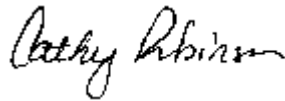


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Date: October 16, 2002

Code: Technical Letter
HR/EHDB
2002-03

To: Human Resource Directors
Payroll Managers



From: Cathy Robinson, Senior Director
Human Resources Administration

Supercedes:
HR/EHDB
2001-03

Subject: Employment History Changes – Lump Sum Pay Deferral Item 877

Coded memorandum HR/EHDB 2001-03 discontinued PIMS Item 877 – Lump Sum Vacation/CTO Pay Deferral pursuant to changes in the California Labor Code Sections 201, 202 and 219, which removed the State employer's exemption to various sections applicable to wage payment upon separation. To be in compliance with Labor Code provisions, the ability to defer lump sum pay to the next calendar year was no longer an option available to separating employees. With the recent passage of legislative bill AB1684, Labor Code Sections 201, 202 and 219 were amended which reinstated the ability to defer lump sum pay under certain conditions. As a result, PIMS Item 877 is reinstated into the PIMS employment history database, effective immediately.

The amended code permits an employee, upon written election, to defer lump sum separation pay (PIMS Item 621) into the next tax year. **To qualify for the payment deferral, only that portion of leave that extends beyond the November pay period (in the year of separation) may be deferred and issued in the following calendar year, payable by February 1.** An employee must submit a written election to his or her appointing power at least five days prior to his/her date of separation to request special handling of his/her lump sum separation pay. The lump sum separation pay can include "...any or all of the employee's unused or accumulated vacation, annual leave, holiday leave, or time off to which the employee is entitled by reason of previous overtime work where compensating time off was given by the appointing power..."¹

¹ This provision also includes "sick leave to which the employee is otherwise entitled due to a disability retirement" pursuant to Labor Code section 202(a) [when the separation is voluntary]. Provisions concerning sick leave for CSU employees is pursuant to GC 21163.

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Final settlement payments (PIMS Item 810, Settlement Pay) are excluded from this provision. The law continues to allow deferred compensation (DC), tax sheltered annuity (TSA) or part-time seasonal temporary (PST) retirement deductions to be withheld from lump sum pay.

An employee electing to defer payment may:

- (1) contribute the entire payment to his or her 401(k), 403(b) or 457 plan account (within the annual deferral limits imposed under federal and state law or the provisions of the supplemental retirement plan itself); or
- (2) contribute any portion of the deferred payment to his or her 401(k), 403(b), or 457 plan account (within the annual deferral limits imposed under federal and state law or the provisions of the supplemental retirement plan itself), and receive cash payment for the remaining non-contributed unused leave; or
- (3) receive a lump sum payment for all of the deferred unused leave.

The on-line PIMS manual has been updated accordingly. Access: <http://www.calstate.edu/hrpims/pims>. The State Controller's Office will issue processing instructions in a forthcoming personnel letter. Please contact your CSU Audits representative if you have any questions regarding the above employment history change. Administrative inquiries may be directed to Human Resources Administration at (562) 951-4411. This document is available on Human Resources web site at: <http://www.calstate.edu/HRAdm/memos.shtml>. Thank you.

CR/dth