

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject:

Commuter Benefits Program

Number:

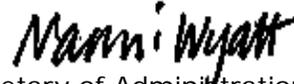
530.29 Amended

Date:

May 20, 2009

By Direction of

Naomi Wyatt, Secretary of Administration

**Contact Agency:**

PA Office of Administration, Office of Human Resources and Management, Bureau of Employee Benefits and Services, 717-787-8575

This directive contains policy, procedures, and responsibilities for employees who desire to purchase parking and/or transit products with pre-tax salary through payroll deductions. Marginal dots are excluded due to major changes.

1. **PURPOSE.** To allow permanent commonwealth employees to save money on their qualified parking and transit expenses by permitting them to have pre-tax deductions taken from their salary to pay for those expenses.
2. **SCOPE.** This directive applies to all departments, boards, and commissions under the Governor's jurisdiction, and to those independent agencies using SAP which have agreed with the PA Office of Administration to participate in the Commuter Benefits Program.
3. **OBJECTIVE.** To set policy and procedures for the commonwealth's designated Commuter Benefits Program as qualified by the *Internal Revenue Code (IRC) 26 U.S.C. 132 (f) Qualified Transportation Fringe*.
4. **DEFINITIONS.**
 - a. **Commuter Benefits Program.** The program that allows employees to pay for qualified parking and transit expenses with pre-tax salary.
 - b. **Forfeiture.** Unused pre-tax deductions that are not returned to the employee.
 - c. **Eligible Employee.** A permanent employee in an agency who is actively working. Employees are not eligible while on leave or after termination of commonwealth employment.

- d. Employee Services Coordinator (ESC).** The individual designated by the agency human resource office to be responsible for the administration of employee benefits programs within the agencies.
- e. Enrollment.** The election by an employee to participate in the benefit by signing up for deductions, either on-line or by paper enrollment form.
- f. Payroll Deduction.** Employee-authorized monthly deduction from pay, scheduled on the employee's first pay date of the month.
- g. Pre-Tax Salary.** Gross earnings subject to Federal Withholding Tax, Social Security, and Social Security Medicare will be reduced by Qualified Transportation Fringe amounts determined by the Internal Revenue Service (IRS).
- h. Qualified Vanpool.** Transportation provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with seating capacity for at least six (6) adults (not including the driver). At least 80 percent of the mileage use is reasonably expected to be for purposes of transporting employees in connection with travel between their residences and their place of employment. On such trips, the number of employees transported for such purposes must be at least half of the adult seating capacity of such vehicle (not including the driver).
- i. Third Party Administrator (TPA).** The company that holds the contract with the PA Office of Administration to provide administrative services for the Commuter Benefits Program.
- j. Transit Product.** The product that will be utilized by the employee for qualified transit services, e.g. a transit pass or transit checks/vouchers.
- k. Parking Product.** The product that will be utilized by the employee for qualified parking services, e.g. a parking pass, parking checks/vouchers or cash reimbursement.
- l. Plan Year.** This is a calendar year; the plan year starts on January 1 and ends on December 31.
- m. Qualified Parking.** Parking at or near the work location, or at a location from which the employee commutes to work. Parking on or near the employee's residential property is not qualified parking.
- n. Qualified Transit.** Commuting methods which include mass transit (such as bus, train or subway) and qualified van pools. Car pools, bicycles and walking are not qualified transit.
- o. Post-Tax Salary.** Amounts in excess of the qualified transportation fringe amounts determined by the IRS.

5. POLICY.

- a. This program qualifies as a Commuter Benefits Program as defined under the *Internal Revenue Code (IRC) 26 U.S.C. 132 (f) Qualified Transportation Fringe*.
- b. Eligible employees may elect to use pre-tax salary, up to IRS approved amounts, to pay for costs associated with commuting to work by qualified mass transit, such as bus, train, subway, or qualified vanpool, and/or qualified parking. Employees may also elect to use post-tax salary to pay for these costs, should the costs exceed the IRS monthly pre-tax allowances.
- c. Unused pre-tax and post-tax funds remaining in employee accounts are forfeited to the commonwealth if not used or claimed within 90 days of the end of the plan year (March 31st). Reimbursement of out-of-pocket expenses is only permitted for qualified parking.
- d. The commonwealth will pay the monthly administrative fee for the employee's participation from the tax savings realized by the commonwealth for those pre-tax deductions.
- e. Employees may only seek to use pre-tax and post-tax funds for periods in which they were eligible for the program.
- f. Initial program enrollment begins May 15, 2009 and continues through June 2, 2009. Thereafter, employees may sign up anytime as they become eligible or wish to take advantage of the program.

6. RESPONSIBILITIES.

a. **Third Party Administrator** will:

- (1) Provide employee educational brochures and materials.
- (2) Provide a system or means to enroll in the program.
- (3) Provide customer service to employees for enrolling and answering questions.
- (4) Ensure that the monthly Commuter Benefits Program payroll deduction amounts authorized are in accordance with amounts allowed by law.
- (5) Retrieve the monthly file of employees eligible to enroll in the program.
- (6) Provide to the PA Office of Administration, Bureau of Integrated Enterprise System (IES), the monthly deduction files as defined in the contract.
- (7) Receive and transfer the specified funds into each employee's commuter benefits account.

- (8) Fulfill parking and transit orders, including:
 - (a) Direct payment to parking vendors.
 - (b) Purchase parking and transit products (such as commuter checks, transit passes, and transit vouchers) and mail them to enrolled employees' homes.
 - (c) Process requests for cash reimbursements for qualified parking expenses; reimbursements will be mailed or direct deposited to employees' designated accounts approximately five business days after receipt and approval of reimbursement requests and corresponding expense receipts. **NOTE:** There will be no cash reimbursements for transit expenses; there will be no cash reimbursements for parking expenses without corresponding expense receipts.
- (9) Disseminate any information in regard to changes in procedures, systems, eligibility requirements, etc.
- (10) Provide a website to the commonwealth to provide information to employees and to allow on-line enrollment in the program.
- b. The PA Office of Administration, Office of Human Resources and Management, Bureau of Employee Benefits and Services will:**
 - (1) Administer the contract with the TPA.
 - (2) Serve as point of contact for the agencies and the TPA.
 - (3) Provide support to the agencies.
 - (4) Monitor and evaluate the efficiency and effectiveness of the program.
- c. Employee Services Coordinator or Designee will:**
 - (1) Post the TPA's website address/link on all appropriate intranet pages.
 - (2) Provide information, enrollment forms, and the terms and conditions to employees who do not have computer access.
 - (3) Provide information about the program to employees during new employee orientation. Enrollment forms, and the terms and conditions should be provided to interested employees upon request.
 - (4) Serve as point of contact for employees with program and payroll deduction questions.
 - (5) Upon request, provide reimbursement forms to employees participating in the cash reimbursement option for parking.

d. IES will:

- (1) Create an eligibility file for a bi-monthly pickup by the TPA.
- (2) Process the deduction file received from the TPA that will take requested monthly deductions from enrolled employees' pay through SAP as stored on Infotype 0014, Recurring Payments and Deductions.
- (3) Create and make available a funding file which specifies the amount of funds to be placed in each employee's commuter benefits account.
- (4) Transfer the funds specified in the funding file to the TPA on the employee's first pay date of each month.

e. Employees Interested in the Program will:

- (1) Access the TPA's web page to obtain information about the Commuter Benefits Program, contact the TPA's toll free customer service number, or contact their Human Resource Office.
- (2) Determine monthly commuting costs.
- (3) Enroll in the program by completing the on-line enrollment form, or the paper enrollment form and mailing or faxing it to the TPA.
- (4) Accept the parking and/or transit product offered during enrollment and accept the terms and conditions.
- (5) Understand that if the monthly commuting cost is higher than the maximum allowed, post-tax deductions can only be taken when transit or direct pay parking products are used. Post-tax salary deductions toward commuting expenses are not an option when using the cash parking reimbursement option.
- (6) Provide receipts as required for the cash reimbursement parking option.
- (7) Make changes to their deductions and selected products by the 2nd day of the month, two (2) months prior to the benefit month.
- (8) Stop deductions for anticipated long-term absences and voluntary termination of employment (retirement, resignation) by the 2nd day of the month, two (2) months prior to benefit month.
- (9) Understand that if they are involuntarily terminated (discharge, furlough) and they are unable to stop their deduction by the 2nd day of the month two (2) months prior to the benefit month, that they have until the 10th day of the benefit month to return the unused transit or parking product to the TPA in order to be eligible for refund of the deduction (after recalculation for tax implications).
- (10) Understand that unused funds will be forfeited if not claimed within 90 days of the end of the plan year (March 31st).

- (11) Contact TPA customer service with questions about enrollment, account information, products, or changes in parking and/or transit providers.
- (12) Monitor their account for accuracy, including deduction amounts, products selected, and address for product fulfillment.
- (13) Ensure that if they participate in other qualified tax fringes that their total pre-tax deductions do not exceed amounts allowed by law.

7. PROCEDURES.

a. Enrollment.

- (1) The commonwealth will provide an eligibility file to the TPA for a bi-monthly pickup.
- (2) Employees will enroll with the TPA by completing an on-line enrollment form or completing paper enrollment form and mailing or faxing it to the TPA.

b. Processing Deductions.

- (1) The TPA will provide IES with a file of deductions for enrolled employees.
- (2) SAP will deduct the funds authorized from the employee's salary to include pre-tax and post-tax, provided that sufficient pay is available for the deductions to occur in full.
- (3) IES will process the funding file of all deductions taken.

c. Fulfillment of Parking and/or Transit Products.

- (1) Deductions will be sent to the TPA through the payment file.
- (2) The TPA will place funds in each employee's account based on deduction amounts received.
- (3) If the employee has sufficient funds to purchase the product in full, the TPA will purchase the product, deduct the funds from the employee's account, and mail the product to the employee's home (or make it available for use) by the 23rd of the month in which the deduction was taken.
- (4) Reimbursement forms and receipts must be submitted to the TPA for cash reimbursements for parking expenses.

d. Maintenance of Commuter Benefits.

- (1) The commonwealth will continue to process monthly payroll deductions and remit them to the TPA until or unless the employee stops the deductions.

- (2) Employees will monitor accounts and contact the TPA with questions about or changes to the commute.
- (3) If there is insufficient pay to take the full benefit, no deduction will be taken, and the TPA will receive no deduction for that month.
- (4) The TPA will return forfeited funds to the commonwealth 90 days after the plan year ends (March 31st). Forfeited funds are not returned to the employee.

f. Reporting.

- (1) Employees will be provided with current period and year to date commuter benefit payroll deductions on their employee pay statements.
- (2) Federal taxable wages on the employee's W-2 will be reduced by the pre-tax commuter benefit payroll deduction amount.

This directive replaces, in its entirety, *Management Directive 530.29*, dated December 19, 2006.