



# State of North Carolina

## Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

November 25, 2003

### **MEMORANDUM**

**TO:** Chief Fiscal Officers  
Payroll Officers

**FROM:** Robert L. Powell  
State Controller

**SUBJECT:** Retroactive Payroll Adjustments

During each payroll cycle, the Office of the State Controller's Central Payroll System processes numerous deductions from employee checks. Many of these deductions, such as those used for supplemental retirement plans (NC401(k), Deferred Compensation, etc...), are transmitted to various money managers and invested in the financial markets. Retroactive payroll adjustments require that all deductions, transmitted to third-party vendors, be reversed. Deductions that were deposited in investment type accounts may result in a loss, depending on market fluctuations that have occurred since the investment was made. Until now, the third-party vendors have been absorbing all market fluctuation losses resulting from retroactive adjustments.

The Office of the State Controller has found it necessary to mitigate the potential loss to third-party vendors. Agencies will need to develop an awareness of situations in which these losses could occur and become more diligent in the timely submission of retroactive payroll adjustment requests.

This is to inform you that effective with the month beginning January 1, 2004, the Office of the State Controller will implement a deadline for retroactive payroll adjustments. All retroactive adjustments must be processed (made and entered) by the 2<sup>nd</sup> "Cancellation and Re-write" deadline of the 2<sup>nd</sup> month following the issuance date of the check requiring adjustment. Any retroactive payroll check adjustments, requested after the cut-off period and resulting in a loss, will be the responsibility of the requesting agency.

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