



STATE OF IOWA

DEPARTMENT OF REVENUE AND FINANCE
MICHAEL RALSTON, DIRECTOR

June 16, 2003

TO: Departmental Personnel Assistants
LOCAL

FROM: Steve Lindner, Department of Revenue and Finance

SUBJECT: Military Pay Differential

Recently the Governor signed Senate File 458. Section 21 of that bill appropriates funding to the Department of Revenue and Finance to pay a military pay differential and/or health insurance retention program to state employees called to extended active duty, and on active duty on March 19, 2003 or after.

After discussion with staff of the Governor's Office and DOM, we have determined that this program should be administered centrally in the Department of Revenue and Finance (soon to be Department of Administrative Services) centralized payroll section. Reasons include:

1. A comparison of state employee pay that is paid on a bi-weekly cycle is difficult to compare to a military pay system predicated on a 30 day pay period that includes a myriad of pay and allowances not normally addressed by Personnel Assistants
2. There is a need to assure absolute uniformity in the pay differential calculation across the enterprise but few resources to immediately train the 30-40 departmental personnel assistants that could be affected by this legislation.
3. Centralized accounting/payroll has to prepare or validate many of the substantiating documents to create the expenditure correction (EC) document necessary to reimburse the departments for the differential pay after it has been calculated. It appears to be more efficient to maintain all the necessary records in one place.
4. Consolidating the process makes the required reporting to the fiscal committee of the legislative council an easier, more consistent process.

Please review the attached document that outlines the administration of this program. Please pay particular attention to the departmental requirements listed under **Payment and Reimbursement Procedures**. They include: identifying mobilized individuals, getting centralized payroll copies of mobilization/demobilization orders and every Leave and Earnings statement for payments to the individual for all periods from the LES which included March 19, 2003 and those paid thereafter, validating any possible medical/dental payments and obtaining documentation of payment totals. Centralized Payroll can accept these documents immediately as you obtain them to begin to calculate any pay differentials under the provisions of this act.

If you have any questions concerning the information contained in this letter and attachments, or any issue related to this program, please feel free to contact Jean McPherson (515-281-3976) or Steve Lindner (515-281-3206) at any time.

ATTACHMENTS

On May 31, 2003, Governor Vilsack signed SF458 into law. Section 21 of this bill reads as follows:

Sec 21. **MILITARY PAY DIFFERENTIAL.** There is appropriated from the cash reserve fund to the department of revenue and finance or its successor agency for the period beginning March 19, 2003, and ending June 30, 2003, the following amount, or so much thereof as is necessary, for the purposes designated:

For a military pay differential program and health insurance retention program for individuals activated for the armed services of the United States, for employees on the central payroll system:.....\$1,810,000

Of the funds appropriated in this section, up to \$10,000 is transferred to the Iowa department of public health for allocation to community mental health centers to provide counseling services to persons who are member so the national guard and reservists activated but as yet net sent to combat zones and to the persons' family members. The sessions shall be provided on a first come, first served basis and shall be limited to three visits per family.

The department or agency receiving funds under this section shall report monthly to the fiscal committee of the legislative council on the use of the funds.

Notwithstanding section 8.33, unencumbered or unobligated funds remaining on June 30, 2003 shall not revert but shall remain available to be used for the purposes designated in the following fiscal year.

Policies and procedures developed to implement this authorization language.

Listed below are the relevant policies and procedures developed to implement this legislation. The overriding intent of these policies is to make a state employee financially whole when mobilized for an extended period of time, and to coordinate benefits extended under this legislation with existing statutes. This overriding principle may be modified when the administrative costs to the state outweigh the additional benefits to be derived from the application of the "make whole " principle.

Eligible Employees

Any employee of the State of Iowa on the centralized payroll system or the Department of Transportation payroll system classified in such a manner as to work a regularly scheduled workweek during the week of March 19, 2003 or after is potentially eligible. Eligible members are members of the Iowa National Guard or any of the organized reserve components with a valid mobilization order. Employees are eligible regardless of funding source of their employment.

Period of Eligibility

Full time employees who were mobilized for extended active duty before March 19, 2003 and were still mobilized on that date, or who were ordered to extended federal duty after that date, normally under the provisions of title 10 USC Section 102302 (authorization for an extended mobilization period), for periods of one year or more are eligible, regardless of eventual duty location or the military operation. Individuals mobilized for periods of less than a year of federal service (normally special operations or medical personnel) will be considered for eligibility on a case by case basis. Members ordered to active duty for the

performance of regularly scheduled Annual Training (AT) or incidental Active Duty for Training (ADT) are not eligible.

Calculation of Military Pay Differential

The calculation of the military pay differential will consider all pay and allowances received by the service member and compare those payments to the pay the individual would have received as their regular rate of pay (i.e. scheduled hours, shift differential, special pays) had they been on the state payroll during the comparable period. Since military pay and allowances are calculated on a 30 day month, the military pay and allowances received by the employee will be converted to a daily rate and the daily rate will be multiplied by 14 to compare to the biweekly state rate.

The pay differential comparison will consider pay and allowances paid in each pay period. That is, retroactive military pay will be considered in the pay period paid and not applied to past calculations with the intent to reduce previous pay differential calculations. Payments for unused leave paid upon demobilization will be considered in the differential calculation in the pay period paid and not applied to past calculations.

Members utilizing the military leave provisions specified in Chapter 29A.28 are not further eligible for the pay differential calculation for the same days.

Vacation usage charged to an employee and paid as accrued leave after the effective date of the mobilization order will have no effect on the pay differential calculation. That is, the fact of vacation election usage and the resulting pay does not alter the pay differential calculation process.

The calculation of the pay differential will consider the change in salary caused by the 2% across-the-board salary increase effective June 20, 2003 and the step increase in the pay period the employee would have received the increase had they maintained continuous state employment. The calculation will consider military promotions, longevity increases, or salary and allowance increases on a "when paid" basis.

The differential calculation will not consider that certain mobilized employees will have some or all pay tax exempt because of their duty location.

The calculated pay differential reimbursement to the departments will include funds sufficient to pay the mobilized employee the differential, but also the state share contribution of retirement, FICA, and deferred compensation match for the differential payment. The deferred compensation match will be paid only if the employee had the benefit when mobilized and only for the pay periods in which the pay differential is paid. DRF (DAS) will adjust the IPERS payments to reflect the quarter in which earned. This may result in additional IPERS covered quarters for employees receiving the pay differential.

Calculation of Health Retention Program Payments

Mobilized employees or their families are eligible for a monthly payment not to exceed the amount provided as the "state share" for employee health, dental coverage, and long term disability. The reimbursement amount will be the out of pocket costs spent to retain or obtain health, dental, and long term disability insurance coverages similar to that carried by the service member as a state employee in an amount in excess of the employee share of the

premium, not to exceed the monthly state share contribution at the time of mobilization, and allowing for any subsequent increase in the state share. Payments made under this section of the bill will be considered reimbursements and will not be processed through the payroll system since such reimbursements are not taxable income.

Payment and Reimbursement Procedures

To assure uniform and consistent treatment of mobilized state employees in the variety of situations outlined above across the enterprise, this program and the required reporting to the legislative fiscal committee will be centralized in the Department of Revenue and Finance (Department of Administrative Services). Departments with mobilized employees meeting the criteria of this bill will have the responsibilities to:

- Identify eligible individuals.
- Forward a copy of the mobilization order to DRF/DAS centralized payroll.
- Obtain and forward copies of all Military Leave and Earnings Statements received by the service member beginning with the LES (Leave and Earnings Statement) for the period including March 19, 2003. (The LES is normally printed twice a month and covers pay periods from 1-15 and 16-30). These and leave and earnings statements for unusual payments should be obtained and forwarded to DRF/DAS centralized payroll.
- Identify members or the families of mobilized employees who have made out of pocket payments for the continuation of medical and dental coverage where the cost exceeds the employee monthly premium deduction at the time of mobilization.
- Obtain evidence of premium payments outlined in (4) and forward to DRF/DAS centralized payroll. 6. Obtain a copy of the demobilization order when the employee returns and forward to DRF/DAS centralized payroll.

Centralized Payroll will have the following responsibilities under the provision of this bill:

- Promulgate procedures to implement the intent of the bill.
- Modify or clarify procedures as necessary.
- Create a calculation methodology document to assure the calculation of the pay differential is consistent in application across the enterprise.
- Receive mobilization order and pay documents, establish individual employee documentation files, calculate the pay differential, notify departments of the amount to be reimbursed, provide calculation document.
- Create expenditure correction document (EC) to distribute pay differential dollars and appropriate state share amount to departments.
- Create the Personnel Action (P1) necessary to pay the differential to the employee.
- Create consolidated monthly reports for the fiscal committee of the legislature.
- Coordinate the disbursement of funds related to employee or family counseling.

Examples attached

Employee is a Major over 20 years service

	O4/20 military monthly	state biweekly
Base pay	5,528.40	2,410.40
Basic Allowance for Housing	1,057.00	
Basic Allowance for Subsistence	167.20	
Family Separation Allowance	250.00	
Hazardous Fire Pay/Imminent DP	225.00	

State share health is \$370.61,
Dental \$17.89, LTD \$10.67 per
month

Converted to a daily rate
differential

Base pay	184.28	241.04	56.76
BAH	35.23	0.00	-35.23
BAS	5.57	0.00	-5.57
FSA	8.33	0.00	-8.33
HFP/IDP	7.50	0.00	-7.50
	<u>240.91</u>	<u>241.04</u>	<u>.13</u>

.13 diff daily basis

Converted to a 14 day biweekly
pay differential Daily rate X 14

Base pay	2,579.92	2,410.40	-169.52
BAH	493.27	0.00	-493.27
BAS	78.03	0.00	-78.03
FSA	116.67	0.00	-116.67
HFP/IDP	105.00	0.00	-105.00
	<u>3,372.89</u>	<u>2,410.40</u>	<u>-962.49</u>

diff bi-weekly
basis

Employee will receive no pay differential since total military remuneration is in excess of employee salary

Employee will receive Health Retention Program Payments if payments for retaining coverage exceed the employee payroll deduction amounts for the coverage, not to exceed state share amounts of \$370.61 per month for Health Insurance, \$17.89 per month for Dental Insurance, or \$10.67 for Long Term Disability.

Employee is a staff sergeant over 25 years service

E-6/25

	Military monthly	state biweekly
Base pay	2,709.60	2,004.00
Basic Allowance for Housing	658.00	
Basic Allowance for Subsistence	242.81	
Family Separation Allowance	250.00	
Hazardous Fire Pay/Imminent DP	225.00	

State share health is \$400.29,
Dental \$17.89, LTD \$10.67 per
month

Converted to a daily rate
differential

Base pay	90.32	200.40	110.08
BAH	21.93	0.00	-21.93
BAS	8.09	0.00	-8.09
FSA	8.33	0.00	-8.33
HFP/IDP	7.50	0.00	-7.50
	<u>136.17</u>	<u>200.40</u>	<u>64.23</u>
			64.23

diff daily basis

Converted to a 14 day biweekly Daily rate X 14
pay differential

Base pay	1,264.48	2,004.00	739.52
BAH	307.07	0.00	-307.07
BAS	113.31	0.00	-113.31
FSA	116.67	0.00	-116.67
HFP/IDP	105.00	0.00	-105.00
	<u>1,906.53</u>	<u>2,000.40</u>	<u>93.87</u>

diff bi-weekly
basis

Employee will receive pay differential of (93.87 in the bi-weekly period since state pay exceeds a military remuneration in the period.

Employee will receive Health Retention Program Payments if payments for retaining coverage exceed the employee payroll deduction amounts for the coverage, not to exceed state share amounts of \$400.89 per month for Health Insurance, \$17.89 per month for Dental Insurance, or \$10.67 for Long Term Disability.

On May 31, 2003, the Governor signed Senate File 458. Section 21 of the bill is an appropriation of \$1,810,000 to the Department of Revenue and Finance from the primary purpose of paying a pay differential to state employees mobilized in support of various military actions. Section 21 of the bill also requires a monthly report to the fiscal committee of the legislative council on the use of the funds. This letter, with attachments, constitutes the report for the month ended June 30, 2003.

As of June 30, 2003, there have been no expenditures from this appropriation. During the early part of the month, the military pay process was reviewed and a methodology was developed and refined to implement the legislation. The letter of instruction and pay differential methodology was distributed to the operating departments as attachments 1 and 2 on June 16, 2003 to all state departments covered by the legislation.

As a part of the letter of instruction, we requested departments contact mobilized employees or spouses and obtain copies of mobilization orders and military Leave and Earnings Statements (LES) for all periods from the period that includes March 19, 2003 to the current period. Because of the many variables of possible military pay and allowances, each bi-weekly military period must be compared to the like state pay period to calculate the differential.

At month end, the mobilization orders had been received on approximately fifty employees from across state government. The pay information necessary for the calculation of a military pay differential for only five employees had been received.

During the month of July, we anticipate receiving the substantiating pay information from the majority of state employees eligible for consideration for the military pay differential calculation to date. I anticipate that the report for the end of July will contain a schedule of employees reviewed for the differential calculation, the departments of these mobilized employees, and the amounts paid from the appropriation on their behalf.

If you have any questions regarding the information contained in this report or the attachments, please contact Steve Lindner, Accounting Enterprise Division, at 281-3206 (steve.lindner@idrf.state.ia.us).