

## Hunt, Jason

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**From:** Brisky, Lauren  
**Sent:** Monday, November 17, 2008 1:40 PM  
**To:** Hunt, Jason; Smith, Sharon  
**Cc:** Fife, Jerry G; Coleman, Lenon J; Bruce, Jane  
**Subject:** Benefits Suggestions from Staff Councils

To: Jason Hunt, President, University Staff Advisory Council  
Sharon Smith, President, Medical Center Staff Advisory Council

Recently, the staff councils of the University and the Medical Center shared with the administration several suggestions they thought might be of interest to the University in the area of employee benefits. As Vanderbilt is continually examining opportunities where it might affordably provide new or improved benefits for its employees, I appreciate the time and consideration members of both staff councils have given to the following suggestions:

- *Bereavement leave* – extend bereavement leave from 3 to 5 days
- *Retiree health benefits* – add retiree health benefits for persons wanting to retire prior to age 65
- *A staff “sick bank”* – create a program to allow staff to donate and apply for use of sick time when individual benefits are exhausted
- *Paid time off (PTO) program* – replace the current vacation, sick, personal, and holiday time benefits with a singular time off program
- *Short term disability options* – review the short term disability options made available to staff

Each of these suggestions was given careful consideration and the following questions were considered.

- 1) What are national universities with academic medical centers doing in this regard;
- 2) What are universities or health care providers in Davidson County doing in this regard; and
- 3) What are the costs, benefits, and outcomes of such a change at Vanderbilt, taking into account past studies of identical or similar programs.

I write to provide you a brief summary of the findings regarding each item along with our conclusions.

### **Selected Benefit Programs**

- I. Bereavement Leave. The estimated cost of this benefit totaled approximately \$2.4 million in 2006. Adding two additional bereavement days totals approximately \$1.45 million in additional costs. Our survey indicates approximately 70 % of the surveyed employers offer up to 3 days of paid leave for bereavement.
- II. Retiree Health Benefits. The suggestion of retiree health benefits was clarified by the MCSAC; the area of interest was for those individuals wanting to retire prior to age 65. In 2001, Vanderbilt commissioned a study to determine the cost of providing such an offering. The direct expense to the institution for any of several models ranged from just under \$1 million dollars to over \$33 million. The

increasing cost of this coverage has prevented further consideration of the institution's provision of this benefit through its own health care offering.

Coalition-based offerings are emerging in the marketplace. We reviewed the Emeriti program; the offering by TIAA-CREF has not been finalized. Conservative estimates for such a program estimate costs beginning at just over \$1 million per year resulting in an average monthly premium cost of \$525 per individual. These estimates do not include institutional costs for plan administration.

Another consideration would be to provide a partial solution for retiree health care cost by establishing a program to help save for future expenses. Programs based on Health Savings Accounts authorized by Congress in 2004 were also considered. However, the regulations creating these accounts do not allow for payment of employment-based retiree health insurance premiums until the individual has reached 65. Statutory contribution limits also make it unlikely that these accounts will play a large part in savings for health care costs in retirement.

We are currently investigating the possibility of a Vanderbilt facilitated employee-paid program for retirees.

- III. Sick Bank. The MCSAC suggested a sick bank as an addition to sick leave accruals and the short term disability (STD) program that are currently available to staff.

Currently Vanderbilt offers a traditional accrual of one sick day per month, without limit, as a method to replace regularly scheduled work hours when work time is missed due to illness, medical appointments or to care for eligible family members. Pay out of sick time replaces 100% of the equivalent work time for as much as six months (bridging what would otherwise be an unpaid period) to a long-term disability insurance income benefit.

It may be assumed that the pooled days will all be used eventually; whereas, with no bank they may or may not be taken. This additional usage has been estimated at a cost to Vanderbilt of more than \$7.6 million (excluding plan administration costs) if each staff member who currently holds as much as 6 days of sick accrual participated and contributed three days.

Most employers do not offer both a short time disability plan and sick bank because the presence of a sick bank results in decreased participation and increased costs in a short-term disability plan.

- IV. Paid Time Off (PTO) Program. The Medical Center Staff Council suggested that the University might want to consider a Paid Time Off (PTO) program in lieu of the current accruals of vacation, sick, personal and holiday time. A PTO is an employee benefit program allowing scheduled time away from work to be paid from an accumulated pool rather than specific use tied to vacation, sick, holiday or other time accruals.

Currently, Vanderbilt staff members receive between 10 to 20 vacation days, 12 sick days, 2 personal days and 7 holidays for a maximum of 41 days annually.

While staff members view PTO as offering more flexibility for their elections of time off, studies have shown that most PTO plans transition into reduced total days. Additionally, sick accruals are not booked as a liability for accounting purposes as it is only when someone is ill or must care for an ill,

eligible family member that it is paid out (one exception being when a staff member retires on or after age 62 years of age and only up to 30 days is paid out at that time).

This suggested program was studied as early as 1992. At that time, the transition cost of a plan was estimated at \$3 to 4 million. By the next study in 1996, the estimate for a similar plan had jumped to as much as \$5 million. The plan design determines the cost, but with current sick time liability cost for staff of almost \$115 million, any change in plan that guarantees this pay out even at a reduced rate would have a material impact on plan expenses.

- V. Short-Term Disability Options. In February 2004, a short-term disability (STD) insurance policy was put in place at the request of the two Vanderbilt staff councils. The request was made to supplement the sick leave accruals in place for staff. In review, Vanderbilt determined that there were a number of staff members who either did not have the seniority to have accumulated sick time to protect income against a major/extended illness or who had on-going medical conditions that had used up the sick accruals available to them. It was determined that such a voluntary policy would make available the opportunity to insure against such events. Based on our survey, this benefit is in line with and often more generous than plans from peer institutions with the 66.67% payout of salary provision.

## Conclusions

Vanderbilt is fortunate to have an endowment that provides a portion of our annual operating budget; however, with the uncertainty of the economy and its resulting negative impact on our endowment earnings, Vanderbilt must take a watchful and considered approach to expansions of any program offerings.

Four of the five suggested benefit programs have an institutional cost ranging from \$1 million to more than \$7 million per program per year, excluding additional costs for plan administration.

Based on this research, holding benefit program offerings constant is the goal at this point in time. Again, thank you for these and other suggestions regarding our benefits program.

Many thanks.

Lauren

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