



District Business and Advisory Services

Bulletin: 21-010

Date: August 24, 2020

To: District Chief Business Officers
District Fiscal Directors
Human Resource and Payroll Personnel

From: Nghia Do, District Business Advisor

Re: California Public Employees' Retirement System (CalPERS): Information on Furloughs

CalPERS circular letter 200-040-20 dated August 18, 2020 provides important information to school districts considering the implementation of work furloughs for school employees. A member's retirement allowance is calculated based on their benefit formula, final compensation, and service credit. It emphasizes that there may be an impact on final compensation and service credit, even though the benefit formula is unaffected by a furloughs.

- **Final Compensation:**

- ✓ Final compensation could be reduced for members with earnings-based special compensation whose highest 12- or 36-month period at retirement includes furlough time.

- **Service Credit:**

- ✓ Under a furlough plan, all members will accrue service at a slower rate during the fiscal year. The following members may see a reduction to the overall amount of service credit accrued because of the slower accrual rate:
 - Members with appointment of less than 12 months
 - Members who take a leave of absence
 - Members who are hired or separate from service during a furlough plan

- **Member/Employer Contributions:**

- ✓ Member contribution rates are applied to actual earnings, not compensation earnable, and the employer contribution rates are a percentage of payroll, and thus tied to actual earnings; therefore, a furlough that reduces payroll would result in reduced member and employer contributions payable to CalPERS.

- **Service Credit Purchase Option:**

- ✓ Furlough time is not allowed to purchase by members.

- **Proper Payroll Reporting:**

School districts should continue to report their members' full-time pay rate and the actual reduced earnings due to the furlough. CalPERS uses an annual adjustment process to administer members covered under Government (Gov.) Code 20969.2 that are subject to mandatory furloughs. The process requires the following three steps:

1. School districts submit detailed furlough plan information to CalPERS.
 - ✚ An Excel file will be sent to each impacted school district to request specific furlough plan information for the prior fiscal year including:
 - Whether the school district implemented a furlough plan
 - Furlough plan effective date
 - Nature of the furlough plan (for example: number of days)
 - School district contact information
 - Whether the employer reports earnings-based special compensation
 - Whether pay rates were reduced due to furlough in order to maintain the employee's normal service credit totals. Pay rates reduced due to a reduction in pay or a pay cut with no corresponding days off are not furlough under Gov. Code 20969.2, and the school district should indicate "NO" under the question inquiring whether a furlough plan was implemented.
 - ✚ School districts must return the completed Excel file to CalPERS at [School and Local Safety Furlough@CalPERS.CA.GOV](mailto:School_and_Local_Safety_Furlough@CalPERS.CA.GOV)
 - ✚ County offices of education are responsible to collect and send the furlough plan information for each school district.
 2. CalPERS determines which accounts require an adjustment for the prior fiscal year based on the furlough plan information provided by each school district.
 - ✚ School district must provide each impacted member's loss earnings due to furlough by completing another CalPERS spreadsheet that contains the specific member information.
 - ✚ On a separate spreadsheet, school districts offering earnings-based special compensation will provide supplemental details on member who retires and based their final compensation on a furlough impacted year.
 - ✚ Retirees who had their earnings-based special compensation totals or service credit totals reduced due to furlough may receive a retirement allowance adjustment.
 3. CalPERS will make the proper adjustment to each member's account.
 - ✚ CalPERS will automatically make necessary credit adjustments to the appropriate member accounts in myCalPERS after verifying the information submitted by each school district
- **Membership Qualification**
 - ✓ School districts are responsible to monitor the work hours of all irregular time-base employees as outlined in Gov. Code 20305. The hours should be counted toward qualification of CalPERS membership if they are not been subject to mandatory furloughs.

Please refer to CalPERS circular letter 200-040-20 for more information:
<https://www.calpers.ca.gov/docs/circular-letters/2020/200-040-20.pdf>

If you have any specific questions about furloughs as they relate to CalPERS, please email CalPERS at:
[School and Local Safety Furlough@CalPERS.CA.GOV](mailto:School_and_Local_Safety_Furlough@CalPERS.CA.GOV).

Please distribute this memo within your District as deemed appropriate.