

**FINAL REPORT
FROM
JOINT STAFF ADVISORY COUNCILS
AD HOC COMMITTEE
ON PAID TIME OFF POLICY
AT VANDERBILT**

October 1, 1998

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The Joint Staff Advisory Councils *Ad hoc* Committee on Paid Time Off Policy at Vanderbilt

EXECUTIVE SUMMARY

Mission: The Committee was created at the request of University administration and consisted of members of the Executive Committees of the University and Medical Center Staff Advisory Councils. The Committee conducted abroad assessment of the current paid time off structure at Vanderbilt and examined ways to provide coverage for short-term disability to staff.

Analysis: The Committee reviewed the 1996 USAC Benefits Study, which described a need for improvement in short-term disability and number of holidays. The Committee identified a group of comparable employers, similar in industry, location, and/or size, and compared their policies to Vanderbilt's. From this examination and discussions with administration, the Committee identified several potential modifications to current policies and analyzed the advantages and disadvantages of each. These possibilities include:

- **Modification of the current benefit:** reduction of waiting period for long-term disability coverage from 6 to 3 months. Vanderbilt currently subsidizes cost of long-term disability insurance (LTDI) on the first \$24,000 of income, with a six-month waiting period before the staff member qualifies. Reducing the waiting period from six months to 90 days would increase the cost of LTDI, but it would make short-term disability insurance (STD I) more affordable. Changing to a 90-day waiting period would also more closely align Vanderbilt's benefit with that of the comparable employers.
- **Addition of a benefit:** insurance coverage for short-term disability. Vanderbilt does not offer STD I. All indications are that the high cost of STD I is a driving factor for omitting this benefit. Still, this benefit is provided by most comparable employers, and omission of a short-term disability benefit makes Vanderbilt less competitive in the marketplace and places staff members at financial risk.
- **Implementation of a "Sick Bank":** An attractive alternative to STD I is a "Sick Bank." Staff members could deposit sick time into a Sick Bank as a way to self-insure against disability. A Sick Bank has the potential

to provide a low-cost alternative to STDI with a relatively low administrative cost. A Sick Bank would meet a critical, and currently unfulfilled, need by providing a safety net in the event of short-term disability.

The best option from the staff members' perspective would be either a low- or no-cost STDI plan or a Sick Bank. From the overall perspective, a Sick Bank would be the preferred option for providing staff members with an affordable safety net.

Conversion to a single "paid time off" (PTO) policy. The Committee determined that no need exists to change the current structure of sick and vacation time to a PTO arrangement. A fair conversion of existing accrued time to a PTO structure would be difficult, because many staff members have "self-insured" with large blocks of sick time. PTO would be a radical change to the system and would likely cause a loss of total days earned annually. Converting existing sick time to PTO time could result in additional liability owed to staff members at termination of employment.

The Committee also recognized that a problem exists in enforcement of policy related to the day after Thanksgiving. Current enforcement is uneven from department to department. Departments which operate on that day have difficulty communicating with other departments, many of which are closed or are minimally operational. The current policy provides more of a problem statement than a solution.

Recommendations:

- **No conversion should be made to a PTO structure** from current sick/vacation policies, due to the success of the current system and difficulty in converting accrued leave.
- **A Sick Bank should be created** to provide a low cost mechanism to protect staff members in the event of short-term disability.
- Policies should be reviewed to determine a **standard method for handling the day after Thanksgiving across departments.**

October 1, 1998

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Mission and Overview

The Joint Staff Advisory Councils *Ad Hoc* Committee on Paid Time Off Policy at Vanderbilt (the "Committee") was called together at the suggestion of and in consultation with Ms. Darlene Lewis, Associate Vice Chancellor for Human Resource Services and at the recommendation of the University Benefits Committee and both the University Staff Advisory Council (USAC) and the Medical Center Staff Advisory Council (MCSAC).

The Committee viewed its mission to be conducting a broad assessment of the current paid time off (PTO) policies and procedures in place at Vanderbilt. In particular, the Committee conducted its evaluation based on the idea that changes were likely to be made in conjunction with the implementation of the new PeopleSoft software system currently underway. The Committee initially focused on PTO in the context of a move to a "cafeteria plan" for benefits, but removed its evaluation from that context after further discussion determined it was a separate issue.

The Committee first developed a comprehensive understanding of the policies and procedures currently in place at Vanderbilt. The Committee also gathered a critical mass of information from comparable employers to determine the strengths and weaknesses of Vanderbilt's current package. Finally, the Committee isolated strong points in the PTO packages offered by the other employers and determine ways in which Vanderbilt might be able to incorporate those aspects into its own program.

Background

Existing Policies and Procedures in Place at Vanderbilt

Vanderbilt has a variety of policies in place regarding subjects related to paid time off. The Committee first familiarized itself with these policies as they appear in the *Staff Handbook*. The *Staff Handbook* was last published in early 1994 and is now being updated on-line on the HR Internet site (<http://www.vanderbilt.edu/HRS/hrs.htm>). Many of the most relevant current policies are summarized in the Appendix.

It should be noted that faculty have different guidelines which specify their allowable absences. Therefore, these policies are for people in staff positions. It is also important to recognize that some areas, particularly those involving clinical activity, have implemented stricter policies in regard to attendance.

USAC Benefits Study (1996)

USAC convened an *Ad Hoc* Committee on Benefits during the 1995-96 year. This committee met concurrently with a review that was conducted in the Benefits Office. The committee made recommendations that focused on four areas of concern:

- Retirement: lower the minimum match level from 5% to a level more feasible to low income staff members; look into the possibility of providing post-retirement benefits, such as insurance, library access, and athletic event discounts, to retired staff members. (The minimum match has subsequently been lowered to 3%, effective July 1, 1998.)
- Short-term Disability: implement some sort of short-term disability insurance to bridge the gap until long-term disability insurance kicks in at six months; paid short-term disability is not provided for after vacation, sick, and holiday leaves are exhausted.
- Continuing Education: provide more opportunities to the staff for professional development.
- Holidays: Vanderbilt was found to be in the lower tier of comparable employers in terms of the number of holidays offered, based on the nine holidays available at the time of the survey.

Of these four areas, the current Committee judged the issues of short-term disability insurance and holidays to be within the scope of its investigation.

The status of short-term disability is unchanged since the previous committee reported; the number of holidays is essentially the same, although two "floating" holidays are being converted to personal days beginning in 1999.

Strong Points of Current Policy

There are a number of strong points in the current paid time off structure. These factors undoubtedly contribute to Vanderbilt's reputation of being an employer with a good overall benefits program. Some of these factors are listed below:

- Current bereavement and sick policies provide a broad interpretation of how the leave time may be taken.
- Current policy provides a good rate of accumulation of vacation time. By comparison to comparable employers, this appears to be particularly true for non-exempt staff members.
- The Committee is aware of no strong objections among staff members to the current system of vacation and sick leave. The current system seems to work for most people in this regard.

Shortcomings of Current Policy

The 1995-96 committee identified two areas with a bearing on PTO as problem areas: number of holidays and a lack of short-term disability insurance for staff members. One of the early activities of the PTO Committee was to revisit and discuss these earlier conclusions. The Committee also considered a number of other issues. A list of several areas discussed by the Committee follows:

- Poor coverage in the event of disability became the primary focus of the Committee. Most comparable employers reviewed by the Committee provide short-term disability insurance (STDI) for staff members, with waiting periods of a week to a month. After a period (usually 90 days), the staff member becomes eligible for long-term disability insurance (LTDI). By contrast, Vanderbilt provides no STDI coverage, and LTDI does not take effect until six months have passed.

- The Committee re-evaluated Vanderbilt's holiday policy and determined that no significant changes have been made since the previous survey, which found that Vanderbilt provides fewer holidays than comparable employers. The Committee did not perform any significant additional evaluation on the number of holidays provided.
- In many areas, the day after Thanksgiving has proved to be an issue. There is no uniform policy at Vanderbilt to address the complicated attendance issues around this day. In some departments this day is a mandatory day off, with staff members forced to take a vacation day or an unpaid day. In other areas, administrators or department heads grant a paid day off. There is no uniform treatment of this day across departments, and current policy is more of a problem statement than a policy statement. The change in holiday structure to create "personal days" appears to be aimed in part at addressing this shortcoming.
- Staff members receive conflicting signals from central administration and direct supervisors for use of vacation time. Administration has indicated intent to enforce the cap on vacation days and has told staff members to use days so that they do not exceed the cap mandated by policy. In many areas, though, staff members feel pressure from supervisors not to take time off, because no arrangement to cover their work exists when they are out of the office. In the meantime, supervisors have no incentive to help staff members achieve a reduction in vacation accrual, as there is no penalty to them or the department for non-compliance, and there is no incentive to achieve satisfactory results--the penalty is only borne by the staff member.

Review of Comparable Employers

A list of comparable employers which the Committee reviewed is provided in Table 1. These employers were considered comparable due to one or a combination of several factors: similar industry (education or health care), number of staff members, and location. Information was acquired through a number of channels, including review of printed information provided to staff members, discussion with appropriate officials at the company, and Internet search.

Table 1: Comparable Employers Reviewed by the Committee

Universities

Auburn University

Belmont University

Central Michigan University

David Lipscomb University

Duke University

Emory University

Evergreen State College

Harvard University

Idaho University

Indiana University

Iowa University

Mansfield University

Mercer University

New York University

Northwestern University

Notre Dame University

Rollins University

Stanford University

Swarthmore College

University of Michigan

University of Pennsylvania

University of Richmond

Other Employers

ADE Corp.

Aladdin Corp.

Baptist Hospital

Bell South Corp.

Clarian Health Corp.

Deloitte & Touche

Dialogic Corp.

Fletcher Allen Health Care

Great Lakes Higher Education

Magee Women's Hospital

Metro Nashville Government

Plantronics, Inc.

Space Applications Corp.

Saint Thomas Hospital

State of Tennessee

Options Reviewed by the Committee

The Committee discussed a number of changes to current policies and procedures related to paid time off. While some of the changes could be either freestanding or made in conjunction with others, each area is analyzed individually below. Advantages to the staff member and the University, as well as disadvantages to each, have been identified. The Committee then provides further analysis of the proposal. Finally, in the Recommendations section, the Committee considers how some of the proposals might interact with each other.

Revision of Long-Term Disability Insurance

Vanderbilt currently provides to its staff a mandatory long-term disability insurance program. The University pays for insurance on the first \$24,000 in annual income, while staff members pay the full cost of coverage above this amount. In the event of an extended absence, the staff member becomes eligible for consideration for disability payments after six months of continuous absence from work. The Committee examined decreasing the eligibility waiting period from six months to three months, as one way to reduce staff members' exposure to long-term, catastrophic illnesses.

Advantages to the Staff Member:

Currently, staff members have a large exposure to potential loss of income due to disability. Table 2 offers a graphic example of this exposure. Based on current accrual rates, an exempt staff member would have to work for about four and a half years without taking a day off to accumulate enough sick and vacation time to avoid a loss of salary. With the planned increase in enforcement of the cap on vacation accrual, that time would be extended to over seven years. A non-exempt staff member would have to work over five years (or almost eight years with enforced vacation caps) to accrue this same amount of leave time.

The time periods and dollar figures in Table 2 assume that the staff member will take no sick or vacation days in this time period--obviously not a reasonable assumption in practice. Most staff members must be at Vanderbilt for at least 10 years to even approach a level of full protection against short-term disability. By reducing the waiting period for LTDI from six months to three months (90 days), even if no other changes are made, Vanderbilt would make a significant step in protecting its staff members against catastrophic illness.

Table 2: Minimum Unpaid Days Prior to Long-Term Disability Coverage

Year of Employment

**Exempt Staff
Members**

	1st	2nd	3rd	4th	5th	6th	7th	8th
Maximum Sick Accrual	12	24	36	48	60	72	84	96
Maximum Vacation Accrual (no Cap)	15	30	45	60	75	95	115	135
Total Unpaid Days for LTD *	99	72	45	18	N/A	N/A	N/A	N/A
Lost Salary for \$42,000 Staff Member	15,992	11,631	7,269	2,908	N/A	N/A	N/A	N/A
Max. Vacation Accrual (with Cap)	15	30	30	30	30	40	40	40
Total Unpaid Days for LTD w/Cap*	99	72	60	48	36	14	2	N/A
Lost Salary for \$42,000 Staff Member	15,992	11,631	9,692	7,754	5,815	2,262	323	N/A

**Non-Exempt Staff
Members**

Maximum Sick	12	24	36	48	60	72	84	96
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Accrual

Maximum Vacation Accrual (no Cap)	10	21	33	46	60	75	91	108
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Total Unpaid Days for LTD *	104	81	57	32	6	N/A	N/A	N/A
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Lost Salary for \$24,000 Staff Member	9,600	7,477	5,262	2,954	554	N/A	N/A	N/A
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Max. Vacation Accrual (with Cap)	10	21	24	26	28	30	32	34
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Total Unpaid Days for LTD w/Cap*	104	81	66	52	38	24	10	N/A
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Lost Salary for \$24,000 Staff Member	9,600	7,477	6,092	4,800	3,508	2,215	923	N/A
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* Based on 260 working days per year, or 130 per 6 months, with an average of 4 holidays available to staff member (total of 126 working days prior to beginning of long-term disability coverage). Maximum accumulation is based on number of days available at end of that year.

Advantages to the University:

Vanderbilt participates in a competitive marketplace. Most of the firms and organizations which the Committee surveyed offer LTDI as a benefit to their staff members. These firms almost uniformly offer LTDI with a 90 day waiting period, rather than a six-month waiting period. A primary benefit to Vanderbilt if this change is made would be increased competitiveness in the marketplace.

An additional benefit to Vanderbilt would be a decrease in the cost of any STDI package that might be implemented. As will be discussed later in this report, the University has long considered STDI to be prohibitively expensive.

Disadvantages:

The current LTDI plan is paid partially by the University (first \$24,000 in income) and partially by the staff member (income above \$24,000). Reducing the waiting period for LTDI would result in additional cost, and the increase could be significant. If the current payment arrangement is maintained, this cost would be shared by the University and the staff member.

Analysis:

The Committee is aware that pregnancy becomes a cost issue if the waiting period is reduced to three months. The Committee was informed, however, that while State law allows a 17-week absence for pregnancy and recovery, insurance could be structured to only cover a true "disability." If the plan were structured to ensure it was not used for recovery from routine pregnancy and childbirth, but only in cases of medical necessity, the cost impact of a three-month waiting period should be reduced.

The Committee studied this option knowing it would result in additional expense for LTDI. The Committee also examined STDI as an option. The initial idea was that while the cost of the LTDI policy would go up, the decrease in the cost of the STDI policy resulting from a shorter coverage period might offset the increased cost of LTDI. In theory, the overall cost of the two programs might even be reduced.

For example, if current cost per employee for LTDI is \$7, and a contemplated STDI program would cost \$43, total cost would be \$50. If by changing the break point from 6 months to 90 days, the STDI cost drops to \$25, total costs would be reduced even if cost of LTDI triples to \$21 (total cost of \$46). Because most of the employers reviewed by the Committee have the break point at 90 days, it seems reasonable to surmise that there may be a cost advantage. The cost information received by the Committee was inconclusive in this regard (due to no data on the impact on existing LTDI rates), but the total cost of the two programs at different transition points should be compared if the addition of STDI is contemplated by the University.

Even if the University is not considering STDI or other short-term disability options, a reduction in the LTDI waiting period is worth consideration. The significant exposure of the staff member to loss of income from short- and long-term disability under the current policy has been discussed, and cutting the waiting period would greatly reduce this risk. The cost of the LTDI plan would certainly go up, and the Committee has not obtained a cost estimate of the magnitude of this change. However, the increased competitiveness of the University might make up for the increased cost.

Implementation of Short-Term Disability Insurance

The lack of a short-term disability insurance (STDI) policy for University staff members was a significant concern to the Committee. Many comparable employers examined by the Committee offer some sort of STDI to staff members, meaning that the University is at a competitive disadvantage in recruiting and retaining staff members. Therefore, the Committee devoted a significant amount of time to examining the viability of offering STDI as either an optional or mandatory program for staff members.

Advantages to the Staff Member:

Under the current structure, there is no STDI option available to staff members. A staff member who is forced to be absent for an extended period for medical reasons must wait six months before they qualify for any sort of disability payment. Table 2 in the LTDI section above reviewed the risk exposure that staff members face as a result. Addition of a STDI policy would substantially alleviate this risk exposure for staff members.

Advantages to the University:

Addition of a STDI benefit for staff members would be a significant improvement in the overall benefit package. STDI is a benefit offered by many of the competing employers, and Vanderbilt is at a disadvantage in this regard when competing with these companies to recruit and retain staff members. The Committee believes that a well-conceived STDI program would be an aid in recruiting and retaining staff members.

Disadvantages:

Quotes received by Vanderbilt in previous explorations of a STDI option or requirement have indicated that the expense incurred in such a plan would be significant. Vanderbilt has, in fact, judged these quotes to be prohibitive in the past. Reducing the coverage period from six months to 90 days would lower the cost, but would raise the cost of the long-term disability insurance package.

The Committee was able to gather some rough cost data through a group insurance provider, based on partial data which is publicly available. The cost data is presented in Table 3. More complete information is available in the Appendix.

As would be expected, costs increase with a shorter waiting period and a longer coverage period. In terms of cost per employee covered, the most expensive plan is one with a seven-day waiting period and six months of coverage (\$69.89 per employee). The least expensive plan is one with a thirty-day waiting period and three months of coverage (\$25.01). In terms of cost per employee per covered week, the most expensive plan is the 7-day/3-month plan (\$3.74 per employee per covered week), and the least expensive plan is the 30-day/6-month plan (\$1.94). This cost structure makes sense, given that the early weeks of coverage would have higher utilization than the later weeks.

Table 3: Monthly Cost Comparison of Various STDI Programs

<u>Start Date</u>	<u>Duration</u>	<u>Total Cost</u>	<u>Cost per Employee</u>	<u>Cost per Employee per Covered Week</u>
7 days	25 weeks	\$663,393.45	\$69.89	\$2.80

7 days	12 weeks	\$425,968.42	\$44.88	\$3.74
14 days	24 weeks	\$586,579.47	\$61.80	\$2.58
14 days	11 weeks	\$356,137.53	\$37.52	\$3.41
30 days	22 weeks	\$405,019.16	\$42.67	\$1.94
30 days	9 weeks	\$237,425.02	\$25.01	\$2.78

Cost data provided by UNUM for Northwestern Mutual Life. Based on 9,492 employees, average age of 35 years, and average annual income of \$24,000. These figures are estimates or are based on publicly available information. Cost figures are estimates only, based on the above assumptions. Additional details presented in the Appendix.

Analysis:

Providing a safety net for staff members who encounter short-term and long-term disabilities would be a significant improvement in the overall structure of the benefits package. A short-term disability insurance program is a well-established mechanism for doing so. Previous estimates from insurers of the cost of such a program have been determined by the University to be prohibitively expensive, as discussed above. Factors which affect the cost of an Institutional STD program include coverage period, waiting period, and age, gender, and income distribution of the individuals covered. Institutional sick and vacation policies also play a part, as does whether the plan is mandatory or voluntary.

Most of the competing employers examined by the Committee established the break between short-term and long-term periods not at six months, but at three months. The Committee recognized this pattern and examined the effect of changing the coverage period, as well as the waiting period for STD. Because of incomplete data on the change in cost of LTD, the Committee was not able to prepare a complete analysis of overall cost, but there is a

significant savings in the cost of STDI (36-41%) for a 90 day coverage period, as compared to a 6 month period.

While the cost of STDI would be significant to the University, the cost would also be significant to the staff members. If such a plan were not mandatory, it would likely become more expensive, and the people who need it most--the paycheck to paycheck staff members--would be the most likely to waive out. The situation is not unlike that of the retirement program, in that the cost would be high and the benefits not fully realized by all staff members. In the case of the retirement program, this problem has recently been resolved by making the program mandatory for all staff (except for a very small minority--less than 1%--who met certain conditions and were allowed to waive out). The Committee believes that the University should give strong consideration to making STDI mandatory if it is implemented.

Implementation of a "Sick Bank"

The State of Tennessee currently has in place a voluntary program known as the Tennessee State Employee Sick Leave Bank (the "State Sick Bank"). The State Sick Bank is in essence a self-insurance program for eligible State employees. By depositing three sick days after meeting eligibility requirements, employees become eligible to take time from the State Sick Bank in the event of a short-term disability. Contributions are non-refundable, and membership is non-transferable. One condition not covered by the State Sick Bank is pregnancy.

An oversight committee reviews claims to see if they meet the proper criteria. The program allows the oversight committee to charge additional days against members' sick accrual to support days paid out. To date, no additional assessment has been needed, as the one-time contributions have kept the program solvent. (A more complete description of the State Sick Bank is provided in the Appendix.)

Advantages to the Staff Member:

A Sick Bank performs the function of STDI, providing to the staff member insurance against a short-term disability. As discussed in some length in previous sections, this protection is a critical benefit to the staff member.

Advantages to the University:

First and foremost, a Sick Bank appears to be a way for Vanderbilt to emulate the features of STDI at a significantly lower cost. By using a Sick Bank, Vanderbilt could in essence self-insure for short-term disability.

Disadvantages:

To the staff member, the primary disadvantage of a Sick Bank is the loss of any time contributed to the Bank. From the Committee's investigations, it appears that any such contribution would be minimal, and the Committee perceives that the loss of a small number of sick days would not have a significant impact on the large majority of staff members.

To the University, there may be significant disadvantages, at least in comparison to the status quo. These disadvantages primarily focus on the problems of administering a plan. Several issues were discussed by the Committee in this regard.

First, there would need to be dedicated administrative support for a Sick Bank. This might involve hiring one or more staff members to be specifically involved in the program, or it could require a shift in duties among existing positions. The program would also need to be monitored by medical personnel, possibly Occupational Health.

Second, a committee would need to be appointed to evaluate claims, similar to the Staff/Faculty Hardship Fund Committee. For those on this committee, which might include representatives for medical issues, HR policy, internal audit, and the lay community, service would likely be a significant and recurring commitment of time.

Third, confidentiality is critical both ethically and financially in dealing with the issues involved in the evaluations. Short-term disability may involve such

sensitive issues as AIDS or other highly personal details, and the University and the committee reviewing claims must treat these issues with respect.

A final disadvantage, affecting both staff members and the University, is the difficulty in getting staff members to join a non-mandatory plan. The Committee has been told that the State plan has an enrollment rate that may be as low as 25%. While the Committee would expect enrollment to be higher at Vanderbilt, there would still likely be a number of staff members who would not enroll in a voluntary program.

Analysis:

Notwithstanding the disadvantages discussed above, the concept of a Sick Bank appears to have significant merit and would be a low-cost alternative to meeting a vital need of the staff members. While the costs of administering such a program are not insignificant, the cost compared to STDI should be minor.

One possibility which would reduce the administrative and confidentiality burdens for Vanderbilt would be a hybrid structure, in which Vanderbilt, through an established insurance carrier, provides a policy with a nominal benefit (perhaps \$50/month benefit) for the staff members. The carrier could then serve as a third-party administrator (TPA) and make disability determinations, which could then be adopted by those managing the Sick Bank if they so desired. Thus, each of the three disadvantages to Vanderbilt could be ameliorated to some degree. The Committee did have some reservations about hiring a TPA, as it may leave room for manipulation or perceived manipulation of the system if not carefully constructed.

As discussed above, the State plan is voluntary. The Committee has also noted that some form of coverage for staff members is truly a necessity. If a Sick Bank is the mechanism of choice for meeting this need, the Committee recommends that the University consider making the program mandatory.

The Committee considered how a Sick Bank would be implemented, and determined that a voluntary plan and a mandatory plan would entail different requirements in several areas. Table 4 provides an example of how the plans might be treated. The information contained in the table is, of course, only an example.

Table 4: Example of Mandatory and Voluntary Sick Banks

<u>Issue</u>	<u>Mandatory Sick Bank</u>	<u>Voluntary Sick Bank</u>
Waiting period for eligibility	3 years	1 year with 1250 hours
Type of employment	Regular full or part-time	Regular full or part-time
Method for enrollment	Contribution of 3 days by reducing sick accrual in first 3 years by one day per year	Contribution of 3 days from sick accrual or reduction of future sick accrual
Minimum sick days accrued prior to enrollment	None--mandatory	8 days
Enrollment period	None--automatic	Open enrollment
Refundable or transferable	No	No

- Waiting period: Under a voluntary plan, the Committee would suggest a waiting period similar to that for other benefits. The identified period is

the one in place for FMLA eligibility, which seemed like a reasonable comparison.

- With a mandatory plan, the Committee devised a plan by which enrollment would be completed through a reduction of one day in sick leave accrual during the first three years of employment. Thus, enrollment would be automatic after three years of employment. Existing staff members could be given the option to "waive out" as with the recent changes to the retirement plan, or they could join immediately or through a similar reduction in accrual.
- Type of employment: Regular full and part-time staff members would be eligible after completing the waiting period; term employees would not be eligible.
- Method for enrollment: Under the voluntary plan, staff members who had reached the minimum accrual level and had completed the waiting period would be eligible to enroll by contributing three days of sick time. (The State plan requires a three day contribution, and the Committee believes this number of days may be sufficient at Vanderbilt, in spite of the smaller number of employees at Vanderbilt and the longer duration of benefits, compared to 90 days at the State. Further analysis would be needed.)
- Under the mandatory plan, sick accrual for new staff members would be reduced to 11 days from 12 days during the first three years of employment (for full-time staff members). After three years of employment, enrollment in the plan would be automatic. A slightly modified plan could be devised for part-time employees, or they could be assessed a full day in each year and join in the same way.
- Minimum days accrued to enroll: In the voluntary program, eight days of accumulated sick leave would be required to join. In this way, the staff member would retain the five days of sick leave for shorter term illnesses, even after contributing the time.
- In the mandatory program, since the deduction is automatic, there would be no minimum accrual required.
- Enrollment period: A voluntary program could be included in open enrollment, or could be made available at specified times during the year.

- A mandatory program would not need an enrollment period, as the staff member would automatically become a member after completing three years of employment.
 - Refundability/transferability: Both programs would be non-refundable and non-transferable to keep costs down and avoid abuse.
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Conversion to a Paid Time Off Structure

The Committee's initial discussion of change to the existing policy was focused on a change to a Paid Time Off (PTO) structure from the current, separate sick and vacation accrual. In short, where staff members currently accrue days for use as vacation and separately accrue days for sick leave, a PTO structure would provide a single accrual which would be used for both types of absence. A review of companies which have changed from separate sick and vacation pools to a single PTO accrual indicated that the total number of days earned by the staff member was generally reduced after the change.

Advantages to the Staff Member:

Staff members who currently do not make use of all of their annually accrued sick days might be able to take more vacation or personal time each year under the new system. The Committee perceives that the majority of staff members use fewer than the maximum of twelve days per year, though exact utilization figures are not available at the University level. (A minority uses all sick days almost as they are accumulated, due to chronic illness or other factors, and this group would suffer--see "Disadvantages.") If a reduction in total PTO days is less than the median number of unused sick days, then the majority of staff members would have additional time for leave other than sick leave. At many companies using PTO, employees can sell back unused PTO time.

Advantages to the University:

Vanderbilt is concerned about abuse of sick time and the need to make determinations about the validity of claims for sick time. Implementing PTO removes the "parent-child" relationship that can exist in making such evaluations, because a PTO day could be used as either a sick or vacation day without the need for further explanation (within the context of any utilization rules that are established).

It is also possible that PTO could result in more streamlined administration at the central and departmental levels. If PTO were implemented as a true substitute for existing and future vacation and sick leave, there would only be one accrual figure to keep up with instead of two.

Disadvantages:

It would be very difficult to convert the existing accruals of sick and vacation time to a single PTO accrual. Vacation time is currently a liability for the University, as staff members are paid for any unused vacation time when they leave the University. By contrast, sick time is not perceived to be a real liability to the University, as it is only paid as needed during employment. Sick leave is not paid out at the time of departure unless the staff member is of retirement age, and is then limited to 30 days. Only a small percentage of staff members leave Vanderbilt at retirement age, meaning that very few staff members ever draw from their sick accrual in this way.

Any attempt to convert the two accruals to one appears to be a lose-lose situation, with the University taking on additional liability and the staff member experiencing a loss of time accrued through service to the University. Of special concern would be staff members with long tenure at the University who have accrued large amounts of sick time as a safety net in case of extended illness.

A subset of the staff members who currently use all or almost all of their sick time would also lose under a change to the PTO structure. The Committee's appraisal was that while some staff members might view sick time as an entitlement, there was a significant group who used the bulk of their sick time due to legitimate medical needs. In essence, this group would lose vacation time if sick and vacation time were combined into a single pool.

Without an improved disability program, PTO could make it more difficult for staff members to take accumulated time needed for a paid, extended, medical leave.

Finally, implementation of PTO would represent a significant change in the way staff members accrue leave. The change may not fit the corporate culture which has developed at Vanderbilt, and it would likely be met with significant resistance.

Analysis:

Implementation of PTO would create a number of related problems. A few of these are detailed above in the "Disadvantages" section. Also, PTO should not be implemented without changing the policy on maximum accruals or providing for long-term absences in another way. Doing so would mean that staff members would be limited in their ability to "self-insure" for disability.

All things considered, the Committee felt that PTO was not a change for which the staff members currently feel a need. As implementation presented a substantial set of obstacles, the Committee saw little benefit in pursuing this change.

Day After Thanksgiving

Treatment of the day after Thanksgiving from one department to another is highly disparate. A few supervisors close departments and provide administrative leave. Others close departments and require staff members to take vacation or unpaid leave. Still others make alternative arrangements for those who wish to work.

Those staff who work in offices which do not close on the day after Thanksgiving have difficulty in completing tasks that require interaction outside their department, since many other offices are closed. One of the most ironic situations is that one of the VU Child Care Centers is closed on the Friday after Thanksgiving. Staff members who work that day are forced to make alternative child care arrangements for that Friday.

The requirement in some departments for a staff member to take a vacation day on this day also presents a technical problem. Vacation can only be taken for a day available to be worked. Therefore, if the department is closed, use of a vacation day for exempt staff cannot be required. By contrast, non-exempt staff would not be paid for hours not worked unless they use vacation time. This situation thus creates an equity problem across departments, as some departments close and others do not, and also results in disparate treatment of exempt and non-exempt staff.

Advantages to the Staff Member:

Development of a uniform policy relating to operations on the day after Thanksgiving would remove a significant problem for many staff members. If staff members knew what departments and services would be available, they could plan better for their own jobs. Such a policy would also go a long way to eliminating uncertainty about whether the staff member needs to come in to work.

Advantages to the University:

In this case, the benefits to the University are similar to those for the staff member. A stated policy relating to the day after Thanksgiving would allow the University to be more productive. It would also eliminate equity problems across departments and classes of employees.

Disadvantages:

Clearly political issues exist, because different departments have very different operating requirements for this day. Adding a holiday for staff members does not appear practical based on information the Committee has received, but any resolution other than a holiday or a discontinuance in allowing offices to close creates an imbalance among Departments.

Analysis:

The Committee recognizes this issue is complex, but we also recognize that it is important. The Committee feels that the University should perform a more detailed analysis of which services are most essential on this day and devise a policy and action plan to remove the departmental administrative inconsistencies across the University. The adoption of personal days is a partial solution, but it does not address all of the issues.

Recommendations of the Committee

The greatest benefit to the staff members of Vanderbilt would most likely come from the implementation of a University-paid STDI program with a short waiting period. There are a number of drawbacks (most notably cost) to this concept. The Committee believes the University is aware of these issues, as such a program has not been implemented. However, a STDI program would resolve a critical issue for the staff members by providing coverage over the sometimes very long period between the depletion of sick and vacation time and the beginning of long-term disability eligibility.

The Committee believes that the best option from the overall University/staff member perspective is a Sick Bank program. The cost of implementing a Sick Bank should be substantially lower than the cost of an STDI program within the current structure. The Committee considered both a mandatory plan and a voluntary plan and believes that if a Sick Bank is to be adopted, a mandatory plan with a staggered contribution and an eligibility wait would be the preferred design. Some staff members undoubtedly would not like a mandatory program, but the fact that the cost of the program is not a recurring out-of-pocket expense should minimize complaints.

If neither a Sick Bank nor a University-paid STDI program is feasible, the Committee believes that an STDI program subsidized to a large degree by the University is necessary. The Committee believes that the group most in need of STDI is the lower paid staff member with limited sick and vacation time available--those who can least afford an extended absence. If STDI were mandatory and paid by the staff member, the cost would be prohibitive for this group. If STDI were voluntary, this group would likely choose to forgo the expense. A possible solution would be a system similar to the one currently in place for the mandatory LTDI program, in which the University subsidizes the major portion of the cost for a stated salary level.

The Committee sees no significant problems with the current sick and vacation time structure and no reason to change to a single PTO accrual. The current system works for most staff members in this regard. Changing from the current system to a PTO structure would present some significant issues for which the Committee has found no easy solution.

Finally, the Committee believes that the University must provide a mechanism to provide consistent treatment of the day after Thanksgiving across departments. Ideally, the day would be an additional holiday, but the Committee is aware that the University is reluctant to add a new holiday.

Conclusion

The members of the Committee wish to thank the University, and in particular Ms. Lewis, for including us in the evaluation process. We recognize our roles as members of the Staff Advisory Councils; we are not chartered to mandate policy, but to offer our advice where the Councils feel it should be offered.

Please know that our analysis and our suggestions are well thought out and thoroughly researched. While we are elected representatives and spokespersons for the staff in the University and Medical Center, we have attempted to provide an analysis of both sides of the issues contained in this report.

The Committee realizes the importance of the issues contained within this report to the staff members of Vanderbilt. We would like to meet with appropriate members of the Human Resources Department and Vanderbilt administration to discuss our findings. The Committee is also willing to continue its participation in this project as needed.

Much of the data on demographics and utilization of paid time off was not available to the Committee from the DBS system; we expect that with implementation of PeopleSoft, better information for use in further analyses will be available. Based on various discussions with Ms. Lewis and other administrative officials at Vanderbilt, the Committee believes we are on the right track in terms of the relative cost of the various programs.

To summarize our findings:

- The gap between the end of accrued paid leave time and the availability of disability insurance is a major problem. Some method to bridge this gap is critical and would be a benefit both to the staff members of the Institution and to the Institution itself, as it attempts to compete for the best staff members. STDI is an important benefit offered by most comparable large employers, and the lack of STDI or a comparable program puts Vanderbilt at a competitive disadvantage. Short-term disability coverage should be provided to all staff members, whether by a Sick Bank plan, STDI insurance, or other means.
- The current sick and vacation structure is not a problem, and the Committee recommends no change.
- Adopting the day after Thanksgiving as a holiday would solve two problems: a comparative lack of paid holidays, and inconsistent mechanisms across the University for operating on that day. If it is not adopted as a holiday, departments which elect to close, and not their staff members, should bear the cost.

APPENDIX

MEMBERSHIP OF THE COMMITTEE

Members of the Committee included representatives of the University Staff Advisory Council Executive Committee and of the Medical Center Staff Advisory Council Executive Committee:

University Staff Advisory Council Representatives:

Chair: Jeannie Rice (Past President)

James Taylor (President, 1997-98)

Ginny Featherston (President, 1998-99)

Terrie Spetalnick (Vice President/President-Elect, 1998-99; and Liaison to University Benefits Committee)

Sue Davis

Brenda McKee

Pat Myatt

Sandy Winters

Medical Center Staff Advisory Council Representatives:

Kathy Higginbotham (President, 1997-98)

Ward Cullum (President, 1998-99)

REVIEW OF CURRENT PTO POLICIES

- Vacation time: Exempt staff members receive 15 days per year for the first five years of employment, then 20 days per year thereafter. Non-exempt staff members receive 10 days in the first year, 11 in the second, and increasing by one day per year to a maximum of 20 days per year. Certain senior staff positions accumulate at 22 days per year. Accrual is capped at twice the annual accumulation rate (i.e., 40 day maximum for most senior staff members). The cap has not been enforced in the past at a University level, but will begin to be enforced in July 2000 by "turning off" additional accrual for a staff member while they are at or above the cap. Accumulated vacation time is paid out to a staff member leaving Vanderbilt if they have completed six months of employment.
- Sick time: All staff members receive one day per month in sick time, regardless of length of service. There is no cap to sick time accrual. Sick time, if available, may be used to replace regularly scheduled work hours for personal illness or scheduled medical or dental appointments. It can also be used for care of a spouse, parent, or child who is ill or injured, attending a local scheduled medical or dental appointment, or

hospitalized. Finally, sick time can be used for pregnancy and post-pregnancy recovery, care of a wife who is disabled due to pregnancy or post-pregnancy, or adoption of a child with serious medical problems. Sick time may not be used for the care of a healthy newborn, adopted, or foster child by a healthy parent. Unpaid time may not be used in lieu of available sick time. Accumulated sick time is not paid out upon departure from Vanderbilt, unless the staff member is retiring at age 62 or greater, in which case accumulation up to 30 days is paid out.

- Holidays and personal days: Vanderbilt provides seven holidays and two personal days for all staff members each year. Holidays covered are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas Eve, and Christmas. The Friday after Thanksgiving is not a holiday, but in many cases operating units are closed on this day. Staff members in these units may use a vacation day or a personal day or may take the day without pay. Other religious holidays may be celebrated through the use of a vacation day, a personal day, an unused holiday within the past 60 days, or an unpaid day.
- The two personal days will replace what were formally holidays-- birthday and President's Day/Martin Luther King, Jr., Day--beginning in 1999. Staff members who commence employment after the beginning of the year will receive zero or one personal day that year. Personal days will not carry forward beyond the calendar year.
- Jury duty: An staff member called for jury duty is eligible to receive their regular paycheck while serving on jury duty. The supervisor should ask the staff member to turn in their check for jury service to Vanderbilt if they are paid for the time they served on jury duty.
- Bereavement: Up to three days may be taken due to a death in the staff member's family, defined as spouse, mother, father, son, daughter, mother-in-law, father-in-law, sister, brother, grandparent, or grandchild.
- Other types of leaves: Vanderbilt provides for various other types of leaves, which the Committee acknowledges but does not believe need individual detailed discussion. These include Family Medical Leave Act (FMLA), other medical leave, other personal leave, administrative leave, maternity leave, and military leave. Most of these leaves allow or require the use of vacation time during the leave before unpaid status begins. Medical-oriented leaves generally allow use of sick time, then vacation

time, during the absence. Depending on the length of the leave, the staff member may be eligible to return either to their current job or to other employment at Vanderbilt with accumulated seniority. A new bridging policy to take effect on July 1, 1998 will also allow staff to leave Vanderbilt for up to a year and return with many accumulated benefits intact.

- Long-term disability: Vanderbilt provides insurance coverage for long-term disability. Under the current long-term disability program, disability payments of 60 percent of income may begin, if the staff member qualifies, beginning 6 months after the initial absence. The current program is operated in conjunction with the Social Security disability program, which also can become effective after 6 months. Vanderbilt pays for coverage on the first \$24,000 of income. More highly paid staff members pay the policy cost based on a percentage of their income above that level.

ADDITIONAL APPENDIX MATERIAL

Description of Tennessee Sick Bank

Northwestern Mutual Life information related to short-term disability insurance