How to Refund the RHC Deduction

In July 2010, the MiCase HR/Payroll system was revised to enable districts to deduct the new MPSERS retiree Health Care Fund deduction from employees' reportable wages. Originally, ORS said that regular wages reported with report dates on or after 01-Jul-2010 were to be subject to the new retiree Health Care Fund deduction, even if wages were earned prior to 01-Jul-2010. Subsequently, ORS issued another announcement that the regular wages earned prior to 01-Jul-2010 were <u>not</u> subject to the retiree Health Care Fund deduction. To comply with this change, the districts were required to submit a spreadsheet, for each pay period reported with report dates on or after 01-Jul-2010 that included wages earned prior to 01-Jul-2010. At this time, the MiCase HR/Payroll system changed the calculation rules for the RHC deduction so that it would "auto-correct" to make the employees' total fiscal year to date RHC deduction amount be correct, based on their total fiscal year to date RHC wage base. This update to the MiCase HR/Payroll system was able to adjust most of the employees' totals. But for some, specifically the retirees and terminated employees, who did not receive another paycheck in which this could adjust or "auto-correct, a refund is due to them.

These instructions describe the steps required in the MiCase HR/Payroll system to refund the RHC deduction and correct the MiCase HR/Payroll records. First, a register record is added with a negative amount, to correct the total deduction amount. Then, the refund is given to the employee by including it in your next payroll run.

The instructions suggest using the Direct to Net feature to pay the employee the refund. We recommend creating a code specifically for this purpose (ex: RHCRF – e.g. RHC ReFund). If you are not familiar with the feature, refer to the FAQ *Direct To Net – How to Implement*, found on the MiCase Support site. A Direct to Net code must be created before completing the register record adjustments explained below.

1. Determine which employees are due a refund. In the *Payroll Module Administration* module, on the *Payroll Module Control Screen, a* new operation – *Operations > Miscellaneous Procedures > Find employees due a possible RHC deduction refund* – has been added to the system. When you select this item, the system will examine all employees with an RHC deduction and calculate the amount of RHC that should have been deducted, based on their calendar year to date RHC wage base and the *Ret. Health Care Rate* field found on their *Employee Master Setup Screen.* Then, the system compares that amount with the actual amount deducted in the calendar year. If the actual amount is not within 99.9% of the calculated amount, the system displays a message in the *Operations / Error Log* report. Then, you may review the employees noted and determine if further attention is required.

2. Review and make note of the calendar year to date totals for the deductions FIT, MIT and RHC, specifically the Wage Base and YTD Amount. These can be found in *Payroll Employee Records module > Employee Calendar YTD Totals Screen.*

3. Run an Administrative Backup prior to adding the register record in step 4.

4. Enter the adjustment on a Register Record Preparation screen.
    *   Go to the *Payroll Employee Records* module > *Register Record Preparation* screen.
    *   Click "Home" on the keyboard and enter the employee name
    *   Payroll Date – Enter a date

- Register Type – A (Adjustment)
- Check/Deposit No. – Use initials
- Description – Refund RHC Deduction
- # - 1
- Type – D (Deduction)
- Item Code – RHC (MPSERS Retiree Health Care Trust)
- Earnings Code – The system will skip this field
- Wage Code – The system will skip this field
- Pay Rate – The system will skip this field
- Pay Units – The system will skip this field
- Service Units – The system will skip this field
- Class or Organ – The system will skip this field. Go back to the field and enter the appropriate organization (DMIP).
- Wage Base/Contract Ded – The system will skip this field
- Fix Amt. – Put an "X" in this field
- Amount of Line Item – Enter the amount to refund with a negative sign (Ex: -5.00)
- Fix – Tab through this field
- ASN – Enter the appropriate ASN, then tab or enter. If your district does not post employee deductions to the general ledger, the ASN will be blank. The grid will auto fill with all related benefits and deductions.
- Fix amounts on each record. All wages, benefits and deductions should be changed to reflect a zero dollar amount, with the exception of the D:RHC. Note: The D:FIT and D:MIT (or other state taxes) will reflect the adjustment to the wage base, but the tax amounts should be zeroed out. The Total Gross should be zero and the Net Pay should reflect the deduction refund. To change the amounts to zero, do the following:
  - Select the record you wish to work with, ex: B:INS
  - On the Register Record Line Item, put an "X" in the Fix Amt. Field
  - In the Amount of Line Item field enter a 0.00
  - Enter through the ASN field and the grid will automatically correct to reflect the zero amount you entered
  - Repeat for all benefits and deductions
  - The D:RHC record(s) should be left as originally entered with the negative amount
- Then, add a Direct to Net (Type N) item with the same negative amount as the RHC refund. Click "New" to add another record for this item. We suggest creating a Direct to Net item code, (ex: RHCRF – e.g. RHC ReFund). This represents money owed to the employee by the district. In the ASN, we suggest using an accounts payable account, from which the money will be paid to the employee on the next payroll. This will result in the Net Pay of this register record being zero. Then, on the next payroll, enter a Direct to Net payment with the item code created above (e.g. RHCRF) and a positive amount of the RHC refund using, the same ASN entered on this screen.
- The Register Preparation screen and Employee Register Record Report should look similar to the following examples:

Register Preparation Screen

Employee Register Record Report

5. Add the register preparation screen to the system
    *   Perform the following - *Operations > Add Register Record to System.* The register will now show up in the Employee Register Record Screen.
    *   Additionally, the operation will also create an accounts payable batch in the FA system.

6. Review the calendar year to date wage bases for the employee on the *Calendar YTD Totals Screen*. Compare the totals to those you noted in step 2. You should see the following changes:
    *   The Wage Base totals for FIT and MIT should have increased by the dollar amount of the refund entered on the register screen.
    *   The YTD Amount for RHC should have decreased by the dollar amount of the refund.
    *   Note: The RHC wage base will not be adjusted as this was already done previously (summer 2010) on the spreadsheet required by ORS and MiCase.

7. In the Financial Accounting system, examine the batch created by the operation to add the register record. The Direct to Net line item should be posted to the accounts payable account described in item 4 above. For districts that record deductions, follow your normal procedures to post the deduction refund to the general ledger. Most districts do not post deductions, so the deduction line items may be deleted.

8. Issue the refund to the employee on the next payroll. This can be done using the Direct to Net feature. The system will create a check or ACH transaction to the employee in the HR/Payroll system without interfering with the HR records. The FAQ, *Direct to Net – How to Implement,* can be found on the MiCase website. Note: If using the Direct to Net feature, a journal entry

may be needed to transfer money from general cash to payroll cash to cover the additional monies needed for the refund.