

## Impact of Furlough Days, Reduced Work Year, and Change of School Calendar on CalPERS Retirement

In some instances, furlough days or a reduced work year or change of school calendar will have no impact on a member's retirement; in other cases, it can have a dramatic effect. A member can overcome some of the negative impact by being well educated about their choices at the time of retirement.

### **Furlough Days**

**Full time employees (8 hrs. 12 mos.)** – these employees will not lose service credit as long as they continue to work at least 1720 hours in a fiscal year (July 1 through June 30)

**Less than 12 month employees** – these employees will lose service credit if their work time is less than 1720 hours in a fiscal year. If they already have less than 1720 hours they are already earning less service credit – any reduction in hours would result in a further reduction in service credit.

If the furlough day were to deny them work in a month they are usually working and correctly reported CalPERS by their employer, and if they retire the same year the furlough day is included they could lose monthly lifetime retirement income unless they choose a previous year on which to base their retirement.

### **Reduced Work Year**

**Full time employees (8 hrs. 12 mos.)** - any permanent reduction to a work year will only create a reduction in service credit if the hours are reduced to less than 1720 in a fiscal year. However, taking away an entire month or two can have a severe negative impact on the member's lifetime retirement income. CalPERS uses 12 consecutive months to calculate a member's retirement. If there are 0 earnings in any of the 12 months the member loses retirement income because their 12 month average pay rate is now only 11 months of pay rate divided by 12.

If the work year were to be reduced from 12 to 11 months perhaps, it could be negotiated that the 11 months be arranged so that a member works at least one day in each calendar month or pay period throughout the fiscal year. CalPERS law requires the employer to identify the pay period that the employee had earnings regardless of when they are paid.

When an employer correctly reports that an employee worked at least one day in a month the retirement calculations can result in \$200 to \$300 a month or more in the lifetime retirement income.

If the employees are not working each month they have the right, and should be advised, to have CalPERS calculate their retirement based on a previous year when they had more months in which earnings were reported to CalPERS.

**Less than full time employees** – Generally, an 8 hour employee who works 10 full months will receive a full year of CalPERS service credit. Anytime hours drop below 1720 in a fiscal year, CalPERS service credit is reduced accordingly.

The lifetime income a member will receive at retirement will also be more negatively impacted if the reduction in the work year results in the employee working fewer months.

### **Change of School Calendar**

**Full time employees** – there would be no impact on a 12 month 8 hour employee if the school calendar were to change.

**Less than full time employees** – Even if hours or number of days worked were not reduced or increased, a change school calendar can affect the lifetime income of a less than full time employee.

An example: If an employee traditionally reports to work at least one day in August, and the employer is properly identifying to CalPERS that they work in August, they will be credited with 11 pay rates divided by 12 to determine the final compensation for their monthly retirement allowance.

If a change in school calendar no longer requires August work **they may lose two to three hundred dollars a month in their monthly lifetime retirement income.**

Also, if an employee generally works summer school or intersession, they **MUST** be reported to CalPERS for that time. If there is no longer an opportunity to work summer school the employee would lose monthly lifetime retirement income.

Any employees who experience a reduction in the number of months worked for any reason should have CalPERS calculate their retirement based on the most recent time when they worked the most calendar months (if only for one day). They must tell CalPERS what period of time should be used for the calculation on their retirement application (a blank that asks about final compensation).

If the employee had significant salary increases since the reduction of hours or change in the school year, they can have CalPERS calculate the most recent 12 month period as well as the period they worked the most months and compare it so they can choose the highest final compensation period.

## **Reporting as earned**

Two glaring examples illustrate the impact of this law:

Example: Our contract in one school district allows all 11 month employees to choose when they will work in July and August. Most choose to work 2 weeks in July and 2 weeks in August. A retiring employee who worked that schedule learned, at one of our Pre-retirement seminars, the importance of having been reported for each month. She discovered her District was not complying with the law, they were reporting all of the time she worked in the two months as July earnings. They reported the contributions, they reported the total hours, but they did NOT identify the months in which she worked.

Even though there was no added cost to the District they refused to report it correctly until CSEA got CalPERS involved. Months after the employee retired, the district finally completed it's amendment to CalPERS and the employee received over \$2,200 in retroactive retirement payments and an increase of over \$327 a month in her lifetime monthly retirement income.

A similar situation was recently reported to us resulting in a \$227 a month increase along with a retroactive check.

## **How CSEA tries to help employees**

When less than full time employees contact CSEA or when CSEA presents an "Understanding CalPERS" seminar for staff development days or a Chapter or Regional meeting, employees are always advised to check with CalPERS to be sure they have been reported for each month they have worked.

If it is discovered they are not properly reported we will help them get CalPERS' support to correct the error. We may need assistance from Field Staff, if so, we will contact the Labor Representative.

## **Contact Information**

If members or staff have questions about the information in this document please contact Nadine Franklin at 1-800-632-2128 ext. 1205.

