

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
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DATE: May 28, 2009

PAYROLL LETTER #09-007
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief
Personnel/Payroll Services Division

RE: **FURLOUGH PROGRAM – NEW SZ PAYMENT**

To administer the furlough program, a new payment type was established for work week group (WWG) 2 and WWG E employees. The new payment type is to pay any additional hours the employees may work during a work week in which they use their furlough time. The used time must be the furlough hours that the employee was assigned at the beginning of the pay period and for which her/his pay was correspondingly reduced (i.e., does not apply when using furlough hours that were accrued from a prior pay period). Those used furlough hours are considered unpaid time for that pay period.

Under the retirement laws, compensation for time worked (including paid leave of absences) in a work week up to full-time is subject to retirement deductions. For most employees, the normal full-time work week is defined as 40 hours. Note, the furlough time does not affect retirement service credits and final compensation per DPA PML #2009-007.

Based on the above, the additional time worked in a furlough work week up to 40 hours when combined with the regular/normal hours worked (including paid leave time) is subject to retirement deductions. The additional time will need to be paid using the newly established payment type 'S', payment type suffix 'Z' (payment SZ) which is subject to retirement deductions. This payment is identified as "Furlough 32nd-40th Hour Pay" and will be shown on the earnings statement as "FR 32-40 HR".

For full-time employees who normally work 40 hours in a work week, only the additional hours up to the furlough hours taken in the work week are subject to retirement deductions. For example:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	Work = 8	Work = 8	Work = 8	Work = 8	Furlough = 8	Work = 10

- A full-time employee whose normal work week is 40 hours.
- The employee physically worked 42 hours and used 8 hours of furlough time.
- The work week with the 8 hours of used furlough time = 32 hours (paid as regular pay).

- The 8 hours of furlough time does not count toward the hours worked in the week for retirement deduction calculation purposes. Note, the furlough time does not affect retirement service credits and final compensation per DPA PML #2009-007.
- The employee should receive 8 hours as payment SZ (for the additional time worked in the furlough week that was up to 40 hours) and 2 hours premium overtime as payment type 1.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Work = 8	Work = 8	Work = 8	Work = 8	Vacation = 8	Furlough = 8	Work = 8

- A full-time employee whose normal work week is 40 hours.
- Employee physically worked 40 hours and used 8 hours vacation and 8 hours furlough time.
- The work week with the 8 hours of used furlough time = 32 hours (paid as regular pay).
- The 8 hours of furlough time does not count toward the hours worked in the week for retirement deduction calculation purposes nor towards the hours worked for premium overtime calculation purposes. Note, the furlough time does not affect retirement service credits and final compensation per DPA PML #2009-007.
- The 8 hours of vacation time does count toward the hours worked in the week for retirement contribution deduction purposes but not towards the hours worked for premium overtime calculation purposes.
- The employee should receive 8 hours as payment SZ (for the additional time worked in the furlough week that was up to 40 hours) and 8 hours straight time overtime as payment type 1

Note: Vacation and furlough leave time do not count toward the hours worked for determining the 40 hours in the work week for premium overtime pay.

For fractional time base employees who work additional hours in the same work week that the furlough hours are used, the compensation for all additional hours up to 40 hours when combined with the regular/normal hours worked (including paid leave time) is subject to retirement deductions. For example:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	Work = 4	Work = 4	Work = 4	Work = 4	Furlough = 4	Work = 8

- Fractional time base employee whose normal work week is 20 hours.
- Employee physically worked 24 hours and used 4 hours furlough time.
- The work week with the 4 hours of used furlough time = 16 hours (paid as regular pay).
- The 4 hours of furlough time does not count toward the hours worked in the week for retirement deduction calculation purposes. Note, the furlough time does not affect retirement service credits and final compensation per DPA PML #2009-007.

- The employee should receive 8 hours as payment SZ (i.e., because the total time for the week is less than full-time and up to 40 hours in a week is subject to retirement deductions, the entire 8 additional hours worked in the work week is subject to retirement deductions).

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Work = 12	Work = 6	Work = 6	Work = 6	Furlough = 6	Furlough = 6	Work = 12

- Fractional time base employee whose normal work week is 30 hours.
- Employee physically worked 42 hours and used 12 hours furlough time.
- The work week with the 12 hours of used furlough time = 18 hours (paid as regular pay).
- The 12 hours of furlough time does not count toward the hours worked in the week for retirement deduction calculation purposes. Note, the furlough time does not affect retirement service credits and the final compensation per DPA PML #2009-007.
- The employee should receive 22 hours as payment SZ (for the additional time worked in the furlough week that was up to 40 hours) and 2 hours of premium overtime as payment type 1.

Note: Vacation and furlough leave time do not count toward hours worked for determining the 40 hours in a work week towards premium overtime pay.

To request the new SZ payment, process a Form STD. 671 via the PIP system using earnings ID ‘SZ’ and entering the gross amount due (i.e., time and salary rate cannot be entered on the pay request). The payment cannot be requested until after the close of the pay period in which the additional hours were worked.

To determine the gross amount, first divide the employee’s based on salary rate (PAR Item 320 which has not been reduced by the furlough pay differential), plus salary rate, locked-in shift rate and pay differential rates (except the furlough pay differential) by 173.33 to determine the hourly rate. Then multiply the additional hours subject to retirement by the hourly rate.

Example: An employee who has a based on salary rate of \$3,550 plus receives a \$100 bilingual pay differential is to be paid 8 hours under payment type S, payment type suffix Z. The gross amount of the payment type SZ would be computed as follows:

$$\begin{array}{r}
 \$3,550.00 \text{ based on salary} \\
 \underline{\$100.00} \text{ bilingual pay differential} \\
 \$3,650.00 \text{ total salary} \\
 / \underline{173.33} \text{ average hours in a month*} \\
 \$21.06 \text{ hourly salary rate} \\
 \underline{\text{X} \quad 8} \text{ additional hours worked subject to retirement} \\
 \$168.48 \text{ gross}
 \end{array}$$

Payment SZ gross will be \$168.48.

* Use the appropriate average number of hours in a month for employees who are an exception to the 173.33 average hours per month rule (e.g., unit 6 employees working a 7K schedule, unit 3 teachers working an academic schedule).

The SZ payment is subject to the following mandatory deductions:

- Social Security/Medicare if applicable
- Retirement
- Federal Taxes (aggregate method)
- State Taxes (aggregate method)
- SDI Taxes
- Garnishments when applicable

The SZ payment is not to be included in the calculation of the following benefit pay as the full salary rate (i.e., not reduced by the furlough pay differential) is already used to compute these benefits for employees subject to the furlough program:

- Overtime
- IDL
- EIDL
- NDI
- Lump Sum Vacation
- Lump Sum Sick
- Lump Sum Extra

Questions regarding the above information can be directed as follows:

SUBJECT	CONTACT	TELEPHONE NUMBER
Furlough Program (e.g., rules, regulations benefits/pay impacts)	DPA PSB Unit	(916) 323-3343
Payroll Procedures	Premium Pay Unit	(916) 322-4461

DS:PMAB:JD