

# Processing CERS Refunds

---

Office of Education Technology: Division of School Technology Services  
Questions: [munis@education.ky.gov](mailto:munis@education.ky.gov)

## 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	Start Date	End Date	Short Desc	Long Description	Abbr
915	01/01/1900	12/31/9999	CERS RFND	CERS REFUND PRIOR TO CY 2017	DED RE

  

<b>Main</b>   Paycheck/Cycles   Impact Accruals			
W2 Code		FLSA/OT	N - NOT FLSA
1099-R Dist Code		\$ Default Org	...
Tax Method	T - TAX TABLE	Default Object	...
Units		Default Days/Yr	0.00
Category	6 - MISC/OTHER PAY	ESS Time Entry	N - NO ACCESS
Calc Code	60 - FLAT AMOUNT - LUMP SUM	Subtract OT	N - NO SUBTRACTION
Rate/Amount	0.0000	<input type="checkbox"/> Add to Base	<input type="checkbox"/> Subtract from Base
Factor	1.0000	<input type="checkbox"/> Verify Accrual Balance	<input type="checkbox"/> Encumber Remaining Pay
Comp Factor	1.0000	<input type="checkbox"/> Seasonal Wages	<input type="checkbox"/> Generate Labor
Bill Rate	0.0000	<input type="checkbox"/> Hours Entry	<input type="checkbox"/> Fringe Pay Dock
Reference		<input type="checkbox"/> Include in PAF File	<input type="checkbox"/> Include in position FTE calc
Escrow		<input type="checkbox"/> Secondary Check	<input type="checkbox"/> Worker's Compensation
Extra Serv	Grade Based Longevity		
Longevity			

## 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.

Pay	Start Date	End Date	Short Desc	Long Description	Abbr
916	01/01/1900	12/31/9999	CERS RFND	CERS REFUND FOR CY 2017+	DED RE

  

Main		Paycheck/Cycles	Impact Accruals
W2 Code			
1099-R Dist Code			
Tax Method	T - TAX TABLE		
Units			
Category	6 - MISC/OTHER PAY		
Calc Code	60 - FLAT AMOUNT - LUMP SUM		
Rate/Amount	0.0000		
Factor	1.0000		
Comp Factor	1.0000		
Bill Rate	0.0000		
Reference			
Escrow			
Extra Serv			
Longevity	Grade Based Longevity		
FLSA/OT			
Default Org			
Default Object			
Default Days/Yr	0.00		
ESS Time Entry			
Subtract OT			
N - NOT FLSA			
N - NO ACCESS			
N - NO SUBTRACTION			
<input type="checkbox"/>	Add to Base		
<input type="checkbox"/>	Subtract from Base		
<input type="checkbox"/>	Verify Accrual Balance		
<input type="checkbox"/>	Encumber Remaining Pay		
<input type="checkbox"/>	Seasonal Wages		
<input type="checkbox"/>	Generate Labor		
<input type="checkbox"/>	Hours Entry		
<input type="checkbox"/>	Fringe Pay Dock		
<input type="checkbox"/>	Include in PAF File		
<input type="checkbox"/>	Include in position FTE calc		
<input type="checkbox"/>	Secondary Check		
<input type="checkbox"/>	Worker's Compensation		

## 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.

Deduction Code <input type="text" value="1001"/> SOCIAL SECURITY Processing Code <input type="text" value="1 - ALL PAY TYPES ARE INCLUDED EXCEPT"/> GL Segment <input type="text"/> <input type="checkbox"/> Apply Pay Exceptions when Adding/Subtracting	Deduction Code <input type="text" value="1101"/> MEDICARE TAX Processing Code <input type="text" value="1 - ALL PAY TYPES ARE INCLUDED EXCEPT"/> GL Segment <input type="text"/> <input type="checkbox"/> Apply Pay Exceptions when Adding/Subtracting																
<b>Exclusion Ranges</b> <table border="1"> <thead> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>100</td> <td>199</td> </tr> <tr> <td>300</td> <td>300</td> </tr> <tr> <td>804</td> <td>804</td> </tr> <tr> <td>916</td> <td>916</td> </tr> </tbody> </table>	From	To	100	199	300	300	804	804	916	916	<b>Exclusion Ranges</b> <table border="1"> <thead> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>100</td> <td>199</td> </tr> <tr> <td>916</td> <td>916</td> </tr> </tbody> </table>	From	To	100	199	916	916
From	To																
100	199																
300	300																
804	804																
916	916																
From	To																
100	199																
916	916																

### 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.

Deduction Code <input type="text" value="3000"/> FEDERAL TAX Processing Code <input type="text" value="1 - ALL PAY TYPES ARE INCLUDED EXCEPT"/> GL Segment <input type="text"/> <input type="checkbox"/> Apply Pay Exceptions when Adding/Subtracting	Deduction Code <input type="text" value="4000"/> KENTUCKY STATE TAX Processing Code <input type="text" value="1 - ALL PAY TYPES ARE INCLUDED EXCEPT"/> GL Segment <input type="text"/> <input type="checkbox"/> Apply Pay Exceptions when Adding/Subtracting								
<b>Exclusion Ranges</b> <table border="1"> <thead> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>915</td> <td>916</td> </tr> </tbody> </table>	From	To	915	916	<b>Exclusion Ranges</b> <table border="1"> <thead> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>915</td> <td>916</td> </tr> </tbody> </table>	From	To	915	916
From	To								
915	916								
From	To								
915	916								

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.