

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Payment of Back Pay Due to Reinstatement of a Separated Employee or Reduction of Disciplinary Suspension	Number: 525.12 Amended
Date: August 9, 2012	By Direction of:  Kelly Powell Logan, Secretary of Administration  Charles B. Zogby, Secretary of the Budget
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This directive establishes policy, responsibilities, and procedures for the payment of back pay due to the reinstatement of a separated employee or reduction of disciplinary suspension. Marginal dots are excluded due to major changes.

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the payment of back pay due to the reinstatement of a separated employee or reduction of disciplinary suspension.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction and independent agencies served by the Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO).
- 3. OBJECTIVE.** To ensure proper processing, payment, and accounting for back pay settlements.

4. DEFINITIONS.

- a. **Back Pay Settlement.** A written settlement, arbitration decision, or other adjudication directing the commonwealth to reinstate pay and/or benefits for a reinstatement period.
- b. **Child Support.** Court-ordered payment for support of a child.
- c. **Employee Liability Self Insurance Program (ELSIP).** A program administered by the Department of General Services that provides protection for commonwealth employees, officials and volunteer workers who, by virtue of their activities for the commonwealth, are exposed to certain liability claims.
- d. **Outside Earnings.** Compensation for non-commonwealth employment earned during the reinstatement period, excluding supplementary employment approved before the reinstatement period in accordance with *Management Directive 515.18, Supplementary Employment*.
- e. **Public Assistance.** Any of the health and human services available to qualifying individuals including, but not limited to, cash assistance, health care, energy assistance, and child care.
- f. **Reinstatement Period.** The period of time for which an individual who was separated or suspended from commonwealth employment is subsequently due a back pay settlement.
- g. **Standard Deduction.** Any amount withheld from an employee's gross pay in accordance with federal or state law or other requirements, including, but not limited to, taxes, retirement contributions, health benefits contributions, union dues, fair share fees, and wage garnishments.
- h. **Unemployment Compensation (UC).** Money payments to individuals with respect to their unemployment, as provided for in the *Unemployment Compensation Law (43 P.S. §751, et seq.)*.

5. POLICY.

- a. Individuals subject to the terms of a back pay settlement for fewer than ten days shall receive gross payment for the reinstatement period, less standard deductions.
- b. Individuals subject to the terms of a back pay settlement for ten days or more shall receive gross pay for the reinstatement period, less standard deductions and the following other deductions (when applicable), unless the terms of the back pay settlement prohibit any such deduction:
 - (1) Outside earnings;
 - (2) Unemployment compensation received during the reinstatement period;
 - (3) Public assistance received during the reinstatement period, as determined by the Office of Inspector General, Office of Fraud Abuse and Recovery (OFAIR);

- (4) Child support in arrears, as determined by county courts; and
- (5) Retirement contributions in arrears.
- c. Back pay settlements for a reimbursement period of ten days or more must be calculated and processed by BCPO.
- d. For back pay settlements of ten days or more, the employee must provide a statement of outside earnings to BCPO prior to the disbursement of back pay, even if the employee had no outside earnings. Any delay in returning the statement of outside earnings to BCPO may delay the processing and the employee's receipt of a back pay settlement.
- e. All back pay settlements must be processed through the Office of Administration, Office for Human Resources Management, Human Resources Service Center (HRSC) regardless of whether the agency uses the HRSC for other HR transactions.
- f. Back pay must be processed through SAP on a regular pay cycle. Separate payments or employee statements for back pay will not be issued. Employees shall receive a report of payments and deductions applicable to the back pay settlement.
- g. Back pay settlements must not specify a payment amount.
- h. UC deducted from back pay does not reduce taxable gross earnings. Employees must claim credit on their federal tax returns.

6. RESPONSIBILITIES.

- a. **Agency** shall submit to the HRSC an enterprise personnel action request (E-PAR), a copy of the settlement, and a listing of HR transactions required for each back pay settlement.
- b. **Office of Administration, Office for Human Resources Management, Human Resources Service Center** shall:
 - (1) Process the HR transactions required for each back pay settlement.
 - (2) Submit to BCPO each back pay settlement for a reimbursement period of ten days or more.
 - (3) Coordinate with BCPO as needed for back pay calculations.
- c. **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations** shall:
 - (1) Ensure accurate payment and accounting for back pay.
 - (2) Contact the appropriate person or entity to obtain verification, when applicable, of the deductions amounts noted in section 5.b. of this directive.

- (3) Respond to questions regarding back pay calculations.
- (4) Provide a full explanation of the back pay to the affected employee.
- d. **Agency Office of Chief Counsel or Labor Relations Section** shall ensure back pay settlements do not specify a payment amount.
- e. **Employee Liability Self Insurance Program (ELSIP)** shall send each back pay settlement (but not any lump sum payments) to BCPO for review and payment.
- f. **Employees** shall complete and return statement of outside earnings to BCPO for back pay settlements of ten days or more, even if the employee had no outside earnings. Any delay in returning the statement of outside earnings to BCPO may delay the processing and the employee's receipt of a back pay settlement.

7. PROCEDURES.

- a. **Agency.** Submits the E-PAR to the HRSC with the back pay settlement and a listing of the HR transactions required.
- b. **Office of Administration, Office for Human Resources Management, Human Resources Service Center.**

(1) Back Pay Settlements for Reimbursement Periods Less Than Ten Days.

- (a) Reviews the E-PAR and the back pay settlement. Resolves any issues with the agency that submitted the settlement.
- (b) Enters the HR transactions to compensate the employee for the reinstatement period. Standard deductions will apply to the payment. This ends the procedure for reimbursement periods of less than ten days.

(2) Back Pay Settlements for Reimbursement Periods of Ten Days or More.

- (a) Reviews the E-PAR and the back pay settlement. Resolves any issues with the agency that submitted the settlement.
- (b) Submits the E-PAR and a copy of the back pay settlement to BCPO.

- c. **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations.**

- (1) Reviews the back pay settlement to ensure the reinstatement period is ten days or more and the settlement includes the required transactions, any special provisions, and proper signatures. Resolves any issues with the agency that submitted the settlement or the HRSC.

- (2) Calculates the back pay for submission to the Pennsylvania State Employees' Retirement System (SERS).
- (3) Sends correspondence to the Department of Labor and Industry, Bureau of UC Programs; OFAIR; and county court, when applicable, to obtain the deduction amounts for UC received, public assistance received, or child support arrears.
- (4) Sends correspondence to the employee requesting verification of outside earnings.
- (5) Upon receipt of **all** required verifications of deductions, informs the HRSC to process the HR transactions to initiate the back pay.
- (6) Enters the deductions and performs a pay simulation in SAP (SAP transaction code PC00_M10_CALC_SIMU).
- (7) Reviews the pay simulation:
 - (a) Ensures the reinstatement period in SAP corresponds to the reinstatement period defined in the back pay settlement.
 - (b) Ensures the applicable deductions have been applied correctly. Enters a federal tax override if the deduction for federal tax exceeds 25 percent.
- (8) Resolves any remaining pay simulation issues with the HRSC. If the back pay is correct, processes the payment in SAP.
- (9) Prepares and sends correspondence to the employee with a full explanation of the back pay.
- (10) Submits a back pay worksheet to SERS to determine if adjusting entries are needed for state share retirement.

This directive replaces, in its entirety, *Management Directive 525.12*, dated September 21, 1979.