

SECTION 7: SEPARATION OR INACTIVE STATUS

Deceased Employee

INTRODUCTION

When an employee dies, the designated beneficiary is entitled to receive payment for any outstanding wages due the employee and often for unused personal, annual, sick, excess sick and donated leave. Refer to the appropriate collective bargaining agreement and Personnel Rules to determine authority to pay off leave accounts.

In accordance with Federal tax withholding regulations, the payment to the beneficiary must not increase the employee's income tax base or income tax withholdings. To accomplish this, once the online warrant request is submitted, the Division of Finance turns off the Federal withholding on the employee's A6x – Tax Control screen and processes a zero-net online warrant using an all-of-net V385 deduction. The all-of-net deduction amount is passed to a suspense account in AKSAS and an AKSAS warrant for the amount due is then issued to the designated beneficiary. If children are designated as beneficiaries, original birth certificates are required for proof of age. For a beneficiary under the age of 18 years, payments are issued to both the child and a legal guardian. Proof of legal guardianship must be provided prior to payment being processed.

When payment occurs in the same calendar year the employee dies, the payment is subject to employee and employer Medicare tax and Supplemental Benefits System (SBS). If the death occurred in a previous calendar year, the payment in the current calendar year is not subject to employee and employer Medicare tax and SBS.

All payments to the beneficiary are reported on IRS Form 1099 MISC. The Division of Finance issues this form using the tax identification number (social security number) of the payee (beneficiary).

The deceased employee is normally separated from the payroll system effective the day after the date of death. This is a general guideline and situations must be carefully evaluated by the Payroll Supervisor or Human Resource Manager, when selecting the appropriate date.

PROCEDURE

Notification of an employee's death can come from various sources. Upon receiving notification, the death must be verified and steps taken to prevent any further pay from processing under the employee's social security number (SSN). The most recent beneficiary form is located and unpaid compensation is paid. Other applicable State agencies such as the Division of Retirement and Benefits should be notified.

A. Prevent Further Pay From Processing and Complete AKPAY Entries.

1. Contact the employee's immediate supervisor or other applicable contact to confirm the date of death.
2. Do not allow further pay processing until the beneficiary is determined. Ensure Delete or open any pending pay batches on the H11 - Time and Attendance Detail Browse screen.
3. 103 - Employee Base I screen actions:
 - a. Enter an **IC** (Information Change) **ACTION** with an effective date of the separation date, and a **COMMENTS** code of **DECEASED XX/XX/XX** (actual date of death). The effective date and the comment date may or may not be the same date depending on the circumstances. The employee records are left active.

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- b. Change the **T&A GENERATION** to **N**.
4. A1 - Payroll Base screen actions:

Inactivate the retirement segment and end health insurance in two actions:

- a. The **OCCUP CODE** date should be the 10x screen effective date
- b. The health insurance date is the first day of the month following end of eligibility.

B. Locate Beneficiary Forms.

Review the Agency Human Resources employee file and the employee file in the Division of Finance to obtain the most current Designation of Beneficiary for Unpaid Compensation form. Any questions or issues that arise with identifying the beneficiary should be referred to the State Payroll Manager in the Division of Finance.

Alaska Statute provides guidelines for Order of Payment. [AS 39.20.360](#):

All unpaid compensation due a deceased employee of the state at the time of death shall be paid to the person or persons surviving at the date of death, in the following order of precedence, and the payment is a bar to recovery by any other person of amounts so paid:

- (1) to the beneficiary or beneficiaries designated by the employee in writing to receive the compensation filed with Department of Administration at the time of death; if more than one beneficiary is designated, each shall share equally unless the employee specifies a different allocation or preference;
- (2) if there is no beneficiary designated, to the surviving spouse;
- (3) if there is no beneficiary or surviving spouse, to the employee's child or children and descendants of deceased children by representation;
- (4) if none of the above, to the employee's parents, or the survivor of them;
- (5) if none of the above, to the legal representative of the employee's estate, or if there is none, to the person determined to be entitled under the laws of the employee's domicile.

C. Notification.

Notify the Division of Retirement and Benefit sections for Retirement, Supplemental Benefits System (SBS), and Deferred Compensation (if applicable) of the employee's death.

Contact spouse or designated beneficiary and advise of the following:

- 1. Provide a social security number (SSN) on form W-9 for payment of unpaid compensation.
- 2. Provide a certified copy of the death certificate, if possible.
- 3. To contact the Division of Retirement and Benefits for assistance with employee benefits.

D. Calculate and Pay Unpaid Compensation.

Calculate any final pay due up to the employee's date of death. In addition to paying the balance of the annual/personal leave hours, the designated beneficiary is also paid for the balance of leave in the employee's sick, excess sick and donated leave accounts. Unused authorized Catastrophic leave hours are also paid out to the beneficiary. Calculation of the annual/personal leave payment

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is based on the employee's leave program and bargaining unit. All other leave types are paid at the employee's annualized hourly rate of pay.

Sick-type leave and partial accruals not posted to the B2 - Accrual Accumulator screen annual/personal accounts are paid out using the E403 Leave Payout Forecast code. The hours are deleted from each individual account and transferred to the Annual/Personal accounts once payment is made.

Final payment is always made with a single online warrant adjustment batch, using the deceased employee's social security number (SSN). There are no gross amount high limit thresholds on the online for the unpaid compensation, as a zero net warrant will result. Once the online warrant is calculated, Division of Finance will add a deduction with code V385 – All of Net for Beneficiary for the net amount. This deduction will post all net dollars to an AKSAS beneficiary estate expenditure account, and an AKSAS general warrant will be processed to pay the beneficiary.

1. **Final Pay.** Calculate the final pay due up to the employee's death. Use actual pay codes for base pay, leave use and premium pay.
2. **Annual/Personal Leave.** Obtain the current annual or personal leave balance from the B2 – Accrual Accumulators screen. Adjust the leave balance as necessary for any leave used during the final pay period. Calculate terminal leave pay as stipulated by the employee's collective bargaining agreement or Personnel Rules.

Use the terminal leave payout codes for all leave currently on the B2 screen (E404/405/416/417, etc.). Enter the term leave override collocation code 760100xx, where xx = department number.

3. **Partial Leave Accruals.** Calculate any partial leave accruals due, and for those employees in the PSEA bargaining unit, any holiday forecast hours during the run-out period.

Use code **E403 –Leave Payout Forecast** to pay all hours not yet posted on the B2 screen at the time the online warrant is processed. Holidays are forecasted and initially paid with the E403 code. Enter the term leave override collocation code 760100xx, where xx = department number.

If time permits prior to the online warrant processing, post the partial leave accrual hours to the annual/personal leave accounts using the appropriate 900-level leave adjustment codes. This allows the partial leave accrual to be paid as regular term leave without using the E403.

4. **Sick Leave Types.** Sick, excess sick, donated and catastrophic leave hours being paid are calculated at the employee's current annualized hourly rate of pay. For Public Safety Employees Association (PSEA) members only, these leave types are not run out for holiday pay as is personal leave. Obtain the current leave balance from the B2 screen. Adjust the leave balance as necessary for any leave used during the pay period. Calculate the sick leave forecast hours.

All sick-type hours and dollars are paid using the **E403 - Leave Payout Forecast** code along with the partial leave accrual(s) and any holiday forecast. Add all leave types together for payment. Enter the term leave override collocation code 760100xx, where xx = department number. If time permits, all sick-type and partial leave accrual hours can be added to the B2 screen annual/personal leave prior to the warrant processing, using the appropriate 900-level leave adjustment codes.

Once the pay is calculated and entered in to a special online warrant adjustment batch, complete an Online Warrant Request form and forward it, along with a separation Employer Deduction Worksheet to the Division of Finance. Attach the Unpaid Compensation form and the W-9 form for each beneficiary and if possible, a copy of the death certificate.

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F. Create a Leave Clean-up Adjustment Batch.

An adjustment batch is required to delete sick-type hours from the B2 - Accrual Accumulator screen and to move all E403 hours and dollars to the appropriate term leave pay codes (E404/E405, etc.). The employee must be active on the 103 - Employee Base I screen in the pay period the adjustment batch is processing.

1. Enter a detail line for each sick-type leave paid out to delete the hours from the B2 - Accrual Accumulators screen. Use the actual leave type adjustment code (**E950/E952/E958**) with negative hours.
2. Enter a detail line for annual/personal (**E960/965 or other applicable term leave code**) with positive hours in the same amount as the E403 hours paid. It should be dated the day before the employee's last day of work.
3. Enter a detail line of **E403** with negative hours and dollars in the same amount as the E403 hours and dollars paid. It should be dated the employee's last day in pay status.
4. Enter a detail line of annual/personal (**E404/405 or other applicable term leave code**) with positive hours in the same amount as the E403 hours paid. It should be dated the employee's last day in pay status.

G. Separate the Deceased Employee.

Once the final payment and adjustment batches have processed, enter the separation on the 103 – Employee Base I screen with appropriate effective date, usually the day after the employee died. An employee who died while on seasonal leave without pay or other type of leave of absence, should usually be separated effective the day after the date of the death.

When entering the separation action (**SP**), enter either **D** (non-Occupational Death) or **W** (Occupational Death) in the **COMMENTS** field, whichever is applicable.