

### Introduction:

Due to budgetary concerns caused by COVID-19, VRS-participating employers may have to implement furloughs, layoffs and reductions in salary or working hours for staff. This job aid provides furlough guidelines and new temporary procedures for reporting impacted employees in myVRS Navigator, as well as implications on employee benefits based on VRS business rules.

State employers should also refer to specific guidance provided by [the Department of Human Resource Management](#) and the [Department of Accounts](#). DHRM will update its Temporary Workforce Reduction guidelines to instruct employers to make retirement contributions for furloughed employees based on their reduced salaries. DOA will offer instructions on how to process payroll for furloughed employees.

Refer to the [Resources section](#) of this job aid for additional guidance.

### Overview:

Employers who need to implement furloughs, layoffs or reductions in salary/working hours may do so in several ways depending on their particular policies; however, there are three broad categories:

- **Furlough – Leave Without Pay:**

The employer places the employee on leave without pay for a period of time and then reinstates the employee.

- **Furlough – Reduced Hours/Salary:**

The employer retains the employee but with a reduced schedule so the employee temporarily earns a reduced salary.

- **Separation From Employment:**

The employer lays off the employee and separates them from employment. The employee is not reported to VRS after the date of separation. State employers should follow [DHRM policies](#) relating to Workforce Transition Act (WTA) benefits.

### Reporting Temporary Salary Reductions:

- **Reductions for less than one month:**

No changes are needed.

- **Reductions for one month or more:**

Report any salary changes to VRS in myVRS Navigator following current business rules. For employees working reduced hours or at a reduced salary exceeding one month, report the temporarily reduced salary amount to VRS. This ensures that member contributions remain at the appropriate proportionate level of the employee's salary.

Adjust the salary in myVRS Navigator to the expected salary to be paid under the new work arrangement and adhere to normal VRS business rules:

- If an employee works four days instead of five, for example, report 80% of the original salary. This salary amount becomes the contribution basis for the employee for all VRS-administered benefits (including the VRS Group Life Insurance Program).
- Both employee and employer contributions should reflect the adjusted salary. The reduced salary becomes the contribution basis until the employee's salary returns to its previous level.
- If the temporary salary reduction start date is:
  - On or before the first business day of the month, the creditable compensation change is effective in the current month.
  - After the first business day of the month, the creditable compensation change is effective the first of the following month.

Hybrid employees may be able to decrease voluntary contributions on an exception basis as outlined below in the [Implications on VRS Benefits](#) section.

### Manual myVRS Navigator Processing for Non-Batch Reporters:

Non-batch reporters can use the current salary update process to report furloughs that result in temporary salary reductions.

In addition, VRS has developed a new manual process for employers who are not certified to submit employer reporting via batch to put multiple employees on leave without pay and to separate or activate employees at the end of the furlough period. This process is similar to the salary update process but is not automated. It allows non-batch reporters to submit an Excel file listing the changes for impacted employees.

Employers who wish to use the manual Excel process should email [employerconfirmation@varetire.org](mailto:employerconfirmation@varetire.org) to request details and instructions on how to complete and submit the Excel file.

### Implications on VRS Benefits:

Benefit	Employee Status and Eligibility for Benefits
<b>Service Credit For Retirement</b>	<ul style="list-style-type: none"> <li>If the salary start date is on or before the first business day of the month, the creditable compensation change is effective in the current month. If the effective date of the salary change is after the first business day of the month, the creditable compensation change is effective in the following month.</li> <li>The employer makes retirement contributions based on the employee's temporary salary, which must be recorded in myVRS Navigator. The employee receives service credit toward retirement for the entire month.</li> <li>If an employee on reduced hours or pay has no earnings during a month, the employer does not make a retirement contribution and the employee does not receive retirement service credit for that month.</li> </ul>
<b>Service Retirement</b>	<ul style="list-style-type: none"> <li>If eligible, the employee may apply for retirement; however, the employee must separate employment before the effective date of retirement. The retirement is processed as normal.</li> </ul>
<b>Refunds</b>	<ul style="list-style-type: none"> <li>Active members reported to VRS or reported on a leave-without-pay status may not take refunds or withdrawals from their defined benefit pension plans, including VRS Plan 1, VRS Plan 2 or the Hybrid Retirement Plan defined benefit component.</li> <li>Employees separated from employment may apply for a refund. Refunds cannot be processed until at least a full calendar month after the employee leaves all employment with a VRS-participating employer.</li> </ul>
<b>Distributions from DC Plans</b>	<ul style="list-style-type: none"> <li>Employees who separate may request a distribution at least one full calendar month after leaving all employment with a VRS-participating employer.</li> <li>VRS and ICMA-RC have established procedures to assist active and separated VRS participants who may need to request a coronavirus-related distribution under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) from the Commonwealth of Virginia 457 Deferred Compensation Plan, the Virginia Cash Match Plan and the Hybrid 457 Deferred Compensation Plan. To submit a request, the eligible participant can obtain the Coronavirus-Related Distribution (CRD) Request form through Account Access by choosing the applicable plan, selecting Forms and locating the CRD under the Roll/Disburse category. Withdrawals are not allowed from certain defined contribution plans, including the Hybrid 401(a) Cash Match Plan, or optional retirement plans (ORPs).</li> <li>Under limited circumstances not related to COVID-19, emergency withdrawals are allowed from the Commonwealth of Virginia 457 Deferred Compensation Plan (not all employers have elected this plan).</li> </ul>
<b>Contributions to Defined Contribution Plans</b>	<ul style="list-style-type: none"> <li>Contributions to the defined contribution component of the Hybrid Retirement Plan should follow the VRS business rules.</li> <li>Employees can change voluntary contributions on the normal quarterly process.</li> <li>Employers make contributions to optional retirement plans (ORPs) based on the temporary salary and record the amount in myVRS Navigator.</li> </ul>
<b>Basic and Optional Group Life Insurance</b>	<ul style="list-style-type: none"> <li>Life insurance coverage remains in force as long as the employee is reported and the premium amounts are paid (whether by employer or member). If life insurance premium payments end and the employee is separated from employment, the benefit is suspended. Coverage resumes when the employee is reported and premium payments resume.</li> <li>The life insurance amount is based on the last reported salary, which may be lower than a previously reported salary. The life insurance benefit is equal to the last reported compensation rounded to the next highest thousand and then doubled.</li> <li>If the covered employee has 20 or more years of service credit, the benefit is based on the highest salary as a covered employee, even if the most recent salary is lower.</li> </ul>

# Furloughs and Layoffs Due to COVID-19

## Job Aid for Employers

<b>Disability Retirement</b>	<ul style="list-style-type: none"> <li>• If eligible, the employee can apply from the first day of covered employment or within 90 days from the last day of employment.</li> <li>• Employees on leave without pay have up to 24 consecutive months on leave without pay to apply for disability retirement; after 24 months, they are no longer eligible to apply.</li> <li>• Employees on active duty military leave can apply at any time while on military leave.</li> </ul>
<b>Virginia Sickness and Disability Program (VSDP)</b>	<ul style="list-style-type: none"> <li>• Employees remain eligible as long as they are covered and reported in an active status.</li> <li>• Employees on leave without pay are not eligible for short-term disability.</li> <li>• Employees on long-term disability remain on long-term disability, provided they continue to meet eligibility requirements.</li> <li>• A VSDP-participating employee on Temporary Workforce Reduction (TWFR) (whether in reduced hours or non-working status) who is receiving short-term disability benefits will continue to receive the full retirement contribution and service credit.</li> <li>• Employees receiving long-term disability benefits will receive service credit only.</li> <li>• VSDP Long-Term Care Plan participants remain covered in the active group provided they are reported to VRS in an active status, are reported on leave without pay or are on long-term disability. Members who have separated are eligible to retain coverage at their cost.</li> </ul>
<b>Virginia Local Disability Program (VLDP)</b>	<ul style="list-style-type: none"> <li>• Employees remain eligible as long as they are covered and reported in an active status.</li> <li>• Employees on leave without pay are not eligible for the benefit.</li> <li>• Employees covered under VLDP-comparable plans are eligible to apply for the benefit as long as they are not on leave without pay.</li> <li>• Employees on leave without pay are not eligible for short-term disability.</li> <li>• Employees on long-term disability remain on long-term disability, provided they continue to meet eligibility requirements.</li> <li>• VLDP Long Term Care participants remain covered in the active group provided they are reported to VRS in an active status, are reported as leave without pay or are on LTD. Members who have separated are eligible to retain coverage at their cost.</li> </ul>
<b>Return-to-Work Rules for Retirees</b>	<ul style="list-style-type: none"> <li>• VRS return-to-work rules remain in place for all retirees.</li> <li>• During the COVID-19 pandemic, employers may bring retirees back to work on a full-time basis to fill essential personnel positions, as defined by VRS. <a href="#">Contact your VRS employer representative</a> for more information.</li> </ul>
<b>Purchase of Prior Service Pre-Tax Agreements</b>	<ul style="list-style-type: none"> <li>• Pre-tax agreements may only be broken if the employee incurs a financial hardship due to an unforeseeable emergency. VRS does not determine what constitutes a hardship and employers should refer to <i>Code of Federal Regulations</i> 1.457-6(c) for the definition of “unforeseeable emergency.” The employer must notify VRS in writing of the hardship in order to cancel the agreement.</li> </ul>

### Resources:

- [VRS member handbooks](#)
- Understanding myVRS Navigator's Calculations and Business Rules:
  - [12-month employees](#) (See page 11 for an example of placing an employee on leave without pay.)
  - [Employees who work less than 12 months](#)
- [Instructions](#) for the Payroll Authorization Voluntary Contribution Exception form
- [Creditable Compensation Job Aid and Checklist](#)
- [Long Term Care programs](#)
- [Layoff information](#) from the Department of Human Resource Management

For additional questions about furloughs, layoffs or reduced hours and salaries, [contact your VRS Employer Representative](#).

**Note:** The COVID-19 rules and procedures listed in this job aid are effective beginning June 1, 2020. These rules are intended to be temporary and will end July 1, 2021, unless circumstances warrant an extension.