Processing CERS Refunds

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Overview

In order to resolve adjustments on the START monthly invoice and proper W-2 reporting, the refund amounts for employee and employer contributions must be processed through Munis payroll. Munis now offers the ability to refund deductions and penny payrolls are no longer required nor encouraged by Munis. Districts can process CERS refunds in either manner if the refunds are not reported on the Start Monthly Report and reported as taxable earnings on W2's. For more information on the Munis refund process, please download the document from the [Munis KnowledgeBase](#).

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

Pay Types for Processing Adjustments

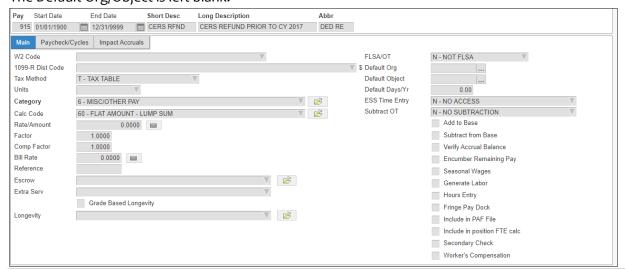Refund Pay types are needed for processing refunds.

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:
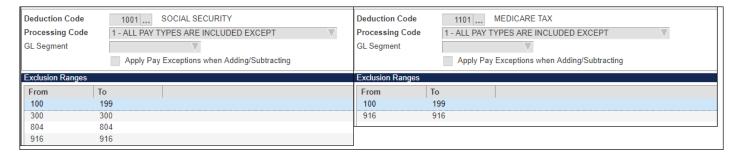
Human Resources/Payroll >Payroll >Payroll Administration >Payroll Exceptions

Social Security and Medicare Exceptions

Find deduction 1000|1001 and review the information. Add a new exception 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.**
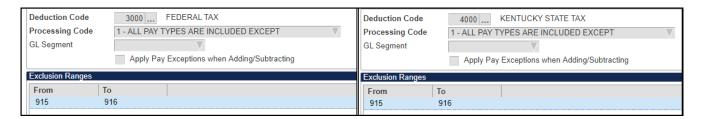
Enter the pay type (916) created for CERS Refund After CY 2016 since FICA and Medicare have already been withheld and do not need to be withheld again.

Federal and State Exceptions

Retirement deductions were exempt from Federal and State taxes. Now retirement deductions are being refunded and no longer sheltered as they are now taxable income.

The 'deduction refund' process uses the pre/post-tax setup of the deduction which 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.

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 "Refund Deduction in 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 Munis 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 Kentucky Retirement (total from payroll minus adjustments). When submitting to Start, the summary is first submitted and then invoices are paid from the adjustments processed. The total amount of the two will match the check.

Once the START MONTHLY REPORT is completed, follow the usual process for KRS reporting.