

## Temporary Layoffs/Furloughs 2009-2011 Frequently Asked Questions

**About the legislation:** Senate Bill (SB) 6157, passed in 2009, allows compensation lost by a Public Employees' Retirement System member as a result of reduced work hours, voluntary leave without pay, or temporary furloughs, to be included in the Average Final Compensation (AFC) used to calculate a member's retirement benefit.

SB 6503, passed in 2010, adds employees who work for a state agency or institution and are members of the Washington State Patrol, Law Enforcement Officers' and Fire Fighters', Public Safety Officers', and Teachers' retirement systems.

HB 3225, also passed in 2010 during the special session, includes a provision for a **temporary** pay reduction that is not tied to fewer work hours in the calculation of a member's AFC.

**Important to Know:** For the pension protection to apply, agreement for the temporary reduction in pay must have been reached with the employee before December 11, 2010 (effective date of the bill).

Furlough periods before July 1, 2009 or after June 30, 2011 are not covered by this legislation. For information about furlough or temporary salary reduction legislation for the 2011-2013 time period, check out the [2011-2013 FAQ](#).

**NOTE:** These laws only provide for lost compensation due to a furlough and/or temporary pay reduction and do not address lost service credit.

### 1) What is the difference between a furlough and a temporary pay reduction?

A furlough is a reduction in your salary due to reduced work hours. The term may also apply if you request to voluntarily reduce your hours and salary.

A **temporary** pay reduction is a reduction in pay that is not tied to fewer work hours.

It is important to note that a pay reduction not tied to fewer work hours must be temporary and only applies to a reduction in your current pay. Forgoing a pay raise or COLA is not a pay reduction.

**For the furlough or pay reduction to be included in your AFC or Final Average Salary (FAS), it must be an integral part of your employer's efforts to reduce expenditures.**

### 2) Does this affect me?

It affects you only if your AFC/FAS period includes the 2009-2011 biennium and you were subject to a furlough or temporary pay reduction.

### **3) How does a furlough/temporary pay reduction affect my retirement benefit?**

Your earnings, service credit and retirement benefit calculation may be affected as follows:

**Your earnings:** If you experience a qualifying event (such as a temporary furlough or a temporary pay reduction), there will be a reduction in your earnings reported to us by your employer. The reduction could be a small amount per month, or full months of leave without pay. DRS will confirm the impact on your earnings with your employer.

**Your service credit:** Depending on your retirement plan and the length of the furlough, your service credit may be affected. You will be granted service credit (either full or partial) based on the hours of service your employer reports each month. If you're a member of Plan 2 or Plan 3, and you lose service credit due to a furlough, you have the option to purchase the lost time as an authorized leave of absence. There is no such provision for Plan 1 members.

***Note: A temporary pay reduction does not affect the hours you work, thus, your service credit will not be affected.***

**Your retirement benefit calculation:** Your AFC/FAS period is determined by using your highest consecutive service credit month earnings.

### **4) How will my employer report my earnings to DRS?**

Employers have been instructed to report the actual hours you worked and the compensation you earned.

**5) How will DRS know what my compensation should have been when I retire?** When you ask DRS to provide you with an estimate of your retirement benefit, we will ask whether you had any qualifying salary reductions during this biennium. If you answer yes, we will verify or confirm the unreduced salary from your employer and use that in your benefit calculation.