNAM records are established and the deduction records have also been added, the next step is to change a field in the BIOSCN option of USPSCN to "Y" for anyone that participates in direct deposit. This step should be done prior to the payroll when a "pre-note" tape is going to be created.

BIOSCN - Setting Direct Deposit Flag to "Y"

Find:	SSN	Last name	First name
SSN: 111-11-1115			
Last Name: DOE		First: JOHN	Middle: J
Street: 101 WEST ROAD			
City : SAMPLE	State: OH	Zip: 55555-6666	OSDI code:1111
Phone # (home):(999) 555-2222		Termination date : __/__/____	
Gender : M	Long term illness : ____		
Marital status: 2	Last Evaluation : __/__/____		
Birthdate : 12/24/1968	New Hire reported : Y New hire date: 08/15/1995		
Hire date : 08/12/1995	Check distribution: ____		
Last paid date: 05/24/1996	User Defined Fields:		
Direct deposit: Y	Amount 1: _____	Amount 2: _____	
Elig. retire : N	Code 1: __	Code 2: __	Date: __/__/____
Report to EMIS: Y	Text: _____		
BIOSCN - Biographical data maintenance program			
XX Top XX Find XX Lockmode			
XX Help XX Add XX Set defaults			

| XX Exit XX Delete XX Switch
| XX Next XX Modify

The above screen shows the direct deposit field with the appropriate value of "Y" for a direct deposit employee. Keep in mind that the toggle tab and lockmode keys can be used to change this field quickly for all employees.

Setting the Clear Direct Dep. Accum. Field in USPCON

Check Printing:	Payroll Processing:
Overflow Page : N	STRS Advance Mode : _
Check Pay Limits : 6	STRS Advance Amount : -----
Check Deduction Limits : 24	Highest Check Number : 111111
Direct Deposit Pay Limits : 6	Highest Direct Deposit : 555555
Direct Deposit Deduction Limits: 24	Highest Electronic Trans: _____
Sick Leave on Check Stub : Y	Version : V40
Vacation on Check Stub : Y	STRS Pay Base : 1
Personal Leave on Check Stub : Y	Clear Direct Dep. Accum : Y
Board Amount on Check Stub : Y	Mult. Simultaneous Pays : N
Separate YTD deduction token : C	
Written Amount on Payroll Check : Y	
Written Amount on Deduction Check: Y	
Combine accrued and regular wages: Y	
Shift Premiums: _	
2nd Shift Hourly : _____ 3rd Shift Hourly : _____	
2nd Shift Daily : _____ 3rd Shift Daily : _____	
2nd Shift Percent: _____ 3rd Shift Percent: _____	

|

USPCON - USPS Configuration Data Screen 2 of 2
 XX Help XX Prev Screen
 XX Exit
 XX Modify

The above screen depicts the Clear Direct Dep. Accum. field in USPSDAT/USPCON. This field determines what options appear when the program, PAYDIR, is run. There are three options available. The first is to always clear direct deposit accumulators (A). The second is to never clear the direct deposit accumulators (N). And the third is to prompt as to whether the direct deposit accumulators should be cleared or not. This field can be changed at anytime before PAYDIR is run for a payroll.

Information Needed By DAS From Financial Institution

You will be dealing with one financial institution to handle the direct deposit information, even though your employees may bank with numerous financial institutions. In order for the direct deposit information to be handled correctly, you may need to work with your DAS to obtain some of the information printed on the DEPRPT.TXT from the DIRDEP program. The district personnel are able to obtain a report as shown below through the DIRDEP program. However, personnel from the DAS are required to actually enter the data needed below. Some DAS's will obtain this information for you, other DAS's may ask you to request this data from the FI you will be working with to submit your direct deposit information. It is recommended that you contact your DAS and find out if you will need to obtain these numbers from your financial institution or if they plan to take care of this for you. If your DAS indicates they will take care of

obtaining this information for you, you can ignore the remainder of this section. If your DAS asks you to request this information, the following sample report identifies the fields that will be needed to process your direct deposit tape.

Date: 02/03/93 SAMPLE CITY SCHOOL DISTRICT Page 1

Time: 7:48 am Direct Deposit Report (DEPRPT)

A-Site Information:

Originator Name : NAME OF ORIG. BANK Orig. Type : ID#: 041234567

ID Modifier: A

Destination Name : NAME OF DEST. BANK Destination ID# : 041333333

District Information:

District Name : SAMPLE CITY SCHOOL DIST. Federal Tax ID# : 341561723

Transit Routing# : 0412 ABA# of Orig. DFI: 0471

Originating DFI ID#: 4120471

Payroll Debit Clearance Information:

Account Status : Pre-note record

Account Number : 666666 Depository ACH# : 04129999

Depository Clearing Account Information:

Credit Acct. Status: None defined

Debit Acct. Status : None defined

Account Number : Depository ACH# : 00000000

Below are the required fields and some help for when you try to obtain the information from your financial institution:

A-Site Information

- The "Originator Name" is the fiscal agent name if the tape will be processed by a local bank. Enter the local bank name if the file will be sent directly to the ACH Network. It should be noted here that some banks prefer that the name of the DAS is used for the "Originator Name". If this is the case, then the Originator ID# should be the fiscal agent for the DAS.
- The "Orig. Type" should be either a "space" or a "number". Banks adhering to the NACHA ACH rules will require a space in this field. Other banks may require another value such as "1" to indicate the origin ID field is a tax ID.
- The ID# field should be either the federal tax ID of the fiscal agent or the bank's Automated Clearing House (ACH) number if the originator is a bank. Please note that if the bank prefers the name of the DAS in the Originator Name field, this ID# should contain the Federal tax ID of the fiscal agent for the DAS.
- The "ID Modifier" field is supplied by the bank and is used to identify multiple files created on the same date with the same participants. The field can contain the value of A through Z and 0 through 9. The default is "A".
- "Destination Name" is the destination processing bank. This can be either a local bank or a federal reserve bank.
- The "Destination ID" should be the ACH number of the processing

bank or the Federal Reserve Bank.

District Information

- The DAS will enter your district name in the "District Name" field.
- Once you have obtained the ID#, you have the information needed for the "Transit Routing#" in this section. The Transit Routing# is the first four digits of the ACH number which belongs in the "ID#" field up in the "A-Site Information" section. For instance, if the bank indicated that their ACH number is 041234567, then the Transit Routing# would be 0412.
- The "Federal Tax ID#" is the school district's tax ID.
- The field labeled "ABA# of Orig. DFI:" is the second four digits of the ID# from the "A-Site Information" section. Using our example of the ACH number 041234567, the "ABA# of Orig. DFI:" would be 3456.
- The "Originating DFI ID#" is also obtained from the "ID#" you received. Districts should work closely with the bank on this number. Some banks request the first eight characters of their ID number, including the leading zero. Other banks have indicated this should be a seven character number and the leading zero should be dropped. In either case, you should start with the "ID#" in the "A-Site Information" section shown above. If the bank indicates it is the first eight characters of the ID number, the example of 041234567 would be entered as 04123456. If the bank indicates it is a seven character number with no leading zero, it should be entered as 4123456.

Payroll Debit Clearance Information

This section of information can be used to eliminate the need for creating deduction checks for the direct deposit deduction codes each payroll. This information is required if you want to debit the local bank for the amount of the direct deposit.

A common example of when this would be utilized is if your DAS handles direct deposit through one bank. The DAS would set this up so the local bank is debited for the amount of the direct deposit and credit the bank (using the next section labeled "Depository Clearing Account Information") they use to process the entire consortiums direct deposit.

The "Account Status" field has three possible responses:

- Y = Yes, create debit transaction. If this option is chosen, the report will say "Live Record" for the "Account Status".
- N = No, don't create debit transaction account. The report will just say "No" for "Account Status".
- P = Yes, create 'Pre-note' debit transaction account. If you choose "P", the report will show "Pre-note". This would only be used once on the

test file and then it would be turned to "Y".

- The "Depository ACH#" is the ACH number for the bank at which your payroll clearance account is located.

Depository Clearing Account Information

Normally, you will not need to be concerned with this section of information. This section may be used if your DAS submits direct deposit information for several districts. If this is the case, the DAS will be able to provide the information required in this section. It will contain information regarding the bank which the DAS uses to handle direct deposit.

The "Credit Acct. Status" can contain one of the following valid values:

- Y = Yes, create a credit transaction account.
- N = No, don't create a credit transaction account.
- P = Yes, create a 'Pre-note' credit transaction account. This would be used only for the pre-notification file, and then the DAS would need to set this to "Y".

The "Debit Acct. Status" can contain one of the following valid values:

- Y = Yes, create a debit transaction account.
- N = No, don't create a debit transaction account.
- P = Yes, create a 'Pre-note' debit transaction account. This would be used only for the pre-notification tape, and then the DAS would need to set this to "Y".

- The "Account Number" is your bank account number for the payroll direct deposit clearance account.

- The "Depository ACH#" is the ACH number for the bank at which your direct deposit payroll clearance account is located.

The Pre-notification File

It is a requirement that a pre-notification file be submitted prior to going live with direct deposit. The purpose of the pre-notification file is to test the account numbers and the routing numbers to make sure the money will eventually end up in the appropriate bank and the appropriate account. The direct deposit pre-notification file contains the bank and employee account numbers but has all zero transaction amounts. The employee will receive a physical check for the payroll in which the pre-notification file is used.

In order for the pre-note to work properly, the direct deposit deduction records must contain a 23 or 33 in the field "Type of deposit". The DAS would need to code the status codes, if required, in the DIRDEP program

as pre-notes also. See sections Section 8.5.5.3, Payroll Debit Clearance Information and Section 8.5.5.4, Depository Clearing Account Information for more information on pre-note information in the DIRDEP program. Once the pre-notification file has been created, the deduction records can be changed to live records which contain 22 or 32 for the field "Type of deposit". This can be accomplished in a mass change during the actual payroll processing when the PAYDIR program is run. The DAS would need to change the status codes, if required, in DIRDEP so they no longer reflect pre-notification records. See sections Section 8.5.5.3, Payroll Debit Clearance Information and Section 8.5.5.4, Depository Clearing Account Information for more information on pre-note information in the DIRDEP program.

The steps for creating a pre-notification are identical to a payroll with live direct deposit. The next section of information will explain how to process a payroll which includes direct deposit information. The only difference is that the pre-notification tape will have all zero transactions on it. It should be noted here that some banks require employees to be pre-noted, even if they change information pertaining to direct deposit. For instance, if an employee decides to change the amount of money to deposit into a certain account, or if the account number has been changed, some banks require you to pre-note the employee to make sure the information is correct. Check with the bank you are working with on your direct deposit information and find out when they require changes in direct deposit to be pre-noted.

Running a Direct Deposit Payroll

There are very few differences when you run a payroll that includes direct deposit information than one without direct deposit data. The primary difference is that an additional program, PAYDIR must be run. It is necessary to run the PAYDIR program after CHKUPD when a district has direct deposit employees. It actually creates a file which is sent to the bank on a magnetic tape or a diskette. This file includes the employee name, transit routing numbers for the financial institution, account numbers, and pay amounts for all the direct deposit employees.

The only other difference is that a separate file, DIRFORM.TXT, is created during CHKPRT. It contains the direct deposit notifications which will be issued to each direct deposit employee.

You will need to enter a starting direct deposit number in the CHKPRT program. The range of numbers for direct deposit is 500,000 through 999,999. Once the highest direct deposit number has been reached, CHKPRT will attempt to assign the direct deposit numbers starting back at 500,000.

A sample screen of CHKPRT has been provided in order to show the prompts which will appear regarding direct deposit. Please note the two files which can be printed. In addition to the normal check form file, CHKFORM.TXT, is the DIRFORM.TXT. The DIRCHK.TXT is the direct deposit notifications formatted to fit on 8 1/2" x 11" paper at 10 pitch.

```

| CHKPRT - Create payroll check forms
|
| - File options -
| Check form file CHKFORM.TXT
| Direct deposit form file DIRFORM.TXT
|
| - Sort options -
| Sort options                               S
|
| - Form information -
| Starting Check Number                       000002
| Starting Direct Deposit Number              500000
|
| Include dummy alignment check? (Y,N)       Y
| Add VOID message? (Y,N)                   N
| Message for check stubs
|
| CHKPRT Print checks                         1 of 1
| XX Execute XX Reset
| XX Help XX Save/Recall
| XX Exit
| XX Cancel

```

\$ RUN OECN\$PAY:PAYDIR

The purpose of this program is to create a tape for direct deposit to financial institutions of each school district.

*** Options ***

(A) Process all employees.

(E) To exit program.

Enter your choice A

Note: The user has to clear out the accumulators, either, through this program or through the deduction check processing programs, before processing another payroll.

Would you like to clear out the accumulators in this run? (Y/N <N>): Y

Would you like to change pre-note records to live deductions after this run? (Y/N <N>): Y

Enter transaction posting date (MMDDYY): 021293

Is 02/12/93 the correct date? (Y/N <Y>): Y

Sort options:

S - Sort by SSN

N - Sort by Employee Name

Enter Sort option: <S> S
<CR>

Processing, please wait.

Generating report.

*** Output report is (PAYDIR.TXT) ***

*** Output file is (ACHTAP.SEQ) ***

*** Please notify the Data Center that you are done ***

The direct deposit accumulator field on the direct deposit deduction records, labeled "Accum", contains the amount of money the employee wants deposited into their bank account(s). These accumulator fields must be cleared each payroll. If you would fail to clear the accumulators, the employees direct deposit amounts would start to accumulate and would add the current payroll direct deposit amounts to the next payroll's direct deposit amounts (essentially doubling the amount of money deposited into the direct deposit accounts).

There are two means of clearing the direct deposit accumulators. You can clear them through the PAYDIR program by answering "Y" to the question "Do you want to clear out the accumulators in this run?". This immediately clears the accumulators as this program runs. The other option is to run the DEDRPT and PAYDED programs, similar to every other deduction in the USPS, and create deduction checks for the direct deposit deductions. This would create physical checks which would be deposited at the bank to take the money from the payroll clearance account and making it available to the employees' direct deposit accounts. Some DAS's have procedures established on whether you should clear the accumulators immediately or create deduction checks. It would be a good idea to talk to your DAS to see if they have any specific procedures on this matter.

The ACHTAP.SEQ is the file which contains the direct deposit information. This is the file that will be copied to the magnetic tape or to a diskette, depending on how your DAS processes direct deposit data. Normally a DAS will ask you to let them know when you are at this point in the payroll process so they can create the tape or they might have a specific procedure for you to follow. Some DAS's require that you enter a command at your terminal and this actually notifies the DAS that your direct deposit tape is ready for submission.

It should be noted that there are some banks that allow some very small districts to provide them with a report of the direct deposit information and they will manually enter the money into the appropriate accounts. In these cases, the district would still run the PAYDIR program to produce the direct deposit report, PAYDIR.TXT, but would not actually have the DAS create a magnetic tape or diskette for the bank. In this particular situation, the district would not clear the accumulators in the PAYDIR program, but would create the deduction checks in DEDRPT and PAYDED to actually deposit in the bank.

If you indicate in the PAYDIR program that you would like to change pre-note records to live deductions after this run, it will go through all of

your direct deposit deduction records, and change the values of 23 and 33 in the "Type of deposit" field to 22 and 32 respectively. This can be a time saver, especially on your first direct deposit payroll. It saves you bringing up the deduction records on an individual basis, and changing all 23's to 22's and all 33's to 32's after your pre-note tape has been submitted. Let's take the example deduction screens for John Smith and see what they look like after we have generated the first payroll to create the pre-notification tape. The example shown below will now show the deduction records as live records since we responded "Y" to the question in the PAYDIR program to change the pre-notification to live records.

DEDSCN - Direct Deposit Savings Live Record

Find: SSN Code SSN: 333-33-333	Add: Last name Code: XXX	Mask: First name Name: John Smith
Deduction type - Direct Deposit Name: Sample City Bank		
Fixed or percent: F Deposit amount : 50.00 Type of deposit: 32	Start: __/__/__ Stop : __/__/__	Institutions #: 042000327 Acct. #: 295093
User Defined Fields: Amount 1: _____ Amount 2: _____ Code 1: __ Code 2: __ Date: __/__/__ Text: _____		
	Accum QTD Totals	FYTD Totals YTD Totals
Deduct total : _____		
DEDSCN - Deduction record data maintenance program		

Note that the 33 in the "Type of deposit" field has been changed to 32. No dollar amounts show up because the pre-notification records are really zero dollar transactions. Following the next live payroll, dollar amounts will actually appear on the screen to indicate the amount deposited in the savings account.

DEDSCN - Direct Deposit Checking Live Record

Find: SSN Code SSN: 333-33-333	Add: Last name Code: XXX	Mask: First name Name: John Smith
Deduction type - Direct Deposit Name: Sample City Bank		
Fixed or percent: P Deposit amount : 100 Type of deposit: 22	Start: __/__/__ Stop : __/__/__	Institutions #: 042000327 Acct. #: 48920405
User Defined Fields: Amount 1: _____ Amount 2: _____ Code 1: __ Code 2: __ Date: __/__/__ Text: _____		
	Accum QTD Totals	FYTD Totals YTD Totals
Deduct total : _____		

Again, note that the "Type of deposit" field has been changed to 22. No dollar amounts show up because the pre-notification records are really zero dollar transactions. Following the next live payroll, dollar amounts will actually appear on the screen to indicate the amount deposited in the checking account.

In the preceding sample run of PAYDIR, you will see that it asks for a transaction posting date. This is the date that the money is actually posted to the employees' accounts in the bank. In most cases, the normal pay date will be used.

Adding New Employees

New employees are normally required to go through the pre-notification process. This means that you will set their individual deduction records to a pre-note status. The employee will receive a physical check for their first payment. Once the pre-note tape has been processed and the account information is correct, the pre-note status should be changed to a "live" status for all subsequent payrolls. This step can be accomplished by answering "Y" to the question "Would you like to change pre-note records to live deductions after this run?".

The information in the DIRDEP program, which is run by your DAS, does not have to reset to indicate pre-note statuses after the initial pre-notification tape has been submitted. The pre-note information in the DIRDEP program is normally only done on the initial pre-note file. The initial pre-notes are only submitted once per district. However, individual employees will have to be pre-noted after that point.

Direct Deposit Error Handling

The bank which handles the direct deposit information for your district will provide you with a report if any errors occur with the direct deposits. Some examples of exceptions are incorrect account numbers, incorrect type of account, or the account is closed. Many of these errors will be detected when the pre-notes are issued. However, these circumstances can also happen even when you are up and running on direct deposit for a length of time. The FI that originates your direct deposit will provide information on the exceptions and the correcting information or will return the direct deposit to the school.

Voiding a Direct Deposit Check

There may be cases when you need to void a direct deposit check. The options in this case are to do a straight void of the direct deposit check, void and reissue the direct deposit check or to void the direct deposit check and issue a physical check. These options can be found in the program CHKSTA. For more information on the program, CHKSTA, refer to the USPS Reference Manual.

Total Direct Deposit Amount Greater Than Net Pay

If an employee has a fixed amount specified to go to a particular bank account but their net pay is not enough to cover the amount, errors will be received in the CALCPAY program. You will be unable to run the CHPRT program until the direct deposit deduction record has been changed. This deduction amount can be changed to an amount that will be covered by the net pay or the fixed amount record could be inactivated by entering a temporary stop date so only the percentage records are used for the payroll. It is recommended that the employee be contacted to determine which account they want to use if this situation occurs. Once the amount has been changed on the direct deposit deduction record, CALCPAY will need to be run again.

Items to Check When Having Day and Week Credit Questions

(Excerpt from SSDT Documentation)

The steps below can be used in checking the calculation of SERS/STRS service days, OBES qualifying weeks, and EMIS attendance days.

On the JOBSCN–

- Check what calendar(s) the employee is pointing to. If a specific calendar is not listed, the pay group will be needed.
- Check start dates for contracts and calendars. An incorrect start date could cause days (weeks) to not be calculated correctly. The calendar will be referenced from the calendar start date forward. The contract start date is the date that work days will start to be calculated. The calendar start date is entered as either the date of the first attendance record on file or the starting date of the first payroll in which the job is processed. The system enters whichever date comes first.

Note: It is recommended the calendar start date not be changed.

- Check stop dates for contracts and calendars. An incorrect stop date could cause days (weeks) to not be calculated correctly. The calendar stop date is the last day the calendar should be referenced. If the contract stop date precedes the calendar stop date then the calendar is no longer referenced past the contract stop date.

On the DEDSCN–

- This step is necessary when calculating days for RETIRE, STRSAD and OBESRPT.
- Check the start date of the Ohio deduction for OBES or the start date of the retirement deductions for SERS and STRS. An incorrect start date could cause days (weeks) to not be calculated correctly. The calculation of service credit begins on the start date of the associated deduction (i.e. OBES qualifying weeks depend on the start date in the 002 record.)
- Check the stop date of the Ohio deduction for OBES or the stop date of the retirement deductions for SERS and STRS. An incorrect stop date could cause days (weeks) to not be calculated correctly. The deduction stop date is the last day the calendar should be referenced for the particular deduction.

In USPSDAT–

- Print off a CALRPT.TXT for the calendar type in question for use in counting the number of days marked for the reporting period.
- On the calendar report mark the beginning and ending dates for the reporting period.

In ATDSCN–

- Mark all the appropriate days for the reporting period on CALRPT.
- Mark AT and AB transactions in ATDSCN with paid dates within the reporting period.
- Mark any applicable adjustment transactions (AD) on CALRPT.

From ERNREG–

- This step is necessary when calculating days for RETIRE and STRSAD.
- Mark the pay periods for which the employee has been paid on CALRPT. The days that have been paid are the only ones that will appear on the RETIRE and STRSAD reports, except for AD (adjustment) transactions for the reporting period that are entered through ATDSCN.

Count–

- Count the number of days that have been marked on the calendars to come up with a total. When calculating for RETIRE, count only those days that were paid.
- Remember to add in any adjustments. This is the total that should appear on the report.

Purpose of Start and Stop Dates

(Excerpt from SSDT Documentation)

The purpose of these start and stop dates is to control what records will be used for a particular employee during a particular payroll. Whether the job, deduction, or pay accounts will be used for the payroll is based on the values in the start and stop dates when they are compared to the dates entered in INICAL.

Usage of the start and stop dates is necessary to insure a precise running of payroll. If there are no dates specified, the USPS system will assume the records should be used in the payroll process.

Start and stop dates can be entered in the following options of USPSCN:

- JOBSCN - Contract Start and Stop Dates
- DEDSCN - Deduction Start and Stop Dates
- PAYSCN - Pay Account Start and Stop Dates

Start and stop dates can also be entered and provide flexibility in the NEWCNT program which is used to build new contracts for employees.

Start and stop dates are used by the Job Calendar Programs to frame in the days which should be counted toward retirement service days, contract work days, OBES work weeks and EMIS attendance/absence days. Throughout this chapter, we will assume the following payroll dates were entered into the INICAL program and will be used to illustrate how these dates relate to the start and stop dates entered into the job, deduction and pay account records.

Payroll Dates

Period Beginning Date 02-01-94

Period Ending Date 02-14-94

Pay Date 02-19-94

Usage of Start and Stop Dates in JOBSCN

(Excerpt from SSDT Documentation)

There are two fields in the JOBSCN of the USPSCN program called "Cont Start" and "Cont Stop". These are contract start and stop dates and are used to start or stop an employee's pay, by making comparisons to the payroll beginning and ending dates entered in the INICAL program. Here are the tests made on the start and stop dates to determine if the employee's job should be included in the current payroll. You must start with step A and look at the tests in the order given to determine whether the job will be included in the payroll or not.

Step A: Checks on the Contract Start Date in JOBSCN

1 If the contract start date is blank, go to Step B and check the contract stop date.

No Contract Start Date Specified

Example: Contract start date shown in JOBSCN is 00/00/00.
Result : Continue by checking stop date at Step B

2 If the payroll ending date entered in INICAL is prior to the contract start date, the job will NOT be included in the payroll.

Payroll Ending Date Prior to the Contract Start Date

Example: Payroll ending date: 08/15/94
Contract start date: 08/30/94

Result : Job will NOT be included in the payroll

3 If the payroll ending date entered in INICAL is after the contract start date, the job will be included in the payroll.

Payroll Ending Date After the Contract Start Date

Example: Payroll ending date: 02/14/94
Contract start date: 02/01/94

Result : Job WILL be included in the payroll

Step B: Checks on the Contract Stop Date in JOBSCN

4 If the contract stop date is blank, the job is included in the current payroll. No further tests on the start and stop dates are performed.

No Contract Stop Date Specified

Example: Contract stop date shown in JOBSCN is 00/00/00.

Result : Job WILL be included in the payroll

5 If the payroll beginning date entered in INICAL is prior to or same as the contract stop date, go to step 6 and continue checking the stop date.

Payroll Beginning Date Prior to or Same as Contract Stop Date

Example: Payroll beginning date: 02/01/94
Contract stop date: 08/30/94

Result : Job WILL be included in the payroll

6 If the payroll ending date entered in INICAL is prior to or the same as the contract stop date, the job will be included in the payroll.

Payroll Ending Date Prior to or Same as Contract Stop Date

Example: Payroll ending date: 02/14/94
Contract stop date: 08/30/94

Result : Job WILL be included in the payroll

Usage of Start and Stop Dates in DEDSCN

(Excerpt from SSDT Documentation)

The majority of deduction records contain fields labeled "Start:" and "Stop:" in DEDSCN of the USPSCN program. These are the deduction start and stop dates and can be used to start or stop when a deduction will be withheld by making comparisons to the payroll pay date entered in the INICAL program. Please note that the payroll beginning and ending dates are not used in comparisons to determine if the deduction should be withheld or not.

Usage of the start and stop dates are optional. If there are no dates specified, the deduction will be withheld. There can be other fields that would keep the deduction from being withheld (such as the pay cycle or the maximum deduction amount being reached).

The recommended method of using deduction start and stop dates is as follows:

- Set the start date equal to the first pay date of the payroll in which the deduction should be active or leave all zeros.
- Set the stop date equal to the last pay date of the payroll in which the deduction should be active or leave all zeros.

The following are the comparisons that are made on the deduction records to determine if the deduction will be withheld or not.

1 If the deduction start and stop dates are blank, the deduction WILL be withheld.

Deduction Start and Stop Dates are Blank

Example: Deduction start date: 00/00/00

Deduction stop date: 00/00/00

Result : Deduction WILL be withheld

2 If the payroll pay date is prior to the deduction start date, the deduction will NOT be withheld.

Payroll Pay Date Prior to Deduction Start Date

Example: Payroll pay date: 02/19/94

Deduction start date: 02/20/94

Result : Deduction will NOT be withheld

3 If the payroll pay date is after the deduction stop date, the deduction will NOT be withheld.

Payroll Pay Date After Deduction Stop Date

Example: Payroll pay date: 02/19/94
Deduction stop date: 01/15/94

Result : Deduction will NOT be withheld

4 If the payroll pay date is after or the same as the deduction start date, the deduction WILL be withheld.

Payroll Pay Date is After or Same as Deduction Start Date

Example: Payroll pay date: 02/19/94
Deduction start date: 02/12/94

Result : Deduction WILL be withheld

5 If the payroll pay date is before or the same as the deduction stop date, the deduction WILL be withheld.

Payroll Pay Date Before or the Same as Deduction Stop Date

Example: Payroll pay date: 02/19/94
Deduction stop date: 02/22/94

Result : Deduction WILL be withheld

Usage of Start and Stop Dates in PAYSCN

(Excerpt from SSDT Documentation)

The pay account records in PAYSCN of the USPSCN program contain the fields labeled "Pay Start Date" and "Pay Stop Date". These two fields can be used to start or stop a specific pay account for a job. These fields are compared to the pay date entered in the INICAL program to determine which accounts will be charged during the payroll. Please note that the payroll beginning and ending dates are not used in comparisons to determine if the pay account should be charged or not.

The recommended method of using pay account start and stop dates is as follows:

- Set the start date equal to the first pay date of the payroll in which the pay account should be active or leave all zeros.
- Set the stop date equal to the last pay date of the payroll in which the pay account should be active or leave all zeros.

The following are the comparisons that are made on the pay account records to determine if the records will be used or not.

1 If the pay account start and stop dates are blank, the pay account WILL be used for distribution.

Pay Account Start and Stop Dates are Blank

Example: Pay account start date: 00/00/00

Pay account stop date: 00/00/00

Result : Pay account WILL be used

2 If the payroll pay date is prior to the pay account start date, the pay account will NOT be used for distribution.

Payroll Pay Date Prior to Pay Account Start Date

Example: Payroll pay date: 02/19/94

Pay account start date: 02/22/94

Result : Pay account will NOT be used

3 If the payroll pay date is after or the same as the pay account start date, the pay account WILL be used for distribution.

Payroll Pay Date After or Same as Pay Account Start Date

Example: Payroll pay date: 02/19/94

Pay account start date: 02/07/94

Result : Pay account WILL be used

4 If the payroll pay date is prior to or the same as the pay account stop date, the pay account WILL be used for distribution.

Payroll Pay Date Prior to Pay Account Stop Date

Example: Payroll pay date: 02/19/94

Pay account stop date: 02/22/94

Result : Pay account WILL be used

5 If the payroll pay date is after the pay account stop date, the pay account will NOT be used for distribution.

Payroll Pay Date After to Pay Account Stop Date

Example: Payroll pay date: 02/19/94

Pay account stop date: 01/15/94

Result : Pay account will NOT be used

Calculating Regular and Pick-up Retirement

(Excerpt from SSDT Documentation)

Types of Retirement

There are three types of retirement. All three types of retirement are classified as 403(a) plans.

1 Regular

Regular retirement is a retirement contribution withheld from wages after taxes are figured. For example, if an employee's gross pay is \$1100, taxes are figured on the gross pay amount (\$1100), then retirement contributions are withheld. The amount paid into the retirement system is taxable.

2 Annuitized

Annuitized retirement, also known as pick-up, is a retirement contribution withheld from pay before taxes are figured. For example, if an employee's gross pay is \$1100, the retirement contributions (and other annuities) are withheld, then federal and state taxes are figured on the remaining amount of gross pay. The system calls the remaining pay 'Adjusted Gross'. The amount paid into the retirement system is tax-sheltered. These amounts become taxable when the employee receives a refund or retirement benefits.

3 Pick-up on pick-up

Pick-up on pick-up is a retirement contribution where the board pays all or a portion of the employee's share of annuitized retirement on behalf of the employee. The liability increases for the board since they agree to pay what is normally an employee paid contribution, as a benefit to the employee. Even though the board pays all or a portion of the employee's share of annuitized retirement, the employee has all rights to collecting the benefit at time of refund or retirement. In addition, if the pick-up benefit is considered a fringe benefit/extra compensation to the employee, then retirement must be figured on the pick-up benefit and submitted to the retirement system. Additional retirement amounts are not submitted to the retirement system if the pick-up benefit is not considered a fringe benefit/extra compensation. If the pick-up benefit is considered a fringe benefit/extra compensation, the board may agree to pay all the retirement contributions (both board and employee shares) on the pick-up benefit. In some cases, the board and employee split the retirement contributions on the pick-up benefit.

How the Software Sees Retirement

Retirement records are set-up on the system according to how taxes are figured (taxed or pre-taxed) and who is paying the retirement amounts (the board or the employee).

Regular Retirement

Within the software, the regular retirement records are included on the 400 and 450 deduction records. The 400 deduction record is used for regular SERS deductions and the 450 deduction record is used for the regular STRS deductions. The 400/450 retirement deduction codes are unique, in that, they have fields for both board and employee regular retirement withholdings.

The 400/450 regular retirement deduction records could include the full regular employee (9.0%/9.3%) and board (14%) retirement percentages. Instead of the 400/450 regular deduction records including the full regular employee retirement percentage (9.0%/9.3%), they could include a portion of the employee's regular retirement percentage and the full board percentage. This situation occurs when a portion of the employee's retirement percentage is annuitized. The remaining employee percentage, not included on the 400/450 regular retirement deduction record, is maintained on a separate retirement record designating it as 'annuitized'. In most cases, the regular board share is 14% withholding, while the percentage is withheld for the employee on the 400/450 varies due to terms in the employee's contracts. Regardless if the employee's contribution percentage is fully included on a 400/450 regular retirement record or split between a regular retirement record and an annuitized retirement record, the sum of all employee contributions must be 9.0% (SERS) or 9.3% (STRS).

Annuitized/Pick-up Retirement

The annuitized retirement records, also referred to as pick-up records, are included on the 590 and 591 deduction records. The 590 deduction record is used for SERS deductions and the 591 deduction record is used for STRS deductions. The 500-series of deduction codes are used for withholdings that are tax-deferred or annuitized. Whatever amount is on an annuitized deduction record is withheld from the employee's gross pay first, then taxes are figured on the remaining amounts. The 590/591 deduction records could include the full employee retirement percentage. Instead of including the full annuitized employee share of retirement (9.0%/9.3%) on the 590/591, the 590/591 deduction records could include a portion of the employee's annuitized retirement percentage. The remaining employee percentage would be maintained on one of two

separate retirement records. The remaining employee percentage could be maintained on a 400/450 retirement deduction record, which designates it as regular retirement. Or, the remaining employee percentage could be maintained on a 690/691 deduction record which designates it as 'board paid'.

The percentage the employee has withheld on the 590/591 deduction record varies due to terms in the employee's contract. Regardless if a portion of the retirement percentage on the 590/591 deduction record is paid by the board on a 690/691 deduction record, or if the employee retirement percentage is split between regular withholdings and annuitized withholdings, the sum must be (at least) 9.0% (SERS) or 9.3% (STRS).

Pick-up On Pick-up Retirement

Pick-up on pick-up retirement is the most complex of the three retirement types. These retirement deductions are included on the 690 and 691 deduction records. The 690 deduction record is used for SERS and the 691 deduction record is used for STRS. These types of deduction records are used when the board agrees to pay all or a portion of the employee annuitized retirement percentage from the 590/591 deduction records on behalf of the employee.

When pick-up on pick-up is used by a district, there are several factors to consider.

1 Does the board/employee want the retirement pick-up on pick-up to inflate the employee's salary when reporting to the retirement system?

- If yes, then the "Fringe Benefit/Extra Comp" flag on the employee's 400/450 record must be set to a "Y". This flag causes the gross within the system to be inflated for retirement purposes -only-. There is no need to do anything to the employee's contract amount. The employee's salary will only look inflated to the retirement systems.
- If no, then the "Fringe Benefit/Extra Comp" flag should be set to a "N". The employee's salary will look the same on the system as it does to the retirement systems.

If the pick-up on pick-up is received as a "Fringe Benefit/Extra Compensation", retirement contributions must be paid on that benefit. Retirement must be paid on the amount of retirement the board is paying on the employee's behalf. Somehow retirement amounts, both

employee and board shares, must be submitted to the retirement system for the retirement amount figured on the pick-up benefit. In some cases, the additional retirement amount is split between the employee and the board. This arrangement varies due to terms in contracts.

2 If the pick-up on pick-up is reported to the retirement systems as a fringe benefit/extra compensation, who will pay the retirement on the inflated portion? The employee or the board?

- If the response is "the employee", then that portion is included on the 590 or 591 record as appropriate.
- If the response is "the board", then that portion is included on the 690 or 691 record.
- If the response is "both the board and the employee", then that portion must be included on both the 590 and 690 records (SERS) or the 591 and 691 records (STRS) with the appropriate percentages.

Sample Calculations Regular Retirement

This is an example of regular retirement where the employee share of retirement contributions are paid by the employee. The gross pay is not reduced for federal and state income taxes by the amount of the retirement contributions. The full amount of gross pay is considered taxable.

The system requires the following deduction records to be set up for regular retirement:

- SERS
 - 400 (Employer Share 14%)
 - 400 (Employee Share 9.0%)
- STRS
 - 450 (Employer Share 14%)
 - 450 (Employee Share 9.3%)

SERS:

Employee Salary per payroll \$1100.00
Employee Regular Retirement amount 9.0% from 400 99.00
Remaining Net Pay \$1001.00
Employer Regular Retirement amount 14%from 400 154.00
Taxable Gross \$1100.00
Gross Pay Reported to SERS \$1100.00

STRS:

Employee Salary per payroll \$1100.00
Employee Regular Retirement amount 9.3%from 450 102.30
Remaining Net Pay \$ 997.70
Employer Regular Retirement amount 14%from 450 154.00
Taxable Gross \$1100.00
Gross Pay Reported to STRS \$1100.00

Full Annuitized/Pick-up Retirement

This is an example of the salary reduction pick-up which is commonly referred to as "annuitized" or "pick-up". The retirement contributions are withheld from the employee's wages, but the gross figure used to calculate federal and state income tax is reduced by the amount of the annuitized contributions.

In this case, the taxable gross is reduced by the 99.00 from the 590 deduction record and the 102.30 from the 591 deduction record.

The system requires the following deduction records be set up for this type of annuitized retirement:

- SERS
- 400 (Employer Share 14%)
- 590 (Employee Share 9.0%)

- STRS
- 450 (Employer Share 14%)
- 591 (Employee Share 9.3%)

SERS:

Employee Salary per payroll \$1100.00
Employee Annuitized Retirement amount
9.0% from 590 99.00
Remaining Net Pay \$1001.00
Employer Regular Retirement amount 14%from 400 154.00
Taxable Gross \$1001.00
Gross Pay Reported to SERS \$1100.00

STRS:

Employee Salary per payroll \$1100.00
Employee Annuitized Retirement amount 9.3% from 591 102.30
Remaining Net Pay \$ 997.70
Employer Regular Retirement amount 14% from 450 154.00
Taxable Gross \$ 997.70
Gross Pay Reported to STRS \$1100.00

Partial Regular and Partial Annuitized/Pick-up Retirement

This is an example where a portion of the employee's retirement contribution is regular retirement and the other portion is annuitized or pick-up. Two retirement records must be used to track the employee's portion of retirement. A 400/450 regular retirement record is used for the regular retirement portion while a 590/591 annuitized retirement record is used for the employee's annuitized portion of retirement. The sum of percentages on both deduction records must equal 9.0% (SERS) or 9.3% (STRS).

In this case, the taxable gross is reduced by the 49.50 from the 590 deduction record and the 51.15 from the 591 deduction record.

The system requires the following deduction records be set up for splitting the retirement contributions between regular and annuitized retirement:

- SERS
- 400 (Employer Share 14%)
- 400 (Employee Share 4.5%)
- 590 (Employee Share 4.5%)

- STRS
- 450 (Employer Share 14%)
- 450 (Employee Share 4.65%)
- 591 (Employee Share 4.65%)

SERS:

Employee Salary per payroll \$1100.00
Employee Regular Retirement amount 4.5% from 400 49.50
Employee Annuitized Retirement amount 4.5% from 590 49.50
Remaining Net Pay \$1001.00
Employer Regular Retirement amount 14% from 450 154.00
Taxable Gross \$1050.50
Gross Pay Reported to SERS \$1100.00

STRS:

Employee Salary per payroll \$1100.00
Employee Regular Retirement amount 4.65% from 450 51.15
Employee Annuitized Retirement amount 4.65% from 591 51.15
Remaining Net Pay \$ 997.70
Employer Regular Retirement amount 14% from 450 154.00
Taxable Gross \$1048.85
Gross Pay Reported to STRS \$1100.00

Full Pick-up on Pick-up Without Extra Compensation

This is an example where the employee's share of annuitized retirement is completely paid by the board and the board does not intend to include the pick-up amounts in the compensation for retirement purposes. In this case, the employee does not receive a reduction in salary due to retirement withholdings since the board is paying the employee's retirement contribution as a benefit.

The system requires the following deduction records be set up for retirement that is considered full pick-up on pick-up without extra compensation:

- SERS
- 400 (Employer Share 14%)
- 690 (Employee Share 9% paid by board)

- STRS
- 450 (Employer Share 14%)
- 691 (Employee Share 9.3% paid by board)

SERS:

Employee Salary per payroll \$1100.00
Remaining Net Pay \$1100.00
Employer Regular Retirement amount 14% from 400 154.00
Employee Annuitized Retirement amount 9.0% paid by the board from 690 99.00
Taxable Gross \$1100.00
Gross Pay Reported to SERS \$1100.00

STRS:

Employee Salary per payroll \$1100.00
Remaining Net Pay \$1100.00
Employer Regular Retirement amount 14% from 450 154.00
Employee Annuitized Retirement amount 9.3% paid by the board from 691 102.30
Taxable Gross \$1100.00
Gross Pay Reported to STRS \$1100.00

Partial Pick-up on Pick-up without Extra Compensation

This is an example where the employee's annuitized/pick-up retirement amount is partially paid by the board. The board does not intend to include the pick-up in the compensation for retirement purposes. In this case, the salary is reduced only by 66.00 from the 590 deduction record and 69.30 from the 591 deduction record.

The system requires the following deduction records be set up for retirement contributions that are split between annuitized and pick-up on pick-up retirement:

- SERS
 - 400 (Employer Share 14%)
 - 590 (Employee Share 6.0%)
 - 690 (Employee Share 3.0% paid by board)
- STRS
 - 450 (Employer Share 14%)
 - 591 (Employee Share 6.0%)
 - 691 (Employee Share 3.0% paid by board)

SERS:

Employee Salary per payroll \$1100.00

Employee Annuitized Retirement amount 6.0% from 590 66.00

Remaining Net Pay \$1034.00

Employer Regular Retirement amount 14% from 400 154.00

Employee Annuitized Retirement amount 3.0% paid by the board from 690 33.00

Taxable Gross \$1034.00

Gross Pay Reported to SERS \$1100.00

STRS:

Employee Salary per payroll \$1100.00

Employee Annuitized Retirement amount 6.3% from 591 69.30

Remaining Net Pay \$1030.70

Employer Regular Retirement amount 14% from 450 154.00

Employee Retirement amount 3.0% paid by board from 691 33.00

Taxable Gross \$1030.70

Gross Pay Reported to STRS \$1100.00

Full Pick-up on pick-up With Extra Compensation Where Board Pays Additional Retirement

This is an example of full pick-up on pick-up. In this scenario, the board pays both the board and employee retirement amounts on the pick-up benefit.

The first step in this process, is to calculate the inflated percentages that are placed on the 400/690, or the 450/691 retirement deduction record. The software does not inflate the retirement amounts on deduction record; therefore, it must be done manually.

The formulas below outline how to arrive at the inflated percentages.

SERS

$$(1 + .090) \times .14 = .1526 \text{ -----} > 15.26\% \text{ on } 400$$

$$(1 + .090) \times .090 = .0981 \text{ -----} > 9.81\% \text{ on } 690$$

STRS

$$(1 + .093) \times .14 = .15302 \text{ -----} > 15.302\% \text{ on } 450$$

$$(1 + .093) \times .093 = .101649 \text{ -----} > 10.1649\% \text{ on } 691$$

The "1" is considered the regular salary and the "+.090/+0.093" is the amount by which the salary is inflated due to receiving the full pick-up benefit. The employee takes home 9.0%/9.3% more wages because of this benefit. The "x.14" is the board percentage of retirement that must be paid not only on the regular salary, but also on the pick-up benefit. The "x.090/x.093" is the employee percentage of retirement that the board pays not only on the employee's regular salary, but also on the pick-up benefit. For example, in the SERS example above, the board share of retirement is figured not only as 14% of the regular salary, but also as 14% of the 9.0% pick-up benefit. Likewise, the employee share of retirement, which is paid by the board, is figured not only as 9% of the regular salary, but also as 9% of the 9% pick-up benefit.

In this case, the employee salary is not reduced for taxing purposes since the board is paying the full employee retirement percentage plus both the board and employee pick-up on the increase in compensation.

The system requires the following deduction records to be set up for full pick-up on pick-up retirement where the board pays the retirement contributions (both employee and employer shares) on the pick-up benefit:

- SERS
 - 400 (Employer Share 15.26%)
 - 690 (Employee Share 9.81% paid by board)

- STRS
 - 450 (Employer Share 15.302%)
 - 691 (Employee Share 10.165% paid by board)

SERS:

Employee Salary per payroll \$1100.00
 Remaining Net Pay \$1100.00
 Board Retirement amount 15.26% paid by the board from 400 167.86
 Employee Retirement amount 9.81% paid by the board from 690 107.91
 Taxable Gross \$1100.00
 Gross Pay Reported to SERS \$1199.00

STRS:

Employee Salary per payroll \$1100.00
 Remaining Net Pay \$1100.00
 Board Retirement amount 15.302% paid by the board from 450 168.32
 Employee Retirement amount 10.165% paid by the board from 691 111.82
 Taxable Gross \$1100.00
 Gross Pay Reported to STRS \$1202.37

Note: Both SERS and STRS calculate the gross pay for an employee by dividing the contributions submitted for the employee by the current retirement rate (9.0%/9.3%).

Full Pick-up on pick-up With Extra Compensation Where Employee Pays Additional Retirement

This is an example of full pick-up on pick-up. In this scenario, the employee pays only the employee retirement amounts on the pick-up benefit. The board still is responsible for submitting the employee share of retirement on the regular salary, the board share of retirement on the regular salary and the pick-up benefit.

The first step in this process, is to calculate the inflated percentages placed on the 590/591 retirement deduction record. The percentage on the 400/450 deduction record must be changed since the board still must pay the board retirement amounts on the pick-up benefit. The software does not inflate the retirement amounts on deduction records; therefore, it must be done manually.

The formulas below outline how to arrive at the inflated percentages.

SERS

$(1 + .090) \times .14 = .1526$ -----> 15.26% on the 400 record
 $.090 \times .090 = .0081$ -----> .81% on the 590 record

STRS

$(1 + .093) \times .14 = .15302$ -----> 15.302% on the 450 record
 $.093 \times .093 = .008649$ -----> .865% on the 591 record

The "1" is considered the regular salary and the "+.090/+.093" is the amount by which the salary is inflated due to receiving the full pick-up benefit. The "x.14" is the board percentage of retirement the board must pay on the regular salary as well as on the pick-up benefit. The ".090/.093" is the amount by which the employee's salary is inflated due to receiving the pick-up benefit. The "x.090/x.093" is the percentage the employee pays on only the pick-up benefit. The board pays the employee share of retirement on the employee's regular salary.

For example, in the SERS example above, the board share of retirement on the pick-up benefit is figured as 14% of the regular salary and as 14% of the 9.0% pick-up benefit. In this case, the board also pays 9.0% of the employee's wages on the 690 record. The employee pays only 9% of the 9% pick-up benefit.

Any pick-up contributions paid by an employee must be tax-deferred. In this situation, the employee's salary is reduced by \$8.91 (SERS) \$9.52 (STRS) for taxing purposes. A 590/591 retirement deduction record is used to track the annuitized pick-up contribution paid by the employee. The system requires the following deduction records to be set up for full

pick-up retirement where the employee pays only the employee share of retirement contributions on the pick up benefit:

- SERS
- 400 (Employer Share 15.26%)
- 590 (Employee Share 0.81%)
- 690 (Employee Share 9.0% paid by board)

- STRS
- 450 (Employer Share 15.26%)
- 591 (Employee Share 0.865%)
- 691 (Employee Share 9.3% paid by board)

SERS:

Employee Salary per payroll \$1100.00

Employee Pick-up Retirement amount .81% paid by employee on 590 8.91

Remaining Net Pay \$1091.09

Board Retirement amount 15.26% paid by the board from 400 167.86

Employee Retirement amount 9.0% paid by the board from 690 99.00

Taxable Gross \$1091.09

Gross Pay Reported to SERS \$1199.00

STRS:

Employee Salary per payroll \$1100.00

Employee Pick-up Retirement amount .865% paid by employee from 591 9.52

Remaining Net Pay \$1090.48

Board Retirement amount 15.302% paid by board from 450 168.32

Employee Retirement amount 9.3% paid by the board from 691 102.30

Taxable Gross \$1090.48

Gross Pay Reported to STRS \$1202.37