



## PERMANENT MEMORANDUM 65

### Payroll Deduction Authorization Process

#### POLICY DIGEST

Monitoring Unit: Office of Finance & Administration

Initially Issued: October 9, 1987

Last Revised: October 30, 2018

#### I. PURPOSE

This policy codifies LSU's payroll deduction authorization process to reflect current technology and organization structure of the University.

#### II. DEFINITIONS

**Accounting Code:** the account number or worktag currently used to identify a payroll charge

**Administrative Contract:** a contractual agreement appropriately bid and awarded by the University to a company and/or corporation which meets or exceeds the requirements of R.S. 42:455 to manage a benefit plan

**Benefit Oversight Committee** refers to the committee tasked with providing oversight to the Benefit Administration office; The committee is comprised of individuals from campuses of Louisiana State University; the offices of Internal Audit and General Counsel must be represented on the committee.

**Board of Supervisors:** The Board of Supervisors of Louisiana State University and Agricultural & Mechanical College; the management board overseeing the University

**Campus Payroll Deduction Code:** the identifier in the payroll system which serves as a key for processing and reporting; The deduction code may represent a single agency or a group of agencies.

**Campus Payroll Office:** the section of Accounting Services primarily responsible for the campus payroll system and administration of rules governing University employees' payroll deductions

**Campus/Department:** any one of the campuses of LSU and any designated department within that campus

**Deduction:** any voluntary reduction of pay under written authority of an employee, which reduction is not required by federal or state statute

**General Insurance Vendors:** insurance companies which market through payroll deduction, non-tax qualified life and/or health insurance products

**Governing Board** The Board of Supervisors of Louisiana State University and Agricultural & Mechanical College

**LSU Benefit Administration Office:** the centralized unit comprised of personnel from Human Resource Management and Payroll, located on the Flagship campus, responsible for the overall management and administration of LSU Benefits for Louisiana State University

**Organization:** referenced herein as any charitable group qualified under Internal Revenue Code 501 (c)(J), state agency credit unions, labor union councils, or other deduction “permitted” by statute

**Permitted Deductions:** deductions from pay allowed by State statute rather than mandated

**Provider:** the individual or organization which renders service, provides goods, or guarantees delivery, not including those for the 403(b) Voluntary Retirement Plan

**Reconciliation:** herein refers to the monthly match or comparison of vendor accounts receivable/invoice records to the deduction/remittance records

**Third Party:** any agent for or representative of a provider

**University:** any or all of the campuses or facilities under the jurisdiction of The Board of Supervisors of Louisiana State University and Agricultural & Mechanical College

**Vendor:** any company, corporation, or organization having met the requirements of this rule and participating in payroll deduction, not including those for the 403(b) Voluntary Retirement Plan; Intra-office deductions such as flower, gift, and coffee funds will not be authorized.

**Vendor Coordinator:** refers to vendor-designated representatives that provide the single authorized contact for communication between the vendor and Louisiana State University’s Benefit Administration office and/or Louisiana State University campuses

**Voluntary Deduction:** as any deduction which the employee is free to accept or decline

### III. APPLICATION PROCESS

- A. Applications must be made by the provider or organization which is the provider of the coverage, product, service, or recipient of monies and must be signed by two officers of the applicant company, corporation, or organization.
- B. Any vendor requesting authorization to implement a payroll deduction must submit a completed application form through the requesting campus to the LSU Benefit Administration office. The application must conform to the following:
  - 1. The application must be submitted on a currently approved LSU PR1: *Application for Employee Payroll Deduction Authorization Form* (See Appendix I) and must include the LSU PR2: *PM 65 Vendor Agreement Form* (See Appendix II), LSU PR3: *Request for Payroll Deduction Slot* (See Appendix III), and IRS form W-9 *Request for Taxpayer Identification Number and Certification*.
- C. Applications for the purpose of providing deductions for IRAs or the 403(b) Voluntary Retirement Plan are not permitted through this policy.

### IV. APPLICANT AND VENDOR REQUIREMENTS

- A. Any vendor applying for a payroll deduction for a product that is not regulated by the Department of Insurance or Office of Financial Institutions and not permitted by State statute, except charitable organizations, must:
  - 1. possess appropriate license or other required certification for providing the particular product or service for a fee;
  - 2. have been doing business in Louisiana for not less than five years, providing the product and/or services proposed to be offered to LSU employees; and
  - 3. be in compliance with all requirements of any regulatory and/or supervisory office or board charged with such responsibility by State statute or Federal regulation.

### V. NOTIFICATION, IMPLEMENTATION, AND TRANSITION

- A. Notification Process: The LSU Benefit Administration office must notify applicants and campus personnel whether applications have been approved, and if so, assist in the establishment of the deduction.
- B. The vendor must establish the deductions in accordance with the established payroll cycles of each campus, ensuring that prior to implementation of the deduction, the invoicing cycle is in agreement with the deduction cycle as authorized by the campus.
- C. Any organization currently receiving payment through voluntary employee payroll deductions must continue to be approved as a receiving organization under one of the following conditions:

1. The organization must have a currently-approved application (PR1 form) on file, provided:
  - a. insurance vendors have met rating requirements set forth in R.S. 42:455.A.1 and 2; or
  - b. non-insurance vendors must have met the requirements set forth in this rule as required in R.S. 42:455 B.
2. Participation must meet or exceed 25 employees.
3. Proper monthly reconciliation is being accomplished.
- D. Vendors that have had deduction authorization revoked may not reapply for participation for a period of two years.
- E. Companies or businesses which have been placed on any waiting list for consideration of payroll deduction participation must not be exempted from compliance with any part of this authorization process.

## **VI. DEDUCTION AUTHORIZATION**

- A. Vendors must use the deduction authorization form or electronic deduction business process designated by LSU or the campus business office, when appropriate.
- B. Vendors must submit a sample deduction authorization form to the LSU Benefit Administration office for review and approval.
- C. Forms and/or electronic signatures must not be used to include any disclaimer or escape clause(s) in favor of the vendor. The authorization must not stipulate any “contract” or “term of participation” requirements. However, employees may designate a “cap,” or annual maximum, for a charitable organization deduction, authorized by R.S. 42:456.
- D. The payroll deduction authorization form must clearly indicate the name of the provider and benefit. No payroll deduction must be taken in the name or made payable to a third party or agent for any vendor, except that such payment must have been specified in an administrative contract and in the plan document for an authorized cafeteria plan.
- E. Upon approval by the LSU Benefit Administration office, an employee deduction authorization process must be developed. The form/process must specify the amount of the deduction to be taken from the employee’s pay check and indicate the frequency of the deduction.
- F. If the vendor is responsible for collecting and completing the authorization forms, the forms must be completed prior to obtaining employee signature; and the vendor is also responsible for submitting forms to the appropriate payroll office designated by LSU.
- G. Campuses may elect to permit the use of the standard union dues deduction authorization.
- H. Campus payroll personnel must not accept forms for employee deductions which contain obvious alterations without the employee’s written acknowledgment of the change, with the

exception of union dues for police where rate is based on status and determined by Human Resource Management.

- I. If paper enrollment forms are being used, campus payroll personnel must be responsible for verifying that the deduction amount is in agreement with the monthly amount shown on the authorization.
- J. An employee may discontinue any voluntary payroll deduction by either providing written notification of that intent to his or her payroll office or submitting a benefit transaction within his or her benefit system to cancel the product. Cancellation will have a prospective effective date.

## **VII. SOLICITATION OF UNIVERSITY EMPLOYEES**

- A. Employees may be solicited for payroll deduction only:
  - 1. after notification to the vendor and campus from the LSU Benefit Administration office that the application has been approved;
  - 2. upon written authorization from the LSU Benefit Administration office or when applicable, President or Chancellor of the campus on which the solicitation is to occur, with the exception of United Way deductions; and
  - 3. upon approval of solicitation plan by the LSU Benefit Administration office.
- B. Solicitation of employees must be conducted within the guidelines established by the LSU Benefit Administration office.
- C. Campuses must provide the LSU Benefit Administration office a written report of acts of noncompliance by any vendor to this rule or to the guidelines of that campus.
- D. Vendors may be barred by LSU from solicitation within any or all campuses in accordance with Section XI of this policy.
- E. Any vendor representative that has been barred from participation will must not be allowed to represent any vendor for payroll deduction for a minimum of two years.
- F. Guidelines for solicitation for United Way deductions should be established through the designated United Way coordinator for each campus.
- G. Intra-campus deductions such as parking, meals, housing, and liquidation of accounts receivables will be permitted.

## **VIII. VENDOR RESPONSIBILITY**

- A. Vendors must use an invoice/billing identification structure that is compatible to LSU accounting and/or deduction code structure to facilitate the monthly reconciliation.
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- B. Vendors will be responsible for preparing a detailed reconciliation of monthly payroll deductions/remittances to vendor invoices and notifying the appropriate campus of any discrepancies/exceptions.
- C. Monthly reconciliations must include the total monthly invoice amount, the total remittance amount, and must list all exceptions between the invoice and deduction remittances by employee, by campus, and by deduction cycle.
- D. Vendors failing to provide accurate and timely reconciliation may be barred from active solicitation by the campus and will be responsible for any loss of premiums not collected.
- E. Vendors may not add products or services different from products or services indicated on currently approved application.
- F. Vendors will not be authorized to submit any deduction form which was obtained from an employee for the purpose of transmitting any part of that deduction to a third party except as indicated in Section XII of this policy.
- G. The Vendor Coordinator will be responsible for dissemination of information, such as the requirements of this application process and/or University/campus policy and procedures, to vendor representatives.
- H. Vendors will comply with LSU data policies and procedures, including but not limited to data disposal requirements and breach notifications.

## **IX. REPORTING**

- A. Vendors must report to the LSU Benefit Administration office and each Payroll office, within 10 days of final approval, any change in the name, address, company status, principal officers, and designated vendor coordinator.
- B. Vendors must provide, as required by LSU, data, electronic files, mailers, labels, postage, or other supplies necessary to avoid cost to the University in providing deduction information.
- C. Vendors will provide like assistance to all campuses, as determined by that campus, to control University or campus cost of permitting deduction.
- D. University personnel will be responsible for accepting only the deduction authorization forms as referenced herein from vendor representatives.
- E. Campuses will be responsible for reporting to the LSU Benefit Administration office any infraction(s) of the vendor agreement and/or campus or University policy committed by any vendor or vendor representative. The LSU Benefit Administration office will be responsible for reporting infractions resulting in removal of a vendor or vendor representative to the Division of Administration.
- F. Vendors will be responsible for reporting to LSU the dismissal of any representative participating in solicitation of a product for which there is an LSU payroll deduction.

- G. LSU will provide the state payroll office, upon request, an annual report relative to vendors currently approved for deductions within each system.
- H. LSU campuses will provide vendors with monthly premium deduction reports with the transfer of premiums each month. Report formats must be compatible to LSU accounting and/or deduction code structure, and structure of such reports should be agreed upon before implementation of deduction.

## **X. FEES**

- A. Data, information, reports, or any other services provided to any vendor or any other party by LSU may be subject to payment of a fee for the cost of providing said data, information, reports and/or service.
- B. Fees assessed must be satisfied in advance of receipt of the requested data.

## **XI. TERMINATION OF UNIVERSITY PAYROLL DEDUCTION**

- A. Unethical or unprofessional practices of the vendor will result in the termination of the payroll deduction authority for that vendor.
- B. Unethical or unprofessional conduct of any vendor representative will result in that individual being barred from participation in LSU payroll deductions for any vendor.
- C. Payroll deduction authority will be revoked under any of the following:
  - 1. if the vendor fails to maintain compliance with provisions of R.S. 42:455;
  - 2. if the vendor fails to comply with requirements of this authorization process; or
  - 3. in the event that any applicable statute, either State or Federal, makes a deduction illegal or not permissible.

## **XII. GENERAL**

- A. Payroll deduction authorization must not be transferred in name, ownership, or function outside requirements stated herein.
- B. Approval of a vendor in no way constitutes endorsement of certification of the vendor.
- C. The Office of Group Benefits, LSU First Health Plan, and LSU Flexible Spending Plan pass through deductions payments are not subject to provisions under this policy. Deductions for such plans must follow rules as stipulated in the plans Summary Plan Document or Health plan billing and operating procedures.

- D. Administrative responsibilities of this authorization process will preclude the Division of Administration from sponsoring applicants for vendor slots.
- E. Campuses will not refund to employees amounts previously deducted over 90 days without authority from the vendor.
- F. The campus must provide vendor coordinators a copy of campus policies relative to receipt, processing, and cancellation of payroll deductions, as well as solicitation guidelines prior to permitting access to employees.
- G. Requirements of this policy do not apply to supplemental retirement plans, IRC sections 403(b), 457(b), Roth 403(b), Roth 457(b), or Voluntary Retirement deductions, which are subject to a separate and distinct authorization process. Information on the supplemental retirement plans is available through the LSU Benefit Administration office.

### **XIII. APPEAL PROCESS**

If any provider or organization is refused a deduction by the governing board, as defined herein, the only administrative appeal available is an appeal to the Benefit Oversight Committee to review its decision. If the Benefit Oversight Committee refuses or denies the appeal, there must be no further administrative relief available.

### **XIV. SOURCES**

[LA Revised Statute 42:455](#)  
[Internal Revenue Code 501\(c\)\(J\)](#)

### **XV. APPENDICIES**

- I. PR1 Form
- II. PR2 Form
- III. PR3 Form