

Date: August 20, 2009 Code: TECHNICAL LETTER
To: Associate Vice Presidents/Deans of Faculty HR/Benefits 2009-09
Human Resources Directors HR/Leaves 2009-03
Benefit Officers
Payroll Managers

From: Evelyn Nazario 
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Human Resources Management

Subject: CSU Furlough Program – Benefits and Leave Information

Overview

Audience: Human Resource Directors, Associate Vice Presidents/Deans of Faculty, Academic Personnel Managers, Campus Benefits Officers, Campus Payroll Managers and/or campus designees responsible for faculty and staff benefits and leave processing

Action Item: Implement 2009/2010 CSU Furlough Program

Affected Employee: All employee groups/units subject to the 2009/2010 Furlough Program
Group(s)/Unit(s)

Summary

The information described in this technical letter is in response to the CSU's Furlough Program implementation. Campus designees with responsibility for furlough program implementation should review the remainder of this letter for detailed information.

The benefits and leave-related information described herein addresses the impact of the California State University's Furlough Program on benefit and leave programs that apply across all employee groups subject to furlough:

- ❖ Health Benefits (Medical, Dental, Vision)
- ❖ Employer Paid Life Insurance and Long Term Disability Plans
- ❖ Flexible Spending Plans (HCRA, DCRA, Flexcash)
- ❖ Voluntary Benefit Plans
- ❖ Tax Shelter Annuity Program
- ❖ Retirement (CalPERS, DPA/PST)
- ❖ Disability (NDI, IDL, TD)
- ❖ Involuntary Leave

Distribution:

CSU Chancellor
CSU Presidents
Executive Vice Chancellor and CAO
Executive Vice Chancellor and CFO
Vice Chancellor, Human Resources

All Campus Vice Presidents
Academic Personnel Managers
Budget Officers

- ❖ Paid Leaves of Absence (Military, Maternity/Paternity, Catastrophic, Jury Duty, FML, Sabbatical)
- ❖ Employee Fee Waiver Program
- ❖ Vacation, Sick leave
- ❖ PRTB Program
- ❖ FERP Participants
- ❖ Taxes, Social Security and Medicare Deductions
- ❖ Tracking Furlough Accruals and Usage
- ❖ State Controller's Office (SCO) Personnel Letter Information

Overview of Furlough Program

Employees subject to the CSU furlough program are required to take two days off per month without pay. Specific guidelines regarding the furlough, including processing instructions regarding employee pay, are outlined in HR/Salary 2009-07 and supplements. The CSU furlough program is designed to have minimal, if any, impact on employee benefit and specified leave programs as outlined in the following information.

The furlough program is denoted by placing the appropriate code specific to the percentage of pay reduction in PIMS Item 957. Employees going off the furlough program due to the implementation of an eligible benefit or leave program as defined below, should have the code removed from Item 957 in order to return the employee to his/her full salary rate.

❖ **Health, Dental, and Vision Benefits**

There is no impact to an employee's eligibility for health, dental or vision benefits. Eligibility for benefits are based on time base and length of appointment. Furlough days taken within a given pay period do not change the time base, nor will furlough days alter the established duration of appointment, as in the case of a temporary appointment.

❖ **Employer Paid Life Insurance, AD&D, and Long Term Disability Plans**

These benefit program premiums are paid by the CSU and there is no impact to the benefit received by an eligible employee.

❖ **Flexible Spending Plans (HCRA, DCRA, Flexcash)**

Health Care Reimbursement Account: HCRA is not impacted by the furlough program. Please note that being placed on a furlough is not a qualifying event for the purpose of reducing or changing HCRA deductions.

Dependent Care Reimbursement Account: DCRA may be impacted by the furlough program due to a reduction of hours and significant change in dependent care expenses. In order for an employee to cancel or decrease DCRA deductions due to reduction of hours, there must be a demonstration of a gain or loss of eligibility to enroll in DCRA. However, an employee who experiences a significant change in cost of child care or experiences a change in child care providers may either enroll, cancel, decrease or increase contributions based on this reason.

Flexcash: Flexcash is not impacted by the furlough program as it is based on benefits eligibility criteria.

❖ **Voluntary Benefit Plans**

Employee Fee Waiver: No impact.

Voluntary Life Insurance: No impact. The voluntary life premium is based on coverage amount selected by the employee and is not income based; therefore, there is no impact to the benefit received by an eligible employee.

❖ **Tax Shelter Annuity Programs**

No impact. Maximum contribution rates are not impacted by the furlough program although employees are encouraged to review their contribution in light of the reduction in salary.

❖ **Retirement**

CalPERS: Generally, a full-time employee on a 2-day per month furlough plan who works continuously during the entire fiscal year, will earn a year of service credit (1.0). (This includes AY Faculty who make CalPERS contributions over 12 months.) However, certain full-time employees may see a reduction in service credit as a result of the furlough program.¹ The following are examples:

1. Employees with appointments of less than 12 months in the FY (start employment after July 1 or end employment before June 30);
2. Employees who do not work continuously during the entire FY; and
3. Employees who have a period of unpaid leave during the year.

Part-time employees accrue a proportionately reduced amount of service credit during a fiscal year based on their time base and the same general rules as stated above apply to them as well when they are on a furlough plan.

Calculation of retirement benefits is formula driven and the salary component is based on pay rate, e.g., base salary rate, (not actual salary which reflects the reduction in pay due to time off for furlough).

Employee and employer contributions to CalPERS will be based on the actual salary which reflects the reduction in pay due to furlough.

DPA/PST Plan: withholdings will be based upon the reduced salary rate.

❖ **Disability Programs**

Disability programs are not subject to the furlough program. Employees who are placed on a disability program (IDL, NDI, TD, or long-term disability) receive their full salary rate earned prior to placement on the furlough program. Sick leave supplementation for IDL, sick leave or vacation supplementation for TD, or catastrophic leave supplementation for employees on NDI is up to the employee's full salary rate (unfurloughed salary).

An employee who returns to work on a partial basis is subject to the furlough for the time worked and salary is reduced to reflect the furlough. The disability benefits for the portion of the day not worked continue to be based on the full salary rate (unfurloughed salary).

For employees who are eligible for a disability program and are utilizing leave credits prior to beginning a disability benefit (IDL, NDI, TD, or long-term disability), or who have sufficient leave credits to cover the illness/injury and do not access the NDI program, salary should be based on the employee's full salary rate (unfurloughed salary).

Employees who are no longer disabled but utilize leave credits prior to returning to work should have their salary rate changed to the reduced rate to reflect furlough days. For example, a female employee who was on NDI due to pregnancy and is no longer disabled or on FML, but chooses to take vacation without returning to work should be placed on the furlough schedule.

¹ Legislation is being introduced that would revise the Government Code to permit employees subject to the CSU Furlough Program to have their service credit reported at the same rate as if the employee was not subject to the Furlough Program. Please note: regardless of the outcome of the legislation, employee and employer contributions to CalPERS will be based on the actual salary which reflects the reduction in pay due to furlough.

If an employee was on a disability program (full or partial) for any portion of the month of July, upon return and placement on the furlough program, the employee should receive the 9.23% pay reduction.

❖ **Involuntary Leave – Temporary Disability Allowance**

Employees placed on Involuntary Leave pursuant to Education Code 89536.1 should have any temporary disability allowance based on the employee's unreduced salary rate. Please refer to HR/Benefits 2004-29 or HR/Benefits 2006-04 (Unit 4 employees) for information regarding this benefit.

❖ **Paid Leaves of Absence**

Family Medical Leave: FML leaves are not subject to the furlough program. Employees utilizing appropriate leave credits while on FML are paid their full salary rate (unfurloughed salary). An employee who was on FML (full or partial) for any portion of the month of July, upon return and placement on the furlough program, the employee should receive the 9.23% pay reduction.

Maternity/Paternity/Adoption Leaves: Employees eligible for Maternity/Paternity/Adoption leave who are not disabled due to pregnancy are subject to the furlough program and receive reduced salary at the furlough rate of pay. This leave is tied to work days so if an employee is scheduled for a furlough day, that day is not counted towards the maternity/paternity/adoption leave entitlement (e.g., 30 work days would translate to 32 in order to skip two furlough days).

A female employee who is designated as disabled due to pregnancy and is on a pregnancy-related leave is not subject to the furlough program and receives the maternity/paternity/adoption paid leave based on her full salary rate (unfurloughed salary).

Military Leave: Employees called to active military duty who are eligible for either the 30 calendar day pay or the CSU Difference in Pay Salary Supplement receive payment based upon their full salary rate (unfurloughed salary).

Jury Duty: Employees called to jury duty receive their CSU unfurloughed salary upon certification. If an employee serves on jury duty on what would normally be a scheduled furlough day, the employee must designate an alternate day as a furlough day. Please see HR/Benefits 2004-22 for certification for state and federal jury duty. If an employee serves on a jury in excess of one pay period, the employee should be removed from the furlough program and receive his/her full salary rate for the duration of jury duty. Once jury duty is complete, the employee should be returned to the furlough program on a prospective basis.

Sabbatical/Difference in Pay Leaves: For employees on a Sabbatical or Difference in Pay Leave, the salary is subject to the furlough program and is paid at the reduced salary rate. Please refer to the forthcoming HR/Salary 2009-07 Faculty supplement for pay instructions.

❖ **Employee Fee Waiver Program**

The employee fee waiver program is not affected by the furlough program.

❖ **Sick Leave, Vacation, and CTO**

Sick leave, vacation, and CTO usage are paid at the furlough rate (except for disability and FML as denoted in specified programs). For employees on the furlough program, the employee's time base determines the level of accrual for leave purposes. For employees assigned to hourly/intermittent positions, the number of hours worked within a given pay period determines the prorated accrual for leave purposes. Qualifying pay periods will not be impacted with respect to employees with a time base subject to furlough. For employees in hourly intermittent positions, please refer to HR/Leaves 2002-01 for information on prorating leave accruals.

Sick leave and/or vacation credits are not permitted to be substituted for a furlough day. Sick leave or vacation credits may not be combined with a furlough day to make 8 hours or the equivalent number of hours that make up the employee's "day." In addition, CTO is not permitted to be substituted for a furlough day.

If an employee is ill and the illness/injury does not qualify as an FML-covered illness/injury or the employee is on vacation and a furlough day is scheduled, the employee is not permitted to substitute sick leave, vacation, CTO or holiday credits for the furlough day.

As a reminder, employees who are otherwise FLSA exempt, except during furlough weeks when they become non-exempt, may be charged with various leave types (sick or vacation) in less than full day increments to supplement workdays specifically within that furlough workweek period as appropriate (furlough day excluded).

❖ **Pre-Reduction in Time Base (PRTB) Program**

Eligible faculty employees enrolled in the PRTB program are subject to the furlough program for the time being worked; however, the employee and employer CalPERS contributions are based upon the employee's full salary rate (unfurloughed salary).

❖ **FERP Participants**

FERP participants are subject to the furlough program. FERP participants who take a leave of absence from their normal FERP assignment as part of the furlough program continue to receive enhanced dental and vision benefits as long as the time base eligibility threshold is maintained when active.

❖ **Taxes, Social Security and Medicare Deductions**

Applicable federal, state, social security and medicare taxes will be withheld based upon the reduced salary.

Additional Information Regarding the Furlough Program

❖ **Tracking Furlough Time Off**

Campuses are responsible for tracking furlough accruals and usage in their respective leave accounting systems. Employees are responsible for recording or certifying the number of furlough days taken each pay period during the furlough program on their attendance sheets.

CMS Absence Management – CMS Baseline

The Absence Management module in CMS Baseline is being updated to accommodate the CSU's Furlough Program Implementation. A new furlough code "FRL AT FURL - Furlough Day Take" is being added to allow employees to report their furlough "usage." A tool is also being provided to assist campuses in monitoring and ensuring that the employee monthly furlough "usage" requirement is met during the respective pay periods.

Additional details regarding the CMS update and the Furlough Business Process Guide will be provided in a future CMS communication.

CLAS Leave Accounting System

For campuses on the SCO's leave accounting system, CLAS will automatically post accruals in increments of units. Details on furlough accruals and usage in CLAS will be provided in a forthcoming SCO CLAS Letter.

❖ The State Controller's Office Personnel Letter Information for California State University Employees

Additional processing instructions can be found in the SCO personnel letter at:
http://www.sco.ca.gov/ppsd_sco_letters.html.

Questions regarding this technical letter may be directed to Human Resources Administration at (562) 951-4411.
This document is available on Human Resources Administration's Web site at:
<http://www.calstate.edu/HRAdm/memos.shtml>.

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