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TO: Executive Board
FROM: Kenneth Brynien, President *KB*
DATE: May 3, 2010
RE: **Effect of One-Day Furlough on Pension**

Per your request I have determined the effect a one-day furlough would have on PEF members' who are members of the Employee's Retirement System (ERS); specifically, the effect on retirement service credit and final average salary (FAS).

The effect on PEF members is different for institutional teachers and members in the ERS who work in the Schools and all other members. This is because institutional teachers and members who work at the Schools are ten month employees. For the purposes of the information below I have designated institutional teachers and members working at the schools as "teachers." (Members should bear in mind that days lost to furloughs would be combined with any other days lost (i.e. leave without pay). The following examples assume no other days lost.

Service Credit

Teachers – The furloughs, if there is one per week, would have no effect on teachers until September. This is because the furloughs would have to go beyond nine (9) weeks before institutional teachers are affected and would have to go beyond eight (8) weeks before members working at the Schools would be affected. This is actual school weeks. Since July and August are considered "grace periods," and we are within eight weeks of the first of July, teachers would be unaffected by the furlough days until early in the next school year.

Non-Teachers – The furloughs would have to go beyond 12 weeks before it affected the service credit of PEF members who are not institutional teachers and who do not work at the Schools. If the furloughs lasted longer than 12 weeks, service credit would be reduced by five percent (5%) until the 26th week when service credit would be reduced by another five percent (5%).

Final Average Salary

Teachers – The reduction in pay of one day per week would have an immediate effect on the FAS of institutional teachers and members working at the Schools. Since the period of work is finite it is not possible for the retirement system to adjust the period to capture a full year's salary.

Non-Teachers – The reduction in pay of one day per week would have no effect on members who are not institutional teachers and do not work at the Schools. The retirement system will adjust the period of time to capture enough compensation to equate to a full year's salary.