

May 20, 2009

Subject: FORMAL NOTICE: Furlough Implementation

To: All University Employees

From: Bernadette Gray-Little, Executive Vice Chancellor and Provost Richard Mann, Vice Chancellor for Finance and Administration

We are continuing to move forward with the planning and implementation of Governor Perdue's furlough program. Given the complexities and unique funding structure of University campuses, there have been many questions about how to implement the program. This notification is intended to provide some updates based on our understanding from various sources, including the Office of State Personnel, the Office of State Budget & Management and UNC General Administration. If we receive further clarification, later payrolls may be adjusted to reflect those changes.

The primary objective of the furlough is the reduction in pay to help balance the State's budget for the current fiscal year, which ends on June 30. The flexible furlough will be taken from current base pay, not including supplements, stipends or special one-time payments. Salary reductions will be taken before taxes are withheld, and will apply to all funding sources of the position. To the extent that positions are funded by trust funds, contracts and grants, F&A receipts or other trust funds, these non-state funds will revert to their original funding source. Only State funds will revert to the State.

*** The Flexible Furlough program applies to:

- Permanent part-time and full-time SPA and EPA non-faculty employees
- Faculty (9- and 12-month appointments, and temporary faculty)
- Faculty on Phased Retirement
- Post-doctoral Research Associates
- Employees holding an H1-B visa, if paid above the prevailing wage
- EPA temporary employees
- SPA temporary employees - pay will not be reduced, but departments must reduce each temp's work schedule by 10 hours between now and June 12 (prorated for part-time temps)

For SPA temporary employees who work intermittent schedules, departments should identify the average number of hours worked per week during the current fiscal year (July 2008 through April 2009) to determine the prorated portion of hours to reduce. For example, an employee who averages 20 hours per month and worked 10 months this fiscal year would have worked approximately 200 hours year to date. Take the 200 hours and multiply by .005 ($200 \times .005 = 1$) to determine the number of hours. In this example, the temporary employee would have their time reduced by a total of one hour. Departments will be responsible for tracking this reduction in hours.

*** The Flexible Furlough program does not apply to:

- Student employees (work/study, grad assistants and student workers)
- Post-doctoral trainees paid via stipend
- Employees on short-term disability
- Worker's Compensation wages
- Employees holding an H1-B visa, if paid at the mandated federal prevailing wage rate
- Overtime or premium pay
- Shift premiums, differential pay, military differential or law enforcement allowances
- Severance payments for laid-off employees
- Summer School pay paid on the Summer School Payroll
- Longevity pay
- Leave payouts

*** Payroll Impact

-- SPA Payroll - The following pay periods will have a reduction in pay: May 22, June 5 and June 19. For example, an SPA employee who earns \$25,000 will be subject to a \$125 reduction in gross earnings ($\$25,000 \times .005 = \125). The \$125 reduction will be spread over three pay periods, resulting in a \$41.66 reduction in gross earnings on May 22, June 5, and June 19. New hires and terminating employees will be subject to the full reduction, even if they do not work through all three pay periods. In those cases, the entire reduction will be taken in whatever pay period(s) the employee works in May and/or June.

-- EPA Payroll - The following pay periods will have a reduction in pay: May 31 (payday May 29) and June 30. For example, an EPA employee who earns \$42,000 will be subject to a \$210 reduction in gross earnings ($\$42,000 \times .005 = \210). The \$210 reduction will be spread over two pay periods, resulting in a \$105 reduction in gross earnings on May 31 and June 30. New hires and terminating employees will be subject to the full reduction, even if they do not work through all two pay periods. In those cases, the entire reduction will be taken in whatever pay period(s) the employee works in May and/or June.

-- Notations on E-paystubs - Paystubs are being updated to reflect the reduction in pay. You will see the wording Flexible Furlough Reduction on your paystub with the corresponding amount reduced from your check.

*** Benefits Impact

-- Retirement contributions - The furlough reduction will not reduce the pay on which retirement for TSERS and ORP contributions are calculated. Legislation has been passed to allow contributions on the full base pay amount. The University must pay both the employer as well as the employee contributions (on behalf of employees) to keep retirement contribution amounts whole.

*** Leave Impact

-- Permanent SPA and EPA Non-Faculty Employees - Full-time permanent employees will be granted 10 hours of paid flexible time off (prorated for part-time employees) that can be used beginning June 1, 2009, and which must be used by Dec. 31, 2009. The Time Information Management system is being updated to have this time loaded for permanent employees. Since pay is being reduced in May and June, flexible leave must be taken and recorded as paid time off. This time is not paid out in the event an employee leaves University employment or fails to use the flexible time by Dec. 31. Please make arrangements with your supervisor to schedule time off at a time that will not impact your work responsibilities.

-- EPA Temporary Employees - Employees in this group do not earn leave but are eligible to take up to 10 hours of paid flexible leave, even if there is no existing method for recording time. Please make arrangements with your supervisor to schedule time off at a time that will not impact your work responsibilities.

-- Faculty (9- and 12-month appointments) - Faculty members are eligible to take up to 10 hours of paid flexible leave. Instructional faculty may not take the 10 hours of flexible leave during a time that would cause classroom instruction to be canceled and are encouraged to use their flexible leave during the University's fall break.

-- Flex time in lieu of the University Closed Day (Dec. 31, 2009) - Flexible leave hours can be taken anytime between June 1 and Dec. 31, 2009. Employees are encouraged to consider saving enough hours to cover the University Closed Day on Thursday, Dec. 31.

-- Terminating Employees and Laid Off Employees - Permanent employees who terminate or are laid off prior to May 31 can begin using their paid flexible time off immediately. Since the TIM system will not be updated until June 1, please make arrangements with your supervisor to schedule and track these flexible hours.

Additional information will be provided if it becomes available. We appreciate your understanding as we work through the issues to comply with the Governor's Executive Order.

If you have any additional questions concerning the furlough reduction, please contact your department's HR Facilitator.

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