



FOLLOWING FINANCE

Volume 2, Issue 2

Winter 2016



Happy Holidays from Us!

We would like to wish everyone Happy Holidays and to express our appreciation for the year-round hard work of all POEs and payroll clerks. Thank you!

This season our newsletter is focused on only one topic—**Payroll changes effective January 1**. Please take a few minutes to read about each of the upcoming changes (CERS tax calculation and health insurance premiums) and then sign up for one of the Payroll training classes. More information will be distributed later to all employees through both direct mail and email, but we will need your help to address employee questions and concerns.

Thanks for a great year and we look forward to 2017!

Erin Ballou,

Assistant Chief Financial Officer

Property Tax Invoices: Now Searchable on City website

Citizens are now able to search and view property tax invoices online, here: www.bgky.org/property-invoice-search. Once logged in, customers can:

- View property tax and other invoices
- View total payoff on a future date
 - View payment date(s)
 - Search partial listings

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CERS Employee Contribution Changes

Effective January 1, 2017 the Commonwealth of Kentucky and all local governments must **begin withholding FICA and Medicare taxes from employees' contributions to CERS** pursuant to the IRS and a Federal Court Ruling. Prior to this change, employees have not paid FICA and Medicare taxes on their contributions to CERS.

This change is a result of a 2014 Federal Court Ruling that stated Social Security and Medicare taxes must be applied to employee retirement contributions automatically contributed to his or her pension. The Commonwealth did negotiate with the IRS to ensure no past liability is due from employees or local governments.

Employees will see a reduction in net income due to the additional tax withholdings. Employees who pay the FICA tax will benefit from the additional taxes upon retirement when increased Social Security benefits will be received as a result of the additional contributions. **Employee CERS retirement withholdings will continue to be exempt from Federal income tax.** Example calculations of this change are found on the following page.

Sample Calculations: CERS Non-HAZ & CERS

The sample calculation below assumes that the employee's total gross pay is \$1,859.70 per pay period and shows the four (4) different CERS classifications (*CERS Non-Hazardous paying 5% or 6% and CERS Hazardous paying 8% or 9%*).

- Currently, this employee pays total FICA and Medicare taxes found on the orange highlighted line;
- The new calculation, effective with the January 13th payroll, will result in additional FICA & Medicare taxes shown on the yellow highlighted line.

To estimate the impact to your paycheck, replace the \$1,859.70 with your gross earnings and calculate as shown below.

	CERS Non-Hazardous		CERS Hazardous	
	5%	6%	8%	9%
<u>CURRENT CALCULATIONS</u>				
Bi-weekly Gross Pay or Base Earnings	\$1,859.70	\$1,859.70	\$1,859.70	\$1,859.70
Less: Retirement Contribution	92.98	111.58	148.78	167.37
Base Wages for FICA & Medicare taxes	1,766.72	1,748.12	1,710.92	1,692.33
FICA tax (6.2% of <i>base earnings</i>)	109.54	108.38	0.00*	0.00*
Medicare tax (1.45% of <i>base wages</i>)	25.62	25.35	24.81	24.54
Total FICA & Medicare taxes paid	\$135.15	\$133.73	\$24.81	\$24.54
<u>NEW CALCULATIONS</u>				
Bi-weekly Gross Pay or Base Earnings (<i>no deduction of retirement contribution</i>)	\$1,859.70	\$1,859.70	\$1,859.70	\$1,859.70
FICA tax (6.2% of <i>base earnings</i>)	115.30	115.30	0.00*	0.00*
Medicare tax (1.45% of <i>base earnings</i>)	26.97	26.97	26.97	26.97
Total FICA & Medicare taxes paid	\$142.27	\$142.27	\$26.97	\$26.97
Increase in FICA & Medicare taxes	\$7.11	\$8.54	\$2.16	\$2.43

*FICA taxes are not paid by Police Officers or Firefighters

2017 Health Insurance Premium Increase

All City health insurance premiums will increase on January 1, 2017. The *impact per paycheck* will range from an increase of only **\$0.46 for single coverage in the 750 plan** to an increase of **\$7.38 for family coverage in the 400 plan**. All premiums changes are shown below. Employee health insurance premiums have been increased only two times since 2006, with this being the second. The 2017 increase is the result of rising City healthcare costs and is necessary to ensure the plan is adequately funded.

	Plan 750	Plan 400
Current Employee Cost: Single	\$5.08	\$8.77
New Employee Cost: Single	\$5.54	\$9.23
Increase per paycheck	\$0.46	\$0.46
Current Employee Cost: Plus One	\$10.62	\$18.00
New Employee Cost: Plus One	\$15.23	\$23.08
Increase per paycheck	\$4.61	\$5.08
Current Employee Cost: Family	\$16.16	\$27.70
New Employee Cost: Family	\$23.08	\$35.08
Increase per paycheck	\$6.92	\$7.38



With the new rates, the **employee single coverage cost is only 3% of the 750 Plan premium and 5% of the 400 plan premium** while the City pays the remaining 97% and 95% of the cost. **Employee cost for the plus one and family plans is 4% and 6%, respectively, of the total premium, while the City pays 96% and 94%.**

Fun Payroll Facts

- \$ The Social Security Act was signed in 1935 by President Franklin D. Roosevelt.
- \$ The start of Social Security payroll reporting in January 1937 required the issuance of social security numbers to 26 million American workers.
- \$ It required the assignment of 3.5 million Employer Identification numbers.
- \$ The centralized record keeping system included a Visible Index that listed the name and number of every covered employee.
- \$ The index listing took up 24,000 square feet of floor space.
- \$ It was described in the news as the largest bookkeeping operation in the history of the world.

Year-End Payroll Training

Who should attend: POEs responsible for departmental payroll entry and any others employees that will benefit from the training, such as supervisors and backups.

Is attendance mandatory? Yes, attendance is required for POEs responsible for departmental payroll entry.

What will be covered: A review of year-end payroll related topics, including taxable benefits and payroll deadlines; new FICA/Medicare changes with examples using new calculation; insurance premiums changes; review of impact changes will have on employee paychecks; and how to pass this information along to your department.

When & Where: December 5th, 6th, & 7th in the Finance Conference Room.

How: Use the Finance Training [document #652694](#) to signup. Reminders will be sent the week of the training.


IMPORTANT PAYROLL REMINDERS FOR DECEMBER:

Non-Cash Taxable Vehicle amounts will be split between the December 16th and December 30th paychecks

Fourth Quarter Comp Time Cash-in will be reflected on the December 16th payroll

One-day taxable meals, taxable uniforms, uniform reimbursements, and cell phone stipends will be applied to the December 30th paycheck

December 2016

Mon	Tue	Wed	Thu	Fri
Travel training will be conducted for the Public Works Department during the month of December.			1 Open Enrollment for Sick and Disability Bank Begins	2 Pay Date
5 Payroll Training 1:30–2:30 pm	6 Payroll Training 10:00–11:00 am Payroll Training 1:30–2:30 pm	7 Payroll Training 10:00–11:00 am Payroll Training 1:30–2:30 pm	8	9
12 Payroll hours entered and approved by 12:00 noon	 <p>Holiday Deadline Changes</p>		15	16 Pay Date Non-Cash Taxable Vehicle deductions
19 Cell Phone Stipend Forms Due AP Invoice Batches due 4:00pm			23 Christmas Holiday—Closed	
26 Christmas Holiday—Closed	27 Payroll hours MUST be entered and approved by 10:00 am	28	29	30 Pay Date Non-Cash Taxable Vehicle deductions

Building & Improvement Inventory

Citywide physical inventories of equipment assets are conducted biennially; however, an inventory of buildings, improvements and software (BIS) has not been performed for some time. **During the months of December and January, POEs or employees tasked with asset responsibilities will be contacted to assist with BIS inventories.** A listing of these assets including information such as purchase date, cost, detailed description and any notes will be provided by Finance. Those assisting will not be required to physically locate the buildings or improvements on the list, but:

- Verify the asset(s) exist,
- Used for City business, and are
- Property of the City.

More information will be sent to the Departmental Asset contacts soon. Training will be made available upon request.

0011768	225 E 3rd - Fitness Room Renovations 1995 - BG Community	4100 - Parks	0044 - BG Community Center / RB Park	Asset, Employee
Found/Status:	Effective Date:	Inventory Date:	Inventory By:	
Comments:				
0011769	225 E 3rd Building Improvements - BG Community Center	4100 - Parks	0044 - BG Community Center / RB Park	Asset, Employee
Found/Status:	Effective Date:	Inventory Date:	Inventory By:	
Comments:				

View the City's FY2016 [Comprehensive Annual Financial Report](#) and [Popular Annual Financial Report](#) on the City's website.

2017 City Observed Holidays

January 2nd New Year's Day (Monday)

January 16th Martin Luther King, Jr. Day (Monday)

April 14th Good Friday (Friday)

May 29th Memorial Day (Monday)

July 4th Independence Day (Tuesday)

September 4th Labor Day (Monday)

November 23rd & 24th Thanksgiving (Thursday & Friday)

December 25th & 26th Christmas (Monday & Tuesday)



January 2017

Mon	Tue	Wed	Thu	Fri
2 New Year's Day—Closed	3	4	5	6
9 Payroll hours entered and approved by 12:00 noon	10	11	12 W-2s released	13 Pay Date
16 Martin Luther King Jr Day—Closed	17 No change to AP Invoice Deadline, 2:00 pm	18	19 Open Enrollment Forms for Sick and Disability Bank Due	20 Budget Kick-off Meeting 2:00 pm, location TBA
23 Payroll hours entered and approved by 12:00 noon	24 Budget Training, IT Conference Rm, 9:00 am (use document #341552 to signup)	25 Budget Training, IT Conference Rm, 2:30 pm (use document #341552 to signup)	26	27 Pay Date 1099s distributed BOC FY18 Strategic Planning & Goal Setting Special Work Session
30	31 FY17 2nd Quarter Performance Measurement reports due (document #696997)	Travel Training will be conducted for the Parks & Recreation Department during January. Taxable Uniform Forms Due before 1/23.		