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**Date:** October 23, 2001

**Code:** Technical Letter  
HR/EHDB  
2001-03

**To:** Human Resource Directors  
Payroll Managers

**From:** Cathy Robinson, Senior Director  
Human Resources Administration



**Subject:** Employment History Changes – Lump Sum Vacation/CTO Deferral Item 877

Coded memo HR 2001-07 announced changes in the Labor Code that removed the State employer's exemption to various sections applicable to the payment of wages upon separation. To be in compliance with these Labor Code provisions<sup>1</sup>, deferral of lump sum pay to the next calendar year is no longer an option available to separating employees. Effective immediately, PIMS Item 877 – Lump Sum Vacation/CTO Pay Deferral, and the related processing instructions in the PIMS Manual (p. 3.90) are discontinued.

Item 877 was entered when a separating employee with sufficient lump sum credits to extend beyond the November pay period requested payment of the credits to be deferred to the following calendar year for tax purposes. Credits typically included vacation (including projected), overtime and settlement payments, which must now be paid upon separation if not used to extend an employee's effective date of separation.

Revisions to the PIMS manual will be provided in a separate distribution. Please contact your CSU Audits representative if you have any questions regarding the above employment history changes. Administrative inquiries may be directed to Theresa Hines at (562) 951-4412 or via e-mail at [thines@calstate.edu](mailto:thines@calstate.edu). This Human Resources letter is available on the Human Resources Administration's web page at <http://www.calstate.edu/HRAdm/memos.shtml>. Thank you.

CR/dth

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<sup>1</sup> Pursuant to Section 219, an employee must be paid his or her lump sum credits either on the date of separation or within 72 hours, whichever applies. This section cannot be contravened or set aside by a private agreement, whether written, oral or implied.

**Distribution:**

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