Department of Personnel Administration
Memorandum

TO: Personnel Management Liaisons (PML)

SUBJECT: Underfunded Savings Plus Accounts	REFERENCE NUMBER: 2011-042
DATE ISSUED: 11/14/11	SUPERSEDES:

This memorandum should be forwarded to:

Accounting Officers
Budget Officers
Employee Benefit Officers
Personnel Officers
Personnel Transactions Staff
Personnel Transactions Supervisors

FROM: Department of Personnel Administration
Savings Plus

CONTACT: Kim Madson, Staff Personnel Program Analyst
(916) 323-8489
Fax: (916) 327-1885
Email: Kimberly.Madson@dpa.ca.gov

Effective immediately, State agencies and departments will bear the cost of errors that occur in processing their employees' contributions to the Savings Plus 401(k) and 457 plans, Alternate Retirement Program (ARP), and the Part-time, Seasonal, and Temporary Employees Retirement Program (PST), when these errors cause underfunding of the employee's account.

Under state and federal law, these costs must be borne by the entity responsible for the error, and may not be deducted from or offset against the employee's compensation. Costs include corrective contributions and lost earnings that would have been deposited to the employee's account if the error had not occurred.

The following types of accounting errors and delays can cause an employee's account to be underfunded.

- Department fails to process the employee's withholding to 401(k), 457, ARP, or PST within the required time period, or not at all. (For 401(k) and 457 plans, withholdings must post by the first business day following the prior pay period. For ARP and PST plans, withholdings must post as soon as practicable, but no later than 15 business days after the paycheck was issued that reflects the withholding.)

- Department does not enroll an eligible employee in the 401(k), 457, ARP, or PST program as required. In these cases, the error creates an underfunded account in the program the employee should have been enrolled in.
- Department processes an employee withholding amount that is less than what it should be for that employee's 401(k), 457, ARP, or PST account.
- Department processes a payroll adjustment that results in a negative balance in the employees Savings Plus, ARP, or PST account.

Delayed deferrals involving lump sum payments

In many cases, late deferrals involve lump-sum payments of unused leave balances that many retiring employees opt to have deposited into their Savings Plus accounts. Current statutory timelines for processing these deferrals are especially challenging to meet given the increased number of employees choosing this option.

Current law says employees must submit their request to your personnel office no later than 5 days before separating, and for the deferral to be posted to their account by the following deadline, ***whichever occurs first***:

- 45 days after the separation date, or
- by February 1 of the calendar year after the year of separation.

Given these short timelines, we suggest you encourage employees planning to defer their lump-sum payment to submit their request to your personnel office 30 calendar days before separating to allow you more processing time. We also plan to propose statutory changes next year to extend the deadlines for posting the deferral.

Corrective payments

For state agencies on the central payroll system, the State Controller's Office will transfer corrective contributions and lost earnings from the responsible entities to DPA, in accordance with Government Code Section 11255. If the responsible entity is not a state agency subject to Government Code Section 11255, DPA will obtain reimbursement directly from the entity.

/s/Michelle Berklacich

Michelle Berklacich
Administrator
Savings Plus Program