

April 22, 2020

### **Purpose**

In response to the public health emergency, participating public employers are facing decisions regarding the employment status of their employees. Compensation and hours worked are key benefit factors, so employment changes that reduce these amounts will impact a member's retirement. This notice provides employer guidance on the retirement plan impacts of furloughs and layoffs based on the system's laws regarding compensation, service credit, and other related factors.

### **Definitions**

Among hundreds of participating employers, the terms furlough and layoff will be used differently. Our guidance is based the following definitions:

- "Furlough" means the employer/employee relationship has not ended and the employee will return to work in some capacity in the future. The employee has not terminated covered service and remains an active member.
- "Layoff" means the employer/employee relationship has ended and no longer exists in any form, now or in the future. The employee has terminated covered service and ceases to be a member.

### **Notice**

Because furloughs and layoffs are both payroll cost reduction methods, they are subject to the same basic provisions for contributions and service credit. Employers do not pay contributions if employees do not earn compensation; and employees do not earn service credit if they do not render service.

Below are additional considerations for each type of employment status change.

### **Furlough**

- Non-contributory members who are furloughed retain their status because there is no termination of covered service.
- Public safety members who are furloughed retain their status because there is no termination of covered service.
- Members who are furloughed and work at least 80 hours in a month will receive a full month of service credit. Members who work at least 20 hours in a month will receive partial service credit, but they will not receive any service credit if they work fewer than 20 hours.
- DROP participants who are furloughed and work at least 80 hours in a month will receive their DROP contribution for that month. DROP participants will not receive the DROP contribution for any month in which they do not work at least 80 hours.
- Members who are furloughed cannot apply for a refund of their member contributions, if any, or a monthly annuity.

### **Layoff**

- Non-contributory members who are laid off for more than six months and are later re-hired will be contributory members.
- Public safety members who are laid off for more than six months and are later re-hired will earn service credit at the regular rate and not at the public safety credit rate of one and one-half (1 ½) times.
- DROP participants who are laid off will not receive DROP contributions unless they return to APERS-covered employment.
- Members who are laid off can apply for a refund of their member contributions. However, if they receive a refund, that completely terminates any right to a future benefit from APERS. A refund also causes the member to forfeit any associated contributory service credit with any employment that is covered under APERS, including prior employment. If a member returns to covered service in the future, they can repay their refunded contributions, but will have to repay it at an amount that is equal to the actuarial equivalent at that future date, not at the same amount that was refunded to the member.
- Members who are laid off can apply for a monthly annuity if they are eligible. Once they begin receiving an annuity, they will not become members again if they return to covered service.

### **Employer Self-Service (ESS) Actions**

Whether the change in employment status is a furlough or a layoff, employers must take certain actions in the employer self-service (ESS) portal. For furloughed employees, employers must use the *Add Leave Information* tool and add a *Leave without Pay* record. The member status will remain active, but the member will be suspended from work reports until a stop date is entered for the leave record. For laid off employees, employers must use the *Terminate Member* tool and add a stop date. The member status will change to inactive, and the member will no longer appear on work reports.

### **Individual Guidance**

This notice provides general information regarding the impact of employment status changes for members. We can also provide specific guidance based on a review of individual employee/employer circumstances. Employers can request specific guidance by sending a secure message in [ESS](#) or by sending an email through the Contact Us page on our website at [www.apers.org](http://www.apers.org).