

# Layoff Avoidance Measures:

Comparing Furloughs to Reductions  
in Work Hours

# Reductions in Work Hours

## SCS Rule 17.7

- Used when a shut-down of operations is not feasible
- A maximum of 16 hours in a bi-weekly payroll period allowed in a 12-month period
- Impacted employees must be notified prior to action via General Notice
- Must be approved by the Director of State Civil Service prior to action

## What to Include in a Plan for Reduction in Work Hours

# Plan Requirements

- Number of work hours reduced for each impacted employee
- Dates and period of time the reduction in work hours is effective
- The organizational unit to be impacted

## What to Include in a Plan for Reduction in Work Hours

# Plan Requirements

- The geographic area to be impacted
- Details on employees exempt from reduction in work hours
  - Provide business rationale for the exemptions

## Impact of Reduction in Work Hours on Employee Benefits

# State Overtime

- Employees work a minimum of 64 hours per bi-weekly payroll period
  - State Overtime is now based on the reduced schedule
    - Hours worked in excess of the work day or reduced work period
    - Holidays and official closures

## Impact of Reduction in Work Hours on Employee Benefits

# State Overtime

- Employees who work beyond the regularly scheduled work day or work week are credited with State Overtime
- Only non-exempt employees are required to be compensated for State Overtime

# Impact of Reduction in Work Hours on Employee Benefits

## FLSA

- Non-Exempt employees earn State Overtime for intervening hours between the cap of the new schedule and the 40<sup>th</sup> hour
  - Eligible ONLY for FLSA overtime after employees physically work 40 hours
- Employees earning below \$455 per week are considered non-exempt under FLSA

## Impact of Reduction in Work Hours on Employee Benefits

# Leave and Retirement Contributions

- Reduction in leave accrual
- No employee is allowed to use leave for non-work days
- Reduction in bi-weekly retirement contributions

# Furloughs Without Pay

## SCS Rule 17.8

- Used when a shut-down of operations becomes necessary
- A maximum of 240 hours allowed in a 12-month period
- Impacted employees must be notified prior to action via General Notice
- Must be approved by the Director of State Civil Service prior to action

## What to Include in a Furlough Plan

# Plan Requirements

- A recall schedule to be specific and justified if employees are to be recalled at different times
- Total work hours or days for each impacted employee
- Dates and period of time the furlough is effective

## What to Include in a Furlough Plan

# Plan Requirements

- The organizational unit to be impacted
- The geographic area to be impacted
- Details on employees exempt from furlough
- Provide business rationale for the exemption

## Extended Furloughs Without Pay

# Commission Approvals

- Furloughs up to 450 hours in a 12-month period
- Furloughs beyond 450 hours for extraordinary circumstances

## Impact of Furloughs Without Pay on Employee Benefits

# Unemployment Insurance

- Employee becomes eligible for U/I after the first seven (7) days of furlough

## Impact of Furloughs Without Pay on Employee Benefits

# Adjusted Service and Retirement

- Leave without pay for more than 30 days does not affect adjusted service credit per SCS 1.39.2(b)7
- Leave without pay may impact retirement benefits

## Impact of Furloughs Without Pay on Employee Benefits

# Retirement and Leave Accrual

- No contributions to the retirement systems are being made while in LWOP status
- Leave is not earned while in LWOP status
- No employee is allowed to use leave to cover periods of furlough

# Impact of Furloughs Without Pay on Employee Benefits

## LASERS

- Adjusted service date not used to calculate retirement eligibility
- Eligibility based on:
  - Service credit
  - Age of employee

# Impact of Furloughs Without Pay on Employee Benefits

## LASERS

- Extended periods of reduction in work hours/furlough/LWOP may impact service credit, retirement eligibility date or Final Average Compensation
- Employee may be eligible to purchase service credit for the furlough/LWOP
  - Eligibility depends on several factors
  - The costs of purchases vary, but generally require payment of employee and employer contributions plus interest or the actuarial cost of the service

# Impact of Furloughs Without Pay on Employee Benefits

## LASERS

- Reduction in work hours, furloughs and LWOP do not affect:
  - The reporting of base pay
  - DROP participation (although the DROP eligibility date may change)
- Overtime in excess of reduction in work hours should not be reported to LASERS

## ACA and Employee Benefits

# Affordable Care Act

- Employer cannot drop coverage even if employee falls below 30 hours/week on average if employee is in a stability period or an ongoing standard measurement period

## Group Benefits Distinction between Furlough and Leave Without Pay

# Group Benefits

- **Furlough** – Non-Voluntary action on the part of the Employee
- **Leave Without Pay** – Voluntary action on the part of the Employee

**For today's discussion, we will focus solely on Furloughs**

*LAC 32:1.319.A*

## Impact on health premium

# Health Insurance Premiums

- For Furlough, Employer and Employee are required to continue their respective portion of premiums; cannot terminate coverage (**Except OGB can cancel for Non-Payment of Premium**)

## Payment of Health Premium during Furlough

# Health Insurance Premiums

- Employee can pay his portion of premium as follows:
  - Pay during the Furlough

## Impact on FSA for Furlough

# Group Benefits

### **FLEXIBLE SPENDING ACCOUNTS (FSA)**

- Employee continues with the FSA
- FSA benefits could be paid upon return through payroll or prepaid prior to Furlough
- No option to terminate FSA contributions

## Impact on DCFSA on Furlough

# Group Benefits

## DEPENDENT CARE FLEXIBLE SPENDING ARRANGEMENT (DCFSA)

- Employee continues with the DCFSA
- DCFSA benefits could be paid upon return through payroll or prepaid prior to Furlough
- No option to terminate DCFSA contributions

## Impact on HSA for Furlough

# Group Benefits

## HEALTH SAVINGS ACCOUNTS (HSA)

- No impact since employees can suspend or reduce contributions at any time
- If Furloughed employee desires to decrease contribution, they can do so by completing the GB-79 HSA Enrollment and Payroll Deduction Election/Change Form.

## Employer Match on HSA for Furlough

# Group Benefits

## HEALTH SAVINGS ACCOUNTS (HSA)

- The employer matches dollar for dollar up to \$575.00
- Employer will not continue match until employee makes the contribution

# Impact on Supplemental Benefits for Furlough

## Group Benefits

### SUPPLEMENTAL BENEFITS

- Life Insurance through OGB will continue while on Furlough paid in the same manner as health insurance premiums
- For all other supplemental benefits, the Employee may need to contact their supplemental vendor to make arrangements
- Employer does not pay any portion of premiums for supplemental benefits, other than for Life insurance through OGB

## Q & A

# Questions and Answers

- TRSL
- State Uniform Payroll
- LASERS
- Office of Group Benefits

