

## PAYROLL: WORKERS' COMPENSATION INSURANCE

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PAYROLL: WORKERS' COMPENSATION INSURANCE

I. INTRODUCTION

This chapter summarizes the accounting procedures related to the University's Workers' Compensation Self-Insurance Program. In general, the procedures applicable to the campuses also apply to the Lawrence Livermore National Laboratory and the Lawrence Berkeley Laboratory.

II. COVERAGE

Since coverage applies to University employees, a determination of an individual's employee status must be made to ensure that coverage is extended only to employees of the University. However, the fact that a claimant is not paid a salary, or that the wages paid are not subject to a workers' compensation self-insurance assessment, does not mean that the claimant is not covered under the self-insurance program. In such cases, the determination of an employee-employer relationship is made by the campus or Laboratory administration, with assistance from the Office of Risk Management, Office of the President, when necessary. If the University determines that an employee-employer relationship exists, the claim will be honored under the self insurance program.

A. PAYMENTS SUBJECT TO WORKERS' COMPENSATION SELF-INSURANCE ASSESSMENTS

Following are examples of the types of payments made by the University for which a staff benefit charge is made for the self-insurance assessment:

- 1) Wages of all University employees permanently working at locations within the State of California. This includes employees of the Los Alamos National Scientific Laboratory who are permanently assigned to California locations.
- 2) Wages of University employees employed at locations within the State of California, but temporarily working outside the State of California.

- 3) Wages of deceased employees, earned, but not paid before the death of the employee.
- 4) Perquisites--mandatory by addition or deduction. For a more complete list of payments and the determination of coverage eligibility, refer to Accounting Manual chapter P-196-11, Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.

B. PAYMENTS NOT SUBJECT TO WORKERS' COMPENSATION SELF-INSURANCE ASSESSMENTS

Employees of the University who work outside the State of California are not covered by the self-insurance program; however, they will be covered by separate workers' compensation insurance policies, in accordance with the laws of the state in which they are working. For example, employees of the University Press Sales Office and the Los Alamos National Scientific Laboratory who are permanently based in New York and New Mexico, respectively, are covered by separate policies issued by those states.

*Departments must notify their local risk management office regarding any employees who work and reside in states other than California, in order to ensure that legally required workers' compensation insurance coverage will be obtained.*

C. EMPLOYEE SUPPORT PROGRAM

The Employee Support Program provides rehabilitation counseling, wellness opportunities, and accident prevention safety programs to employees, in order to minimize employee accidents and injuries and to reduce the cost of workers' compensation claims. Funding for this program is achieved by applying a campus or Laboratory determined benefit assessment rate against the gross salaries subject to workers' compensation coverage. Retention of the funding is the responsibility of each location. A liability account, X-115480, is used to offset the benefit charge to the departments. The funds available for expenditures should be transferred to a fund balance account. Expenditures must be recorded using object code 8530.

III. PAYROLL ASSESSMENT RATES

At the beginning of each fiscal year, the Office of the Vice President--Business and Finance will inform the campus Vice Chancellors--Administration and the Laboratory Associate Directors of the new payroll assessment rates. A single location rate applies to all wages subject to the self-insurance assessment at each location except the teaching hospitals and neuropsychiatric units, where separate rates apply.

IV. CAMPUS ACCOUNTING PROCEDURES

A. MONTHLY REPORT

Each campus produces a monthly Distribution of Payroll Expense (PPP 5302) report displaying the actual self-insurance assessment charge, by department, based on the payroll assessment rate applied to the gross salaries subject to workers' compensation insurance. The appropriate expenditure accounts (all coded subbudget 6, object code 8500) are charged and campus account X-115496, Workers' Compensation Self-Insurance Premium, is credited.

B. CAMPUS ACCOUNTING OFFICES

1. Monthly Journals

The following monthly journals are prepared by each campus:

**Local Campus Entries**

Dr. Work Comp Premium--Total Assess	X-115496
Cr. Work Comp Reserve-- Employee Support Prog	X-119700-75041-0/0199
Cr. Financial Control	X-119500

**Location E Entries**

Dr. Financial Control	E-1195X0
Cr. Financial Control	E-119540

**Location M Entries**

Dr. Financial Control	M-119500
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Cr. Work Comp Campus M-115481-000XX  
 Assessment

All June transfers should be made in time to be included in the Office of the President (M location) interim general ledger.

*Berkeley accounting office only:* In addition to the above, a monthly financial journal is prepared transferring the credit in the Associated Students of UC account to account-fund M-115481-00011, and the credit for the Office of the President in account 1-115496 to account-fund M-115481-00031.

2. Fund Number Designation

The next-to-last digit of the fund number represents the assessment source. The last digit represents the campus location, e.g., Berkeley, 1; San Francisco, 2; etc. This is illustrated below:

<u>FUND NUMBER</u>	<u>ASSESSMENT SOURCE</u>
0000X	Campus
0002X	Hospital Operations
0004X	Neuropsychiatric Units

The month for which the assessment is made should be included in the journal description column.

3. Object Codes for Covered Salaries and Wages

Salaries and wages covered by workers' compensation self-insurance are coded in the campus general ledger as follows:

<u>Object Code</u>	<u>Description of Salaries and Wages Subject to Compensation Insurance</u>
1000	Academic
1100	Staff
1200	Sabbatical Leave--in Residence
1300	Sabbatical Leave--Not in Residence
1600	San Diego only: Hospital Employees (used for charges for hospital employee salaries paid by San Diego County)
1700	Compensation Earned but Not Paid Before Death of Employee
1800	Transfer of Vacation Accruals

IV. CAMPUS ACCOUNTING PROCEDURES (Cont.)

C. LAWRENCE LABORATORIES ACCOUNTING OFFICES

Checks from the Lawrence Laboratories accounting offices are sent to the Treasurer of The Regents on a monthly basis. The payments are credited to account-fund M-115481-000XX, Workers' Compensation Campus Assessment. The last two digits identify the Laboratory, e.g., Lawrence Berkeley Laboratory, 10; Lawrence Livermore National Laboratory, 12.

V. OFFICE OF THE PRESIDENT ACCOUNTING PROCEDURES

A. MONTHLY

The Office of Risk Management performs the following procedures monthly:

- 1) A transfer of funds to the Workers' Compensation trustee is prepared, charging account M-115482, Workers' Compensation Self-Insurance--Funding Held by Trustee.
- 2) The monthly statement from the workers' compensation trustee is reconciled with the University's records.

B. QUARTERLY

General Accounting in the Office of the President credits Short-Term Investment Pool income earned on Workers' Compensation Self-Insurance Program funds to account-fund M-115481-00035, Workers' Compensation Campus Assessment.

C. ANNUALLY

The Office of Risk Management analyzes campus payments and losses to determine whether funding for campus losses is adequate. In May, campuses are notified of the payroll assessment rate for the following year.

D. FISCAL YEAR-END

- 1) The Office of Risk Management sends the following items to General Accounting by August 1:
  - a) An annual statement from the trustee containing the amount received from the University, the amount of interest earned

during the fiscal year, the amount paid to claimants, and the amount held by the trustee on June 30.

- b) A statement from the consulting actuary of the estimated net present value of claims, which is prepared semi-annually or as needed.
- 2) General Accounting records in the June 30 general ledger, on a type 14 financial journal, the total value of the trust portfolio as an asset in account M-114310, Workers' Compensation Deposit at Trustee. This entry is offset with an equal liability in account M-115486, Workers' Compensation Funded Liability.

Since the workers' compensation liability is recorded at the end of the fiscal year based on the amount in the trust fund, General Accounting will adjust the liability at year end to more accurately reflect the actual liability indicated by the actuarial report. Any difference between the amount recorded from the trust fund statement and the amount on the actuarial report will be recorded in the fund balance account.

#### VI. PAYMENT OF JUDGMENTS, CLAIMS, SETTLEMENTS, LEGAL FEES, ETC.

Upon authorization from the Office of Risk Management, funds for the payment of judgments, claims, settlements, legal fees, etc., will be transferred from the trust fund to the program administrator.

#### VII. BENEFITS ADMINISTRATION PROCEDURES

Campus procedures should be developed as follows:

- 1) A designated campus office that has the primary responsibility for acting as an intermediary with the employee's department, the workers' compensation self-insurance administrator, and the campus accounting office, is responsible for coordinating compliance with the Workers' Compensation Self-insurance Program policies and procedures. The office is also responsible for ensuring that an employee is compensated correctly under the self-insurance program and that any extended sick leave payments are made in accordance with University policy.

VII. BENEFITS ADMINISTRATION PROCEDURES (Cont.)

- 2) The employee's department is responsible for charging the employee's absence to vacation and/or sick leave, in accordance with applicable personnel policies; preparing the required personnel action forms to reflect the leave status of the employee; and submitting the necessary documents to the campus accounting office, to reflect the appropriate payroll payment.
- 3) The campus accounting office is responsible for paying an extended sick leave benefit, based on the forms prepared by the department, and processing the benefit in conformance with the following rules:
  - a) The total amount provided by the self-insurance payment plus the benefits provided under personnel policy can not exceed the employee's regular salary.
  - b) The amount represented by the self-insurance check is not subject to reporting or withholding for income taxes or FICA.
  - c) Safety employees of the University of California are eligible to receive up to 100% salary continuance for up to one year under California Labor Code Section 4804.1 (firefighters) and Section 4806 (police). This salary is not subject to reporting or withholding for federal taxes or FICA under IRC Regulation 1.104-1.

Since California conforms to the federal tax provisions, these benefits are also not taxable or reportable for state income tax purposes (California Revenue and Taxation Code Section 17131).

California Labor Code Sections 4804.5 and 4810 state that no disability indemnity shall be paid to employees as temporary disability while receiving pay under Code Sections 4804.1 and 4806. Therefore, only the salary continuance shall be paid to the employee.

VIII. REFERENCES

Accounting Manual chapter:

P-196-11 Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.

## Personnel Manuals:

Personnel Policies for Staff Members, Section [43](#), Leave of Absence and Section [44](#), Work-Incurred Illness and Injury.

Appendix II - Senior Management Personnel Policies, Section [II-42](#)

Business and Finance Bulletin [BUS-73](#), Worker's Compensation Self-Insurance Program.

University Controller J.A. Pastrone, Memorandum to Accounting Officers on Employee Support Program, July 27, 1988.

University Assistant Counsel A. Jan Behrsin, Memorandum to Director Woodrow B. Anderson, on Exemption of Payments to University Police Officers Under Labor Code Section 4806 from Federal and State Income Taxes, and Social Security Taxes, January 25, 1983.

## Internal Revenue Code

Regulation 104.1-1

## California Labor Code

Sections 4804.1, 4804.5, 4806, and 4810

## California Revenue and Taxation Code

Section 17131

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Historical note: Most of the materials in this chapter were formerly contained in Business and Finance Bulletin G-25, State Compensation Insurance, which was superseded by Accounting Manual chapter P-196-76, same title, published 5/1/79. This chapter incorporates the self insurance program effected 4/1/80 and replaces P-196-76, State Compensation Insurance. Accounting Manual chapter first published 11/1/80; revisions: 2/1/81, 5/1/81, 3/1/82, 5/1/84, 12/1/85, 3/31/95, and 6/30/03; analyst-- Kathy Henmi.