

from the HR Department
RIT HUMAN RESOURCES

ANNOUNCING IMPROVEMENTS TO THE RIT DISABILITY PROGRAM!

Dear Colleague:

We are happy to bring good news to all RIT employees! On July 1, 2005, the RIT disability program will be greatly improved.

Currently, our overall benefits package at RIT is competitive, when compared with the universities we benchmark against. In some areas, our benefits are even stronger than those at our peer schools. However, our most recent benchmarking indicated that we were lagging in one particular area – our disability program. This reinforced our own employee and Staff Council concerns about the program.

It is a priority at RIT to maintain a competitive benefits package that meets the needs of our employees. So, we took a look at our disability benefit with the intent of making improvements that will better meet your needs.

As a result, we've redesigned the program, enhancing the plan benefits to provide you with better protection. We anticipate you will be pleased as you read about all of the program improvements in this newsletter. If you have questions, we encourage you to take advantage of the upcoming Q&A sessions for all employees that will be sponsored by Staff Council.

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Why Improve the Disability Program?

RIT currently provides disability benefits that equal or exceed New York State requirements. We've made improvements to further minimize potential employee financial loss due to a serious illness. These improvements will:

- Provide greater protection for employees who have had one or more serious illnesses causing them to use up their sick leave bank.
- Provide greater coverage for those who use their annual allotment of sick leave and do not have a built up sick leave bank.
- Provide better protection for newer employees who have not yet built up a sick leave bank.
- Minimize the benefit differences for absences covered by Workers Compensation and those covered by Short-Term Disability.
- Provide greater incentives for people to be at work when their medical condition allows, and encourage those who should be out of work due to a medical condition to take the appropriate time they need to recover.

Terms to Know

Following are definitions of terms you'll want to know to help you better understand the redesigned disability plan benefits:

Disability

An illness or injury which is not work related, and which results in absence from work which is certified by a physician. An example of a situation that might result in an employee receiving disability benefits is pneumonia or a heart condition. Pregnancy-related conditions resulting in absence are also legally considered disabilities.

Workers Compensation

Workers Compensation covers an illness or injury that occurs on the job. For example, Workers Compensation could cover an injury sustained in a fall that occurs on campus during working hours.

Sick Leave

A benefit consisting of paid employee absences from work for short duration periods (up to 5 business days), or to supplement disability benefits that are paid at less than 100% of pay. Sick leave days are used "1-for-1," which means one sick day is used for each day of absence, even when it supplements the STD benefit.

Salary Continuation

A pay practice under which an employee's regular pay is continued even though the employee is absent from work.

Intermittent Absence

An absence from work lasting 5 business days or less.

Short-Term Disability Plan

This plan may provide you with benefits to replace a portion of your income when you are absent from work due to a disability, as defined above, for up to 26 weeks. The Short-Term Disability Plan (sometimes called STD) is paid for entirely by RIT. Disability must be certified by a physician and approved by the insurance company in order for benefits to be paid.

Long-Term Disability Plan

The Long-Term Disability Plan (sometimes called LTD) may provide you with benefits to replace a percentage of your income when you are absent from work due to a disability or a Workers Compensation injury lasting longer than 26 weeks. Disability must be certified by a physician and approved by the insurance company for benefits to be paid.

Sick Leave Bank

Under the present program, employees are allowed to carry over, or "bank," unused sick leave at the end of the year. The maximum number of days in an employee's sick leave bank is 130.

Summary of Disability Program Improvements



The Disability Program benefit improvements will affect:

- Intermittent sick days (five business days or less) and the 5-day waiting periods for Short-Term Disability and Workers Compensation
- Short-Term Disability
- Workers Compensation
- Current sick leave bank

In some cases, nonexempt staff and faculty and exempt staff are affected differently. The chart on the next page outlines all changes for each employee population. Following the chart are additional details about each benefit change.

Highlights of the Disability Plan Changes

Plan Feature	Current Benefit	NEW BENEFIT For Nonexempt Staff	NEW BENEFIT For Faculty & Exempt Staff
Benefit for intermittent days and 5-day waiting periods for Short-Term Disability and Workers Compensation.	<ul style="list-style-type: none"> • Nonexempt: 8 days/year sick leave. • Exempt/Faculty: 12 days/year sick leave. • Can bank up to 130 days of unused sick leave. 	<ul style="list-style-type: none"> • 8 days/year sick leave • Cash-out a portion of unused sick leave annually: <ul style="list-style-type: none"> • 1/2 of unused hours if taken as taxable pay • 3/4 of unused hours as pre-tax if contributed to retirement account. • No sick leave banking. 	<ul style="list-style-type: none"> • In lieu of sick leave, salary continuation at 100%.
Short-Term Disability benefit	<ul style="list-style-type: none"> • After waiting period, up to 26 weeks at 50% of pay up to \$170 weekly maximum. • Can be supplemented with sick leave and sometimes with formula days. 	<ul style="list-style-type: none"> • After waiting period, up to 8 weeks at 100% of pay, then up to 18 weeks at 80% of pay. • Days paid at 80% can be supplemented with any remaining current year sick leave or grandfathered sick leave. 	<ul style="list-style-type: none"> • After waiting period, up to 8 weeks at 100% of pay, then up to 18 weeks at 80% of pay. • Days paid at 80% can be supplemented with any grandfathered sick leave.
Existing sick leave bank	<ul style="list-style-type: none"> • Used 1-for-1. • Not cashed out at termination of employment or retirement. 	<ul style="list-style-type: none"> • Grandfathered @ 7/1/2005. • Used 1-for-1. • Not cashed out at termination of employment or retirement. 	<ul style="list-style-type: none"> • Grandfathered @ 7/1/2005. • Used 1-for-1. • Not cashed out at termination of employment or retirement.
Workers Compensation benefit	<ul style="list-style-type: none"> • After waiting period, up to 13 weeks at 100% pay, then statutory Workers Compensation benefits (2/3 of pay, \$400/week maximum, non-taxable). 	<ul style="list-style-type: none"> • After waiting period, up to 8 weeks at 100% pay, then statutory Workers Compensation benefits (2/3 of pay, \$400/week maximum, non-taxable). 	<ul style="list-style-type: none"> • After waiting period, up to 8 weeks at 100% pay, then statutory Workers Compensation benefits (2/3 of pay, \$400/week maximum, non-taxable).

Explanation of New Benefits

Benefit for intermittent days*

For Nonexempt Staff Employees:

A full-time nonexempt staff employee is credited with 8 sick leave days annually, as of each July 1. Sick leave for regular extended part-time and regular part-time nonexempt employees is pro-rated based on the employee's standard hours per week. The number of hours of sick leave each fiscal year is determined by multiplying the standard hours per week by a factor of 1.6 (which is 8 days per year divided by a 5-day work week).

Unlike the current plan, unused sick leave will not carry over to the next fiscal year. There is no banking of unused sick leave after June 30, 2005. Instead, a nonexempt employee who does not use all of his or her sick leave hours will receive a cash-out of a portion of his or her unused sick leave hours

annually. The employee can choose to take this cash-out as additional taxable pay, or to have it contributed to the employee's retirement savings account. If taken as taxable pay, the cash-out will be one half of the employee's unused sick leave hours. If contributed to the employee's retirement account, the cash out will be 3/4 of the employees pre-tax unused sick leave. This new feature will begin in 2006 with the cash-out related to 2005–2006 sick leave.

For Faculty and Exempt Staff Employees:

Faculty and exempt staff employees will not have sick leave. Instead, under the redesigned program, they will have salary continuation (paid at 100%) when absent for 5 business days or less.

*and for the 5-day waiting period for Short-Term Disability and Workers Compensation benefits

Why are nonexempt and faculty/exempt employees treated differently regarding sick leave/salary continuation?

To understand why the two populations are treated differently, it's important to understand the difference in the concepts of nonexempt employees and exempt employees under the law.

The Federal Fair Labor Standards Act (FLSA) establishes requirements for determining which employees are not paid overtime for working beyond 40 hours per week. Employees whose positions meet the FLSA requirements are not paid overtime, and are called “exempt,” meaning exempt from the overtime rules. Employees whose positions do not meet the FLSA requirements are to be paid overtime if they work more than 40 hours per week, and are called “nonexempt,” meaning they are not exempt from the overtime rules.

An exempt employee (including faculty, by legal definition) is paid an annual salary to complete his or her job, without regard to hours worked. Therefore, hours are not tracked or reported. Therefore, hours are not tracked or reported for purposes of pay calculations.

A nonexempt employee is paid for each hour worked, and therefore, hours must be reported and counted by law. Because an exempt employee is paid regardless of hours worked, a sick leave type of program does not work effectively for exempt employees. This sort of program was designed with nonexempt, hourly-paid employees in mind.

When determining how to redesign the disability program, it was agreed that it made sense to continue to provide sick leave hours to nonexempt employees. However, it did not make sense to provide sick leave hours to exempt employees, for whom hours are not reported or considered.



New cash-out benefit available to nonexempt staff only

The new cash-out feature for unused sick leave hours, which is described on page 3, is an added benefit for nonexempt staff. Because exempt staff and faculty no longer accrue annual sick leave, this feature of the plan does not apply to them.

Short-Term Disability Benefit

After the required waiting period (5 business days), while you are disabled, you will receive 100% of your base pay for up to 8 weeks. If you remain disabled, you will then receive 80% of your base pay for up to an additional 18 weeks. You must be under the care of a physician, and your physician must provide medical documentation to Unum (RIT's disability carrier) throughout your disability. Unum makes a determination on each disability claim.

This is a significant improvement over the current benefit that only pays 50% of pay for up to 26 weeks. STD benefits are taxable.

Workers Compensation Benefit

RIT voluntarily provides a supplement to the statutory (state-required) Workers Compensation benefit for the first part of an absence. After the required waiting period (5 business days), while you are disabled due to a Workers Compensation injury or illness, you will receive 100% of your base pay for up to 8 weeks. If you remain medically classified as totally disabled under Workers Compensation, you will then receive two-thirds of your pay up to \$400 per week, which is the New York State Workers Compensation statutory benefit. Statutory (state-required) Workers Compensation benefits are not taxable, but any supplemental benefit is taxable.

Status of Current Sick Leave Banks

Great news for those with existing sick leave banks!

RIT is grandfathering existing sick leave banks for current employees as of June 30, 2005. If you have a bank of unused sick leave that you have built during your employment at RIT, you will still have that bank as a safety net. Most of the time, you will not need to use these grandfathered sick leave days because the new STD plan provides up to 8 weeks of protection at 100% of your base pay.

Here are some situations where using grandfathered sick leave would be beneficial:

- A nonexempt employee uses up his or her 8 days of annual sick leave, and then is out sick again. In this case, the employee can use grandfathered sick leave to be paid for those extra sick days.
- An exempt staff, faculty or nonexempt employee has a period of disability longer than 9 weeks, and is paid 80% of base pay under the STD plan. This employee can use grandfathered sick leave to supplement the benefit and receive 100% of his or her base pay.
- Similarly, an employee on Workers Compensation for more than 9 weeks would be able to supplement the statutory Workers Compensation benefit by using grandfathered sick leave to receive 100% of pay.

Rules regarding the use of sick leave are similar to the present rules. Sick leave is used "1-for-1," meaning that if you are absent for 8 hours, you will use 8 hours of sick leave. Also, sick leave is not cashed out upon termination of employment or retirement and is not reinstated if you are rehired at a later time.

What happens if I am disabled before July 1, and still on STD or Workers Compensation as of July 1 when the new program takes effect?

Your benefit will be paid at the current level up to June 30. On July 1, your benefit will be recalculated to the new level applicable to the duration of disability you have already had. Your disability will be considered a continuing disability.

For example, an employee becomes disabled June 1. She meets her 5-day waiting period with sick leave, and then on June 8, begins to receive STD under the old plan (50% of pay up to \$170 per week) through June 30 (17 days). On July 1, her benefit will increase to 100% of pay. Assuming she remains disabled, she will be eligible for this amount until the end of the 8th week of her STD. If she is still disabled at that time, her benefit will be reduced to 80% of her pay for the duration of her disability (up to 18 additional weeks).



What is the impact on maternity leave?

Maternity leave is an absence taken to give birth. By law, pregnancy is classified as a disability. Therefore, a maternity leave is covered by our disability plan, and referred to as a "maternity disability."

There is a 5-day waiting period during which a nonexempt employee will be paid if she has sick leave. A faculty or exempt staff employee will have salary continuation during this period. Following this period, the disabled employee will be eligible for up to 8 weeks at 100% of pay and up to an additional 18 weeks paid at 80%. However, in most cases an employee will not be considered disabled longer than 6 weeks following the birth of the baby, unless there are extenuating medical circumstances.

The key plan improvement in this situation is the higher benefit paid for STD, which will provide much better protection than the current plan for those without enough sick leave to cover their entire maternity disability period.

FIND OUT MORE

To review frequently asked questions about the disability program changes, go to the RIT Human Resources Department website at:

<http://finweb.rit.edu/HumanResources/benefits/>

We will periodically update the website with the most recent questions of common interest. If you have questions about how the changes will affect you, consider attending an upcoming Q&A session.

Q&A Session Schedule

Tuesday, June 7	9:00 a.m. – 10:00 a.m.	Xerox Auditorium (Bldg 9)
Friday, June 10*	2:00 p.m. – 3:00 p.m.	LBJ 2590 (Bldg 60)
Tuesday, June 14	2:30 p.m. – 3:30 p.m.	Xerox Auditorium (Bldg 9)

An additional informational session will be scheduled in the fall for the convenience of faculty who are not on campus during the summer quarter.

**An interpreter has been requested for this session.*

The logo for the Rochester Institute of Technology (RIT), featuring the letters "R·I·T" in a white serif font on a dark blue rectangular background.

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