October 23, 2001

MEMORANDUM

TO:       LEA Superintendents
          LEA Finance Officers
          LEA Personnel Administrators

FROM:    H. Hank Hurd

SUBJECT: Retirement Employer Matching Adjustment

DPI received the attached memorandum from the Office of the State Budget and Management. As stated, in order for "reserves to be accumulated to the levels authorized, it will be necessary for agencies to recalculate the employer contributions for each position in the currently authorized budget for the first three months of the fiscal year AND on an annual basis". Your July, August, and September retirement matching contributions will need to be recalculated at the State Budget 5% matching rate and an adjustment made on either the October or November payment to the Retirement System. You should determine the TOTAL difference (all codes, all funds) between the amount of matching paid (regardless of whether or not part of the payment was diverted to OSC) and the amount that should have been paid at the 5% rate. ALL ADJUSTMENTS SHOULD BE MADE IN THE CURRENT YEAR. This means that we can not process any adjustments for the installment payments, in the prior year. You should adjust your installment payment portion as part of your total current year adjustment. Attached are instructions on how to calculate and process the adjustment to net the previous matching expenses to 5% and report that to the State Treasurer.

Per the Office of State Budget and Management: Use the 5% rate, as stated in the budget, to accrue all retirement employer matching amounts. Verify that the retirement deduction is matched at the 5% rate so that all October payrolls will be accrued and paid at the correct rate. As of today, there are no scheduled diversions of the retirement matching to the State Controllers Office going forward. This could change depending on Executive Order as the continuing State revenue picture unfolds.

Please carefully review the attached steps as outlined by DPI, as well as the memorandum from the Office of State Budget and Management. If you have any questions or need assistance, please contact Jennifer Bennett at 919-807-3700 or Ally Barfield at 919-807-3715.

HHH:JSB
Attachment
OFBS #01-089

An Equal Opportunity/Affirmative Action Employer
Steps to Adjust Retirement Employer Matching Contributions

1. Verify that the Retirement Employer Matching percentage is set at 5% in the payroll deduction file so the Retirement Employer Matching expense will correctly accrue for all future payrolls.

2. For July, August and September, determine: a) the total retirement taxable wages for each month, b) the retirement employer matching rate used for each month, and c) the employer matching retirement expense (total expense to be paid from the 221 object codes regardless of whether or not part of the payment was diverted to OSC). Refer to the 111S Retirement form, lines 4-6, for the subject wages for each month. These amounts will also need to be broken down by the individual 221 object code, by fund. For Innovak, ISIS and Sunpac users: your vendor will be able to help you determine these totals.

3. For July, August and September, calculate the employer matching retirement expense at the 5% rate. These amounts will need to be calculated at the individual 221 object code, by fund and then totaled. For Innovak, ISIS and Sunpac users: your vendor will be able to help you determine these totals.

4. Determine the TOTAL difference (all codes, all funds) between the amount of matching paid (regardless of whether or not part of the payment was diverted to OSC) and the amount that should have been paid at the 5% rate. If more than 5% was paid over the three months, the amount should be recorded on Line 5 of Form 111S as a negative contribution adjustment. If less than 5% was paid over the three months, the amount should be recorded on Line 5 of Form 111S as a positive contribution adjustment.

5. For each individual 221 object code, sum the net difference for the three months between what was paid from the account code versus what should have been paid from the account code at the 5% rate. Accrue an Accounts Payable invoice to the Retirement System against each individual 221 object code for the three month net difference, making sure that the amount is correctly entered to reflect an increase or decrease in the expense on the object code (no installment flag should be used, these are all current year adjustments). If you are using a local clearing account to pay your payroll related vendors, the invoices to the individual 221 object codes will be accrued to your clearing account vendor so that the increased/decreased State and Federal Retirement Matching expense will be correctly reflected in your monthly UERS expenses to DPI.

6. Write payroll liability checks. The check to the retirement system should be reduced/increased by the total adjusted recorded on Line 5 of Form 111S.

7. Complete Form 111S with the current month earnings information. The current month’s employee contribution amount (line 3) plus the current month’s employer contribution amount (line 4) at the 5%, plus/minus the July - September adjustment (line 5) should total (line 7) to the amount of the check to the retirement system in step 6.