# Processing CERS Refunds in EERP

Office of Education Technology: Division of School Technology Services
Questions: eerp@education.ky.gov

## Overview

To resolve adjustments on the START monthly invoice and ensure proper W-2 reporting, the refund amounts for employee and employer contributions must be processed through Enterprise ERP payroll. Enterprise ERP (EERP) offers the ability to refund deductions and penny payrolls are no longer required nor encouraged by EERP. For more information on the EERP refund process, please download the *Refunding Deductions Within Payroll Version 10 and up* document from the Tyler Support website. This document can also be found using Tyler Search on the Tyler Support website. This process can be applied to refunding any deduction within payroll, not just CERS refunds.

The below guide will highlight items that must be considered when processing CERS Refunds.

## Pay Types for Processing Adjustments

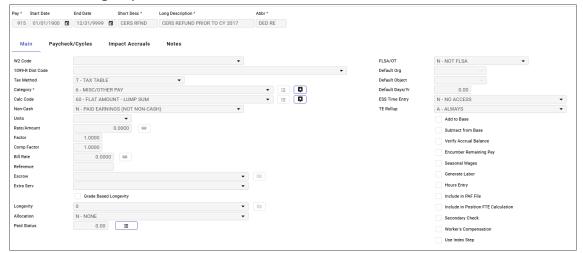Refund Pay types are needed for processing refunds.

**_Note:_** *The pay type numbers used in the examples are for demonstration purposes only. The numbers you assign to each pay type may differ from the examples. Vendor numbers shown may also differ from the ones shown*.

## Pay Type for CERS Refund Before CY 2017

Employees who made contributions to CERS before the calendar year 2017 did not have Medicare or FICA deducted from their pay because retirement contributions were sheltered from these taxes. When processing the refund, Medicare and FICA will need to be deducted. This is best done by utilizing a Pay Type set up specifically for these refunds.

In the Pay Master program, create a new pay type. In this example, we used pay type 915 with the description 'CERS Refund Prior to CY 2017'.

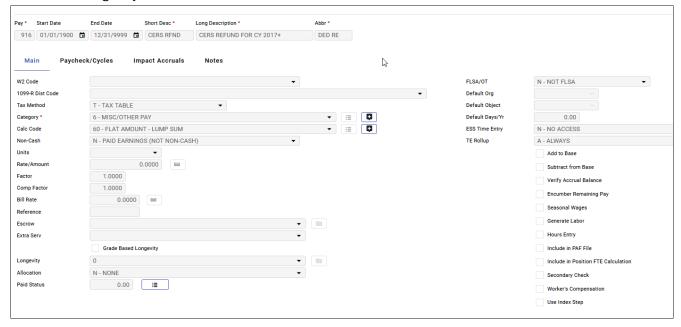The Default Org/Object is left blank.



## Pay Type for CERS Refund After CY 2016

Employees who made contributions to CERS after the calendar year 2016, starting January 1, 2017, had Medicare and FICA deducted from their pay because retirement deductions are no longer sheltered from these taxes. When processing the refund, Medicare and FICA should NOT be deducted as it has already been collected.

In the Pay Master program, create a new pay type. In this example, we used pay type 916 with the description 'CERS Refund AFTER CY 2016'.

The Default Org/Object is left blank.

# Verify Exceptions Tables

After the new pay codes have been created, review the exceptions tables, and make updates if needed. From the Deduction and Benefit Master screen, select the **Exceptions** option found in the menu ribbon. You can also gain access by following the path below:
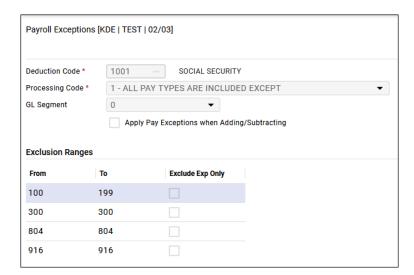
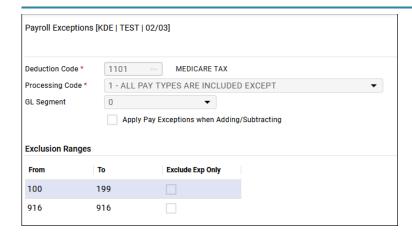*Human Capital Management >Payroll >Payroll Administration >Payroll Exceptions*

## Social Security and Medicare Exceptions

Find deduction 1000|1001 and review the information. Add the new pay types to the exceptions for deduction 1000|1001 or make updates as needed. Repeat the process for all Social Security and Medicare deductions. **As of January 1, 2017, retirement deductions, including adjustments, are no longer exempt from FICA and Medicare Taxes unless the adjustments were previously taxed.**

Enter the pay type (916) created for CERS Refund After CY 2016 since FICA and Medicare have already been withheld and should not be deducted again.

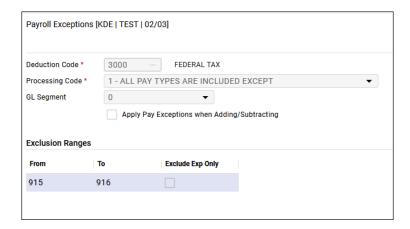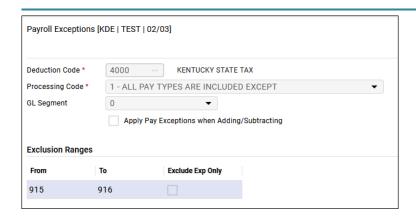An example is seen below. District settings may be different.

## Federal and State Exceptions

Retirement deductions are exempt from Federal and State taxes. Now that the retirement deductions are being refunded and no longer sheltered from tax, they are now taxable income.

The 'deduction refund' process uses the pre/post-tax setup of the deduction that is being refunded to calculate taxes. If Payroll Exception entries are not added for the refund pay code, then the system will double tax the refunded deduction.

An example is seen below. District settings may be different.

Federal and State tax would be added as a line to the employee's withholding when processing the refund, but unless the refund is large enough, neither will likely have a dollar amount deducted.

## Other Exceptions

Review other deduction codes and repeat as necessary as payroll setup and taxing authorities vary by district.

## Entering CERS Adjustments into Payroll

Employees listed on the invoice may have a status of Inactive in the Employee Master or the Employee Terminated Master. Temporarily, mark the record as Active so it pulls into a payroll properly.

Follow the Deduction Refund Process starting on page 4 of the *Refunding Deductions Within Payroll* document found using Tyler Search.

## Start Monthly Report

Refunds should not be reported on the Start Monthly Report. Because of this, the Refund Pay Types will **NOT** be added to the Generate screen of the EERP CERS START Monthly Report and will not be reflected in the report.

The adjustments will be reflected on the check total that is processed for KPPA. When submitting to Start, the summary is first submitted and then invoices are paid from the adjustments processed. The total amount of the two should match the check.