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TO: Certifying Officers of Local Government and Local Education Employers
FROM: New Jersey Division of Pensions & Benefits (NJDPB)
SUBJECT: **Chapter 57, P.L. 2020 – Furloughed employees**

Governor Murphy recently signed into law Chapter 57, P.L. 2020, which permits employees of the Public Employees' Retirement System to receive full salary and service credit for any period the employee's work hours are reduced under a voluntary or mandatory furlough program. This law applies to all employee tiers. Tier 4 and 5 employees whose work hours are reduced below the hours required to maintain membership in PERS or TPAF will not need to enroll into DCRP if the reduction is attributable to furloughing. Chapter 57, P.L. 2020 became effective June 29, 2020.

This letter provides guidance to employers regarding collection of contributions and the proper reporting of information on the Report of Contributions (ROC) through EPIC for furloughed employees for the fourth quarter of 2020 and beyond. This letter will also provide procedures on how to report information for the third quarter of 2020 since proper withholding of contributions may not have occurred for this period.

Salary reported will be dependent upon the terms of the furlough agreements but in no case shall they be lower than the salary earned by the employee at the time of the furlough period, for example, for locations with employees that were affected by the agreement between the CWA and the Office of Employee Relations, the annual pensionable base salary should be based on the original contract agreement.

Furloughed – Reduction in Pay

Tier 1 through 3 Employees:

For furloughed employees that incur a reduction in pay, but continue to receive a paycheck, the employer should withhold the deduction based on the employee's full base salary.

Example: A member's full monthly base salary is \$4,000, but has been furloughed by reducing their work hours. The salary paid for the month is \$3,000. The regular pension deduction and the contributory life insurance premium should be withheld on the base salary of \$4,000, which then should be reported on the ROC. Any other deductions (loans, back deductions, or arrears) should be withheld if the member earned enough salary to cover it.

For third quarter 2020 ROC: If the employer was not able to collect the proper deductions due, the employer should report the salary based on the contributions collected and label the employee as furloughed in the comments section of the ROC with the period the furlough covers in the quarter being reported.

Tier 4 and 5 Employees:

The same rules would apply as provided for Tiers 1 through 3 in reference to future reporting.

For third quarter 2020 ROC: In addition to the procedures presented for Tiers 1 through 3, the employer would answer the question "*Did this member work the 32 hours (or 35 hours) per week required by Chapter 1, P.L. 2010?*" as "Yes". The explanation would be "Member was furloughed from DATE to DATE". Provide the start and end date of the furlough.

The employer is required to provide a cover letter, worksheet, and an agreement or resolution reflecting the decision to furlough employees. The worksheet should reflect the member's full name, membership number, annual base salary, and effective date of annual base salary for all the furloughed employees (all tiers) for the reporting quarter. If there was a salary increase in the middle of this quarter, you would need to provide the annual base salary prior to the change and the effective date of the new annual base salary.

Furloughed – No Pay for Entire Quarter

All Employee Tiers:

Since an employer is unable to withhold any deductions, you will not be able to provide any information on the ROC. If the member is reflected on the current report, change salary and deductions to \$0.00. Reflect "furloughed" in the comments section of the ROC.

The employer is required to provide a cover letter, worksheet, and an agreement or resolution reflecting the decision to furlough employees. The worksheet should reflect the member's full name, membership number, annual base salary, and effective date of annual base salary for all the furloughed employees (all tiers) for the reporting quarter. If there was a salary increase in the middle of this quarter, you would need to provide the annual base salary prior to the change and the effective date of the new annual base salary.

Furloughed – No Pay for a Portion of the Quarter

A sample of this scenario is where a member received regular salary for July 2020 for the third quarter, but did not receive salary for August and September 2020 due to being furloughed.

Tiers 1 through 3 Employees:

Report the base salary for the month(s) paid. Reflect furlough in the comments section of the ROC with the period the furlough covers in the quarter being reported.

Tiers 4 and 5 Employees:

Report the base salary for the month(s) paid and the employer would answer the question "*Did this member work the 32 hours (or 35 hours) per week required by Chapter 1, P.L. 2010?*" as "Yes". The explanation would be "Member was furloughed from DATE to DATE". Provide the start and end date of the furlough.

The employer is required to provide a cover letter, worksheet, and an agreement or resolution reflecting the decision to furlough employees. The worksheet should reflect the member's full name, membership number, annual base salary, and effective date of annual base salary for all the furloughed employees (all tiers) for the reporting quarter. If there was a salary increase in the

middle of this quarter, you would need to provide the annual base salary prior to the change and the effective date of the new annual base salary.

NJDPB will calculate the pension shortage, process a back deduction schedule, and credit service based on the information provided by the employer for all furloughed employees.

If you have questions regarding the information provided in this letter, please call (609) 292-3637. Additional written guidance may be provided based on inquiries from employers regarding this matter.