



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 525.12 Amended – Payment of Back Pay Due to Reinstatement of a Separated Employee or Reduction of Disciplinary Suspension

Date: August 11, 2023

A handwritten signature in black ink, appearing to be 'N. Weaver'.

By Direction of: Neil R. Weaver, Secretary of Administration

A handwritten signature in black ink, appearing to be 'Uri Z. Monson'.

Uri Z. Monson, Secretary of Budget

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This directive establishes policy, responsibilities, and procedures for the payment of back pay due to the reinstatement of a separated Employee or reduction of an Employee's disciplinary suspension. This amendment updates definitions and procedures and removes mention of the Employee Liability Self Insurance Program relative to this directive.

1. PURPOSE.

To establish policy, responsibilities, and procedures for the payment of back pay due to the reinstatement of a separated Employee or reduction of an Employee's disciplinary suspension.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and to independent agencies served by BCPO (hereinafter referred to as "agencies").

3. OBJECTIVES.

To ensure proper processing, payment, and accounting for the payment of back pay due to the reinstatement of a separated Employee or reduction of an Employee's disciplinary suspension.

4. DEFINITIONS.

- a. **Back Pay Award.** A written settlement, arbitration decision, court order, or other adjudication directing the Commonwealth to reinstate pay and/or benefits to an Employee for a Reinstatement Period.
- b. **Child Support.** Court-ordered payment for support of a child.
- c. **Employee.** A person employed by an agency within the scope of this directive. Unless otherwise noted, the term includes current (active) and former (separated) Employees.
- d. **Outside Earnings.** Compensation for non-Commonwealth employment earned during the Reinstatement Period, excluding supplementary employment approved before the Reinstatement Period in accordance with *Management Directive 515.18 Amended, Supplementary Employment*.
- e. **Public Assistance.** Any of the health and human services available to qualifying individuals including, but not limited to, cash assistance, health care, energy assistance, and childcare.
- f. **Reinstatement Period.** The period of time for which an Employee, who was separated or suspended from Commonwealth employment, is to receive back pay pursuant to Back Pay Award.
- g. **Standard Deduction.** Any amount withheld from an Employee's gross pay in accordance with federal or state law or other requirements, including, but not limited to, taxes, retirement contributions, health benefits contributions, union dues, and wage garnishments.
- h. **Unemployment Compensation (UC).** Money payments to individuals with respect to their unemployment, as provided for in the *Unemployment Compensation Law, Act of December 5, 1936, P.L. 2897, No. 1, as amended, 43 P.S. §§ 751-919.105*.

5. POLICY.

- a.** Employees subject to the terms of a Back Pay Award with a Reimbursement Period of fewer than ten (10) days shall receive gross pay for the Reinstatement Period, less Standard Deductions.
- b.** Employees subject to the terms of a Back Pay Award with a Reimbursement Period of ten (10) days or more shall receive gross pay for the Reinstatement Period, less Standard Deductions and the following other deductions (when applicable), unless the terms of the Back Pay Award prohibit any such deduction:
 - (1)** Outside Earnings.
 - (2)** Unemployment Compensation received during the Reinstatement Period.
 - (3)** Public Assistance received during the Reinstatement Period, as determined by the Office of State Inspector General (OSIG).
 - (4)** Child Support in arrears, as determined by county courts.
 - (5)** Retirement contributions in arrears as determined by the Pennsylvania State Employees' Retirement System (SERS).
- c.** Back Pay Awards with a Reimbursement Period of ten (10) days or more must be calculated and processed by BCPO.
- d.** For Back Pay Awards with a Reimbursement Period of ten (10) days or more, the Employee must provide a statement of Outside Earnings to BCPO prior to the disbursement of back pay, even if the Employee had no Outside Earnings. Any delay in returning the statement of Outside Earnings to BCPO may delay the processing and the receipt of back pay.
- e.** All Back Pay Awards must be processed through the OA, HRSC regardless of whether the agency uses the OA, HRSC for other Human Resources (HR) transactions.
- f.** Back pay must be processed through the SAP enterprise resource planning system (hereinafter referred to as "SAP") on a regular pay cycle. Separate payments or Employee statements for back pay will not be issued. Employees shall receive a report of payments and deductions applicable to the Back Pay Award.
- g.** Back Pay Awards must not specify a payment amount.
- h.** Unemployment Compensation deducted from back pay does not reduce taxable gross earnings. Employees must claim credit for Unemployment Compensation deduction on their federal tax returns.

6. RESPONSIBILITIES.

- a. **OA, HR Delivery Centers (DCs) or Agency HR Offices** shall submit to OA, HRSC an enterprise personnel action request (E-PAR), a copy of the Back Pay Award, and a listing of HR transactions required for each Back Pay Award.
- b. **OA, HRSC** shall:
 - (1) Process the HR transactions required for each Back Pay Award.
 - (2) Submit to BCPO each Back Pay Award for a Reimbursement Period of ten (10) days or more.
 - (3) Coordinate with BCPO, as needed, for back pay calculations.
- c. **BCPO** shall:
 - (1) Ensure accurate payment and accounting for back pay.
 - (2) Contact the appropriate person or entity to obtain verification, when applicable, of the deduction amounts noted in Section 5.b. of this directive.
 - (3) Respond to questions regarding back pay calculations.
 - (4) Provide a full explanation of the back pay to the affected Employee.
- d. **Agency Office of Chief Counsel or OA, HRDCs** shall ensure negotiated Back Pay Awards do not specify a payment amount.
- e. **Employees** shall complete and return statement of Outside Earnings to BCPO for Back Pay Awards, even if they have no Outside Earnings to report. Any delay in returning the statement of Outside Earnings to BCPO may delay the processing and their receipt of a Back Pay Award.

7. PROCEDURES.

- a. **Agency.** Submits the E-PAR to OA, HRSC with the Back Pay Award and a listing of the HR transactions required.
- b. **OA, HRSC.**
 - (1) Back Pay Awards with Reimbursement Periods of less than ten (10) days.
 - (a) Reviews the E-PAR and the Back Pay Award. Resolves any issues with the agency that submitted the Back Pay Award.
 - (b) Enters the HR transactions to compensate the Employee for the Reinstatement Period. Standard Deductions will apply to the payment. This ends the procedure for Reimbursement Periods of less than ten (10) days.

- (2) Back Pay Awards with Reimbursement Periods of ten (10) days or more.
 - (a) Reviews the E-PAR and the Back Pay Award. Resolves any issues with the agency that submitted the Back Pay Award.
 - (b) Submits the E-PAR and a copy of the Back Pay Award to BCPO.

c. BCPO.

- (1) Reviews the Back Pay Award to ensure that the Reinstatement Period is ten (10) days or more and the Back Pay Award includes the proper signatures. Reviews the E-PAR to ensure it includes the required transactions and determine whether it contains any special provisions. Resolves any issues with the OA, HRSC.
- (2) Calculates the back pay for submission to SERS.
- (3) Sends correspondence to the Pennsylvania Department of Labor and Industry, Bureau of UC Programs; OSIG; and county court, when applicable, to obtain the deduction amounts for UC received, Public Assistance received, and Child Support arrears.
- (4) Sends correspondence to the Employee requesting verification of Outside Earnings.
- (5) Upon receipt of all required verifications of deductions, notifies OA, HRSC to process the HR transactions to initiate the back pay.
- (6) Enters the deductions and performs a pay simulation in SAP (SAP transaction code PC00_M10_CALC_SIMU).
- (7) Reviews the pay simulation:
 - (a) Ensures the Reinstatement Period in SAP corresponds to the Reinstatement Period defined in the Back Pay Award.
 - (b) Ensures the applicable deductions have been applied correctly. Enters a federal tax override if the deduction for federal tax exceeds the IRS mandated tax rate for supplemental wages.
- (8) Resolves any remaining pay simulation issues with OA, HRSC. If the back pay is correct, processes the payment in SAP.
- (9) Prepares and sends correspondence to the Employee with a full explanation of the back pay.
- (10) Completes SERS' arbitration grievance worksheet to determine employer share adjustment and reconcile the SERS' invoice.

This directive replaces, in its entirety, Management Directive 525.12 Amended, dated August 9, 2012.