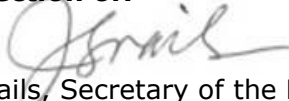


MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Recovery of Conversion Payments	Number: 315.27 Amended
Date: January 19, 2021	By Direction of:  Jen Swails, Secretary of the Budget
Contact Agency: Bureau of Commonwealth Payroll Operations, Telephone 717-787-6496	

This directive contains policy, responsibilities, and procedures for the recovery of Conversion Payments issued to Commonwealth employees.

1. **PURPOSE.** To establish policy, responsibilities, and procedures for the recovery of Conversion Payments issued to Commonwealth employees.
2. **SCOPE.** This directive applies to:
 - a. All departments, offices, boards, commissions, and councils under the Governor's jurisdiction and independent agencies using the SAP Human Resources and Payroll Module (hereinafter referred to as "agencies").
 - b. All employees who were compensated on a Before-The-Fact Pay Basis at the beginning of the pay period inclusive of January 1, 1985.
3. **OBJECTIVE.** To ensure the recovery of Conversion Payments issued to Commonwealth employees.
4. **DEFINITIONS.**
 - a. **After-The-Fact Pay Basis.** A method of payment in which compensation due for a given pay period is paid to an employee no later than two weeks after the end of the pay period.
 - b. **Before-The-Fact Pay Basis.** A method of payment in which compensation due for a given pay period is paid to an employee on the pay period ending date.
 - c. **Conversion Payment.** The gross amount of extra pay an employee received during the Conversion Pay Period.
 - d. **Conversion Pay Period.** The two week pay period for Commonwealth employees immediately following the pay period inclusive of January 1, 1985.

- e. **Gross Base Pay.** The base amount of gross earnings due an employee for a given biweekly pay period. Gross Base Pay does not include additional compensation (overtime, higher classification pay, etc.) an employee may be entitled to for a pay period.

5. **POLICY.**

- a. Conversion Payments shall be recovered by a payroll deduction from a separating employee's final payment. Affected separating employees shall receive for their final payment the difference between their Gross Base Pay at the time of separation and the Conversion Payment minus applicable payroll deductions.
- b. If the Gross Base Pay at the time of separation is insufficient to recover the Conversion Payment, the Conversion Payment shall be recovered in accordance with *Management Directive 315.08, Restitution of Overpayments and Collection of Employee Debts.*
- c. If a Conversion Payment is deducted from a separating employee's final payment and the employee subsequently returns to active employment within 14 calendar days of the date of separation, the separation action will be cancelled and processed as a transfer, the deduction to recover the Conversion Payment will be cancelled, the employee will be rehired, placed on an After-The-Fact Pay Basis, and reissued a Conversion Payment. The reissued Conversion Payment will equal the gross amount of the Conversion Payment originally issued to the employee in January 1985.
- d. If a Conversion Payment is deducted from a separating employee's final payment and the employee subsequently returns to active employment after 14 calendar days from the date of separation, the employee will be rehired and placed on an After-The-Fact Pay Basis. The Conversion Payment will not be reissued.
- e. Before-The-Fact employees who separate from Commonwealth service and are subsequently reinstated in accordance with a decision issued by the Civil Service Commission, a labor arbitration award, or other adjudication will be entitled to a Conversion Payment if the reinstatement is retroactive to a date preceding the beginning date of an employee's Conversion Pay Period and the employment period continues through the Conversion Pay Period ending date. The Conversion Payment will be equal to the employee's Gross Base Pay in effect at the end of the pay period immediately preceding the Conversion Pay Period.

6. **RESPONSIBILITIES.**

a. **HR Delivery Centers or Agency HR Offices**

- (1) For agencies utilizing the Office of Administration, Human Resources Service Center (HRSC), notify the HRSC when an employee has submitted a separation notice.

- (2) For agencies not utilizing the HRSC:
 - (a) Process separation transactions, including the recovery of the Conversion Payment.
 - (b) Inform the separating employee that the Conversion Payment will be deducted from the employee's final pay.
- b. **Office of Administration, HRSC** shall process separation transactions, including the recovery of the Conversion Payments, for the agencies serviced by the HRSC once they have been notified by HR.
- c. **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO)** shall:
 - (1) Identify separating employees with payroll deductions for Conversion Payments and track the recovery of the proper amount in the employee's final pay as part of their separation review process.
 - (2) Process the recovery of the Conversion Payment if the Conversion Payment has not been deducted from the final pay of a separating employee.

7. PROCEDURES.

- a. **Recovery of Conversion Payment through Deduction from a Separating Employee's Final Payment.**
 - (1) **Employee** Gives notice of separation or separates without notice.
 - (2) **HR Delivery Centers or Agency HR Offices**
 - (a) If the agency utilizes the HRSC, prepares an electronic personnel action request (e-PAR) to notify the HRSC that an employee is separating.
 - (b) If the agency does not utilize the HRSC:
 - 1 Enters the separation action into the SAP Human Resources and Payroll Module.
 - 2 Determines if the separating employee has a Conversion Payment liability; if so, enters an end date on the Conversion Payment wage type so that the recovery will process with the final pay.
 - (c) Notifies the separating employee that the Conversion Payment will be deducted from the employee's final pay.

(3) HRSC

(a) Enters separation action into the SAP Human Resources and Payroll Module.

(b) As part of the separation review checklist, determines if a separating employee has a Conversion Payment liability. If so, enters an end date on the Conversion Payment wage type used to deduct the Conversion Payment from the employee's final pay or leave payout. Once the end date has been entered, the Conversion Payment will be deducted from the separating employee's pay.

(4) BCPO As part of the separation review check list, determines if a separating employee has a Conversion Payment liability. If so, verifies that the Conversion Payment is recovered from the final pay.

b. Recovery of Conversion Payment If the Separating Employee's Final Payment is Not Adjusted for Any Reason, Including Insufficient Funds in the Final Pay or Leave Payout.

(1) BCPO

(a) Determines that the Conversion Payment has not been deducted from the separating employee's final pay.

(b) Once a claim has been created, calculates the net amount owed by the separating employee for the Conversion Payment.

(c) Collects the Conversion Payment from the employee's retirement account or, if the balance in the retirement account is insufficient to recover the Conversion Payment, bills the employee in accordance with *Management Directive 315.08, Restitution of Overpayments and Collection of Employee Debts*.

This directive replaces, in its entirety, *Management Directive 315.27*, dated May 4, 1992.