

NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER

DIVISION OF AUDITS AND ACCOUNTS

BULLETIN NO. P-138

December 16, 1976

ATTENTION: Payroll and Personnel Officers - All Departments and Agencies

SUBJECT: New Reporting Requirements for Employees' Retirement System, Policemen's and Firemen's Retirement System and Teachers' Retirement.

As a result of the 1976 Pension Reform Legislation a retirement contribution equal to 3% of earnings is mandated for all employees who became members of the Employees' Retirement System, or Teachers' Retirement System after June 30, 1976, or who will become members of those systems in the future, and who are covered under the provisions of Article 14 of the Retirement and Social Security Law. (Retirement contributions are mandated for members of the Teachers' Insurance and Annuity Association also. However, instructions on this subject will be sent separately to those agencies affected.)

Retirement contributions for such employees, hereinafter referred to as Tier 3 members, must start effective with the first payroll period beginning on or after January 1, 1977. For employees paid on the Administration cycle deductions for retirement contributions will begin in payroll period 21 (1/6-1/19/77). Deductions for employees paid in the Institution cycle will begin in payroll period 22 (1/13-1/26/77).

The retirement systems will assign registration numbers in the following series for Tier 3 members:

ERS - 30000001 and higher
TRS - 650001 and higher

Machine Prepared Payrolls

Administration of the retirement contribution mandate for Tier 3 ERS, and TRS members have occasioned several changes in forms preparation requirements and reporting.

Retirement contribution deductions for Tier 3 members paid on payrolls prepared by the Department of Audit and Control will be instituted on the basis of retirement registration number and retirement rate reported by the agency on Payroll Deduction Form AC-1040. Beginning with Administration payroll period 21 and Institution period 22, deductions will be taken automatically for all ERS and TRS members with Tier 3 registration numbers and retirement rate .0300. TRS members with temporary registration numbers (NE prefix) and TRS annuitants and retirees (S suffix and RETD, respectively) also will be treated as Tier 3 if retirement rate is .0300.

The following requirements pertain to Form AC-1040 preparation, and are effective immediately.

1. A retirement registration number (block 602) must be reported on all AC1040 forms submitted to record membership in ERS, P&FRS or TRS. If registration number is blank, the transaction will not be processed.
2. If a Tier 3 registration number is being reported on form AC-1040, the employee's retirement rate must be reported as .0300 (block 603). If a Tier 3 registration number is being processed and the employee's rate is not .0300, or is not being changed to .0300 on that AC-1040, Audit and Control will reject the transaction.
3. Blocks 604 - Waiver (except for waiver code W - full waiver), 605-21i Rate, 606 - Loan Amount, and 609 - Conservation/Superintendent's Retirement Credit are not allowable for Tier 3 retirement members. Any such data input on form AC-1040 for a Tier 3 member will not be processed. Waiver code W, full waiver, will be generated automatically by Audit and Control for all Tier 3 members when the deductions are to begin, and will print on the payroll; it is not necessary for the agency to enter this code.
4. With few exceptions, social security coverage is mandatory for all retirement system members. For mandatory retirement system members coverage is required as of the date that membership becomes mandatory. If membership is optional, coverage is possible only for employees electing to join, and must be effective as of the date the retirement system receives the employee's application. The Department of Audit and Control will review all AC1040 transactions regarding Tier 3 retirement membership to enforce compliance with this requirement.
5. A new retirement system code, NOR, has been established to identify those employees who are excluded from retirement system membership or who are optional members and have elected not to join. Effective immediately, agencies are instructed to report code NOR in block 601 of form AC-1040 for all employees meeting this criteria. Retirement system code NOR will appear on the payroll to identify all such employees. NOR will be represented as retirement code 9 on the employee's check stub.

Agency Prepared Payrolls

Retirement contribution deductions for Tier 3 members paid on agency prepared payrolls (forms AC36 and AC39) are to be entered in the position designated for Retirement Normal deductions. Enter retirement rate as .0300.

Effective with the first payroll paid in January, 1977, report retirement service credit for ERS and P&FRS members only: calculation of service credit for non-members should be discontinued.

Retirement contributions for Tier 3 members will start with the first payroll beginning on or after January 1, 1977.

Retirement Analysis

The Department of Audit and Control has performed an analysis of all active and leave without pay employees normally paid on machine payrolls to identify for agency action or notification several types of inconsistencies regarding retirement data on record. A special one-time report, entitled Retirement Analysis, will be sent to all agencies affected.

Each listed employee is identified by agency code, line item number, name and social security number. One or more of the following messages also is printed to identify the problem.

NO RETIREMENT CODE

- Indicates that no retirement system data is on record for this employee. If the employee is or should be a retirement system member, report complete retirement data on form AC-1040. If the employee is excluded from retirement membership or membership is optional and the employee elected not to join, prepare form AC-1040 to report code NOR in block 601.

NO REGISTRATION NUMBER

- No registration number is on file for this ERS, P&FRS or TRS member. Prepare form AC-1040 to report complete information.

TIER 3 - RATE CORRECTED

- This ERS or TRS member has a Tier 3 registration number, but retirement rate was not equal to .0300. Audit and Control corrected the rate to .0300 and a contribution deduction will be started automatically. The former rate also is printed.

RATE .0300 - NOT TIER 3 REG NO

- The employee's retirement rate is .0300 but registration number does not indicate Tier 3 membership. If the employee is a Tier 3 member, prepare form AC-1040 to correct registration number.

TIER 3 - NO SS COVERAGE

- This Tier 3 retirement member does not have social security coverage. Prepare form AC-1040 if it is necessary to start social security deductions.

Please note: Submission of AC-1040 forms in response to the Retirement Analysis should be done at this time for active employees only. Since AC-1040's may not be processed for leave without pay or inactive employees except to make an address change or unless a PR-75 form also is submitted, identification of LWOP employees on the Retirement Analysis is for information only. This notification should be acted upon only if the employee resumes active employment or if a PR-75 is submitted for some other purpose.

Reporting to Retirement Systems

Except for the additional requirement of retirement contributions for Tier 3 members, reporting to TRS essentially will be unchanged.

In addition to the mandated retirement contributions the following reporting changes are necessary for ERS and P&FRS.

1. Effective with the first payroll period beginning on or after 1/1/77 only ERS and P&FRS members are to be reported. Retirement service credit no longer will be calculated for non-members and non-members will be excluded from the ERS and P&FRS salary and service totals which appear at the end of the payroll.
2. Effective with Administration payroll period 21 and Institution period 22 the increased salary credit will be reported to ERS for employees with Conservation/Superintendent's Retirement Credit. For the affected agencies this will be evident by inclusion of the additional salary in the ERS salary total reported at the end of the payroll.
3. Agencies will continue to report directly to ERS and P&FRS for employees paid on agency payrolls. However, in accordance with the requirements issued by the Employees' Retirement System this reporting no longer will be accomplished by providing the retirement system with a copy of the payroll. For complete instructions refer to section I-11 of the Employer's Guide, revised by ERS in September, 1976.
4. Form AC 1587, Retirement Service and Salary Adjustments for ERS and P&FRS, was developed in February, 1975, to provide for direct agency reporting of retirement salary and service adjustments. Effective with the first payroll period beginning on or after 1/1/77, form AC 1587 will be obsolete and no longer will be available. All salary and service adjustments must be made on form RS3050, also referred to as adjustment form DD, in accordance with section I-11 of the Employer's Guide, revised by ERS in September, 1976.

Retirement Service Credit

The method of calculating retirement service credit reported to ERS and P&FRS is identical to the description provided in Accounting and Control Manual Bulletin P-99, dated February 11, 1975.

Information

Please direct any questions relating to this bulletin to Mr. Tom Talbot, telephone 518-474-2766.