



Memorandum

TO: Members of the Board of Trustees of the University of Arkansas

FROM: UA System Administration

RE: Summary of Proposed Changes to Leave and Benefits Programs with New and Revised Board Policy Drafts

DATE: April 15, 2024

The following is a summary of the proposed changes to the UA System's paid leave and benefits programs. These proposed changes were developed by a Systemwide committee and shared with the Chancellors/CEOs in January. The changes include creating new Board Policy 420.2 *Paid Parental Leave* and new Board Policy 430.8 *Leave Exchange*; revising Board Policy 420.1 *Annual Leave* and Board Policy 430.2 *Insured Employee Benefits Programs*; and deleting current Board Policy 420.2 *Annual Leave for Nonexempt Employees*, which is no longer necessary due to the alignment of annual leave accrual and use for all employees in Board Policy 420.1. Drafts of the proposed new and amended policies are enclosed.

Add parental paid leave

Provide employees with up to six weeks of maternity, paternity, adoption, or foster care leave at full salary. Parental leave will be available for the birth, adoption, or foster placement of a child. Use must occur within the first 12 months of the birth, adoption event, or foster placement for children under 18 years of age. Eligibility for the program requires 24 months of consecutive benefits-eligible employment and eligibility for Family Medical Leave (FML). Parental leave eligibility will be concurrent with FML eligibility and does not create an additional period of paid protected leave beyond FML. No parental leave is available for periods in which the employee would not otherwise be on payroll (parental leave would not be available for a 9-month faculty member during the unpaid summer break). When both parents are employed by the University and eligible for parental leave, the six weeks total may be allocated between the employees. Nothing in the parental leave program will limit the approved use of accrued annual or sick leave. Parental leave may not be used in combination with annual or sick leave to create a payment more than 100% of salary, and the use of parental paid leave in combination with short term disability leave is not permitted. Parental leave is available for up to three total events per employee. With the introduction of parental leave and the other paid leave enhancements represented here, a phase-out period for other uses of catastrophic leave will begin.

Projected annual System costs: \$3.69 million.

Add uniform, employer-paid basic STD coverage for the first 36 months of employment

Provide coverage to \$45,000 in salary level for new and recently hired benefits eligible employees with the individual campus option to continue basic employer paid coverage beyond 36 months.

Projected annual System costs: \$320,000. Projected expenses do not include the savings opportunities in adopting the 36-month coverage limit available to campuses currently providing ongoing STD coverage.

Revise accrual of annual/vacation leave for exempt and non-exempt employees

In the current structure, non-exempt/hourly employees accrue annual leave in a seniority-based system beginning at eight hours per month and progressing in steps to 15 hours per month after completion of 20 years of service. Alternatively, exempt employees accrue annual leave of 15 hours per month beginning at their date of hire. With a uniform accrual rate, all eligible new hire employees will begin accrual at 10 hours per month and progress in four steps to an accrual rate of 15 hours per month upon completion of the fifth year of employment. Current employees will transition into the revised accrual schedule based upon their current accrual rate and applicable years of service with no reduction in accrual rates for current employees. As currently provided, new hires to the University with applicable prior Arkansas public employment will receive credit for that service in the revised accrual structure. With review through the Office of the General Counsel, campuses may choose to develop criteria to provide new hires with years of service credit for other employment.

Projected annual System savings: \$5.2M.

Revise the payout of terminal annual leave

In the existing accrual and payout structure, exempt employees may accrue the maximum leave carryover and payout limit of 240 hours within the first 16 months of employment, and there is no limit on the payout available upon termination of employment. As an example, an employee earning \$150,000 and terminating with as little as 16 months of service, could receive a payout of over \$17,000. The proposed revisions apply a seniority-based maximum payout structure with employees reaching the maximum payout available upon completion of no more than five years of employment. The revised structure will cap the payout available to those employees earning approximately \$308,000 and above. The maximum payout available, \$35,500, may be increased annually upon review by the President. The revised structure will apply for new hires on and after the implementation date. Current employees will continue in the current payout structure for five years following the implementation date.

Projected annual System saving: \$577,000.

	<u>Current Non-Exempt Employee</u>	<u>Current Exempt Employee</u>	<u>New Hire Employee</u>
	<u>Maximum</u>	<u>Maximum</u>	<u>Revised Maximum</u>
	<u>Accrual and Carryover</u>	<u>Accrual and Carryover</u>	<u>Accrual and Carryover</u>
Through 1st Year of Employment	8 monthly / 96 annual	15 monthly / 180 annual	10 monthly / 120 annual
2nd	8 monthly / 192 annual	15 monthly / 240 annual	12 monthly / 240 annual
3rd	8 monthly / 240 annual	15 monthly / 240 annual	12 monthly / 240 annual
4th	10 monthly / 240 annual	15 monthly / 240 annual	14 monthly / 240 annual
5th	10 monthly / 240 annual	15 monthly / 240 annual	14 monthly / 240 annual
6th Year and Beyond	12 monthly / 240 annual	15 monthly / 240 annual	15 monthly / 240 annual
	Accrue at 15 hours upon completion of 20 years		
Maximum Hours Available for Terminal Leave Payout	240 hours	240 hours	240 hours
Maximum Possible Payout Amount	Hourly equivalent rate to 240 hours	Hourly equivalent rate to 240 hours	Hourly equivalent rate to 240 hours within payment cap
Payout At \$35,000 Salary	\$ 4,038		\$ 4,038
At \$55,000 Salary	\$ 6,346	\$ 6,346	\$ 6,346
At \$150,000 Salary		\$ 17,308	\$ 17,308
At \$350,000 Salary		\$ 40,385	\$ 35,500

Terminal payout is limited for salaries above ~\$308,000. The maximum may be adjusted annually by the President.

Add the opportunity for exchange of accrued annual leave.

A program allowing employees to relinquish up to 80 hours of accrued annual/vacation leave during the calendar year in exchange for payments on qualified student loans. To access the program, employees must have a balance of not less than 80 hours of annual leave remaining following the exchange (i.e. an employee with 100 total hours of accrued annual leave would be eligible to exchange 20 hours). In the exchange, the value of accrued hours will be reduced by 14% (i.e. leave accrued at \$20/hour is valued at \$17.20 in exchange). The maximum annual exchange value will be initially limited to no more than \$7,500. Campuses may choose to impose an exchange limit of less than \$7,500 and to establish exchange windows within the year.

Projected annual System savings: \$123,000

Leave exchange basics:

What is a qualified student loan, and can I use it to pay for my child's or my spouse's student loans?

A "qualifying loan" is a loan the employee takes out solely to pay qualified education expenses that were:

(a) For the employee, the employee's spouse, or dependent when the employee took out the loan, (b) paid or incurred for education provided during an academic period for an eligible student (c) within a reasonable period before or after the employee took out the loan. Qualified loans include expenses for tuition and fees, books, and supplies, and other directly related educational costs. Qualified education expenses are treated as paid or incurred within a "*reasonable period of time*" before or after the loan is taken out if they are paid with the proceeds of student loans that are part of a federal post-secondary education loan program. Even if not paid with the proceeds of that type of loan, the expenses are treated as paid or incurred within a reasonable period of time if both of the following requirements are met: the expenses relate to a specific academic period and the loan proceeds were disbursed within a period that begins 90 days before the start of the semester and ends 90 days after the end of that academic period. A loan from your parent, grandparent, or other relative is not a qualified loan.

Why is the University reducing the value of my accrued leave by 14%?

To avoid income taxation on your full accrued vacation, there must be a substantial restriction on your ability to access your accrued vacation. Many employers have determined that using a "haircut constitutes such a substantial restriction. The haircut consists of a % reduction in the accrued vacation used. For example, where a haircut of 15% is used, you would use \$1,000 of accrued vacation to apply \$850 towards student loans. The percentages used by various employers range from 5% to 25%. The University has concluded that a moderate approach would be best, and therefore is using a 14% haircut. This means that if you use \$1,000 of your accrued vacation, you can apply \$860 towards your student loans.

Is the amount of the student loan payment considered income to me and will it be reported on my W-2?

Yes, the loan payment amount will be reported as income on your W-2.

My student loan is over 10 years old, is there a time limit on the payment of student loans in this program?

If your loan meets the requirements of a qualified student loan, there is no time limit on the use of accrued vacation to pay that loan.

Are student loan payments the only available option for exchanging my accrued vacation hours?

Yes, currently student loan payment is the only option. The University will continue to explore opportunities to add leave exchange for charitable contributions and for other uses as the IRS further defines those options.

ANNUAL LEAVE ~~FOR EXEMPT EMPLOYEES~~I. Purpose

The purpose of this policy is to establish procedures for the accrual and use of annual leave, also called vacation leave, for all ~~exempt~~ eligible employees of any campus, division, or unit of the University of Arkansas System. ~~For the purposes of this policy “exempt employee” means an employee who is exempt from the overtime pay requirements of the Fair Labor Standards Act.~~

II. Annual Leave Accrual

A. General Rule. Except as provided in Section II(~~CB~~) of this policy, eligible ~~exempt~~ employees will receive monthly ~~22.5 days of~~ annual leave ~~from the on set of employment, earned at a rate of 15 hours per month of service, with accruals as follows: at the end of each month. While administrative duties cannot be limited to a five-day, 40-hour week, for purposes of annual leave the normal work week shall be considered Monday through Friday.~~

1. Eligible, exempt employees hired or moved into their position before January 1, 2025, shall accrue annual leave at the current rate of 15 hours per month.

2. Eligible, non-exempt employees on January 1, 2025, shall be credited with their eligible time of service and thereafter accrue annual leave as provided in the Accrual Schedule found in Section II(B) of this policy.

~~4.3.~~ Eligible employees hired or moved into an eligible position on or after January 1, 2025, will accrue annual leave as provided in the Accrual Schedule found in Section II(B) of this policy.

For all eligible employees, annual leave is accrued at the end of each month and is cumulative.

B. Accrual Schedule for Each Year of Eligible Employment

<u>Years of Eligible Employment</u>	<u>Monthly Accrual</u>
<u>Through the first year</u>	<u>10 hours per month</u>
<u>Through the second and third years</u>	<u>12 hours per month</u>
<u>Through the fourth and fifth years</u>	<u>14 hours per month</u>
<u>Upon completion of the fifth year</u>	<u>15 hours per month</u>

~~B.C.~~ Exceptions to General Rule.

1. Employees holding positions for which annual leave accrual is addressed in special appropriation language will accrue leave on the basis and at the rate provided in the special appropriation language.

~~1.2.~~ Employees who are employed pursuant to employment contracts or appointment letters that exclude annual leave as a benefit are not eligible for annual leave. However, any such contract or appointment letter excluding annual leave must be either approved by the President or executed pursuant to a Chancellor-approved campus policy that specifically identifies the position categories that do not accrue leave.

~~2.3.~~ Campuses, units and divisions may adopt, ~~but only~~ after review by the Office of General Counsel and approval by the President, campus annual leave accrual policies that differ from this policy for specialized categories of exempt employees or to recognize specialized skills and work experience of employees. Any such policy must specifically identify any position categories affected, the formula used to determine the alternative accrual policies, and how ~~they~~ employees are affected. In no instance shall the accrual rate, eligibility, annual carryover, or payout of annual leave exceed ~~that the~~ maximums provided in this Policy.

III. Eligibility

~~A.~~ A. Except as provided in Section II(~~CB~~) of this policy, annual leave is granted to all ~~eligible~~ exempt non-student employees on 12-month appointments of one-half time or more, with part-time employees earning leave in proportion to the time worked.

~~A.B.~~ A. An employee whose period of employment is scheduled to be changed from a 12-month basis to a nine-month basis ~~must~~ may, within the guidelines of Section IV., take all accrued, unused vacation before the end of the 12-month period, ~~or, within the carryover limits, may~~ reserve accrued annual leave hours for payout upon termination of employment. Payment for any reserved accrued hours shall be based upon the lesser of the salary on the date of the last hour accrued immediately prior to the change from a 12-month basis to a nine-month basis or the salary at the time of termination of employment. An employment period shall not be extended for the purpose of paying an employee for unused vacation, and neither shall lump-sum terminal payment be made unless an employee terminates employment with the University.

~~B.~~ Employees who are employed pursuant to employment contracts or appointment letters that exclude annual leave as a benefit are not eligible for annual leave. However, any such contract or appointment letter excluding annual leave must be either approved by the President or executed pursuant to a Chancellor-approved

~~campus policy that specifically identifies the position categories that do not accrue leave.~~

IV. Use of Annual Leave

Use of accrued annual leave may be requested by an employee at any time. The appropriate supervisor will grant the request when it ~~will least interfere~~least interferes with the efficient operation of the department. Annual leave shall not be taken before it is accrued.

V. Annual Leave Carryover Limit

Annual leave is cumulative; however, no employee may have ~~in excess of more than~~ 30 days on December 31 of each year. During the calendar year, accrued leave may exceed 30 days, but those days ~~in excess of more than~~ 30 (inclusive of holidays) will be lost if they are not used before December 31 of each year. An exception may be made when an end-of-year vacation is postponed for the convenience of the University. Any such exception must be approved by ~~an appropriate University official~~the President.

VI. Other Limitations

Annual leave may not be accumulated while an employee is on leave without pay or on catastrophic leave. ~~Upon termination, resignation, retirement, death, or other action by which a person ceases to be an active employee of the University, the amount due the employee or his or her estate from accrued annual leave or holiday leave, not to exceed 30 working days inclusive of holidays, shall be included in the final pay to the employee. No employee receiving such additional compensation shall return to University employment until the number of days for which he or she received additional compensation has expired.~~

VII. Annual Leave for Graduate Study

Annual leave for graduate study may be granted to otherwise eligible employees under the following terms:

1. Accrued leave with pay may, if used for graduate study, be accumulated for two calendar years preceding the date of the leave if it is used by January 1 of the third year.
2. Permission to carry over such credit must be requested in writing by the employee and approved by the President in advance of the commencement of vacation accrual.

The President may approve a modified application of the regulation where circumstances warrant, not to exceed the earned annual leave for two years.

VIII. Payment of Accrued Leave Compensation at Separation of Employment

A. General Rule. Upon termination of employment in which a person ceases to be an active employee of the University, the amount due to the employee or the employee's estate from accrued annual leave and holiday leave, shall be included in the final pay to the employee or distributed to the employee's estate upon verification as follows:

1. Newly benefits eligible employees on and after January 1, 2025, shall receive terminal annual and holiday leave pay according to the payment structure set out in Section VIII(B).
2. Existing benefits eligible employees as of December 31, 2024, shall continue in the current terminal annual and holiday leave payment structure through December 31, 2029, after which they will be paid according to the payment structure set out in Section VIII(B).

B. Payment Structure. Payment of eligible accrued annual and holiday leave combined shall not exceed 30 working days and is subject to the maximum payment amounts set out below.

<u>Years of Employment</u>	<u>Maximum Payment Amount</u>
<u>Through the first year of employment</u>	<u>To 30 days not to exceed \$7,500</u>
<u>Through the second year of employment</u>	<u>To 30 days not to exceed \$12,500</u>
<u>Through the third year of employment</u>	<u>To 30 days not to exceed \$17,500</u>
<u>Through the fourth year of employment</u>	<u>To 30 days not to exceed \$25,500</u>
<u>Through the fifth year of employment</u>	<u>To 30 days not to exceed \$32,500</u>
<u>Upon completion of the fifth year</u>	<u>To 30 days not to exceed \$35,500</u>

The maximum payment amounts may be adjusted each January 1st as approved by the President. The maximum payment amounts shall be published on the University of Arkansas System's benefit page and made available through the campus Human Resources offices.

A-C. Other. No employee receiving such accrued leave compensation shall return to University employment until the number of days for which the employee received such compensation has expired.

May 25, 2023 (Revised) Effective July 1, 2023

May 27, 2021 (Revised)

May 21, 2020 (Revised)

January 31, 2019 (Sick Leave Section Replaced by BP 420.3)

June 9, 1995 (Revised)
July 24, 1991 (Corrected)
June 14, 1991 (Revised)
April 15, 1983 (Revised)
February 13, 1981 (Revised)
November 9, 1979 (Revised)

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PAID PARENTAL LEAVE

I. Purpose

This policy establishes the eligibility and the procedures for use of paid parental leave for eligible employees of any campus, division, or unit of the University of Arkansas System.

II. Eligibility

After two years of consecutive, benefits-eligible, systemwide employment, an employee entitled to leave under the Family Medical Leave Act (FMLA) is eligible for paid parental leave on the conditions described in this policy.

Paid parental leave may only be used concurrently with Family Medical Leave. Paid parental leave does not create an additional period of protected leave. An employee having exhausted Family Medical Leave eligibility has no paid parental leave eligibility until eligibility for Family Medical Leave is restored.

Paid parental leave is available to eligible employees who are a birth parent, legal spouse of the birth parent, an adoptive parent, or a foster parent. Employees on appointments of less than 12 months are not eligible for paid parental leave during any days outside the appointment period.

III. Use of Paid Parental Leave

Paid parental leave may be used for the birth of a child or the adoption or foster placement of a child up to the age of 18 years. In all cases, leave is available only within the first 12 months of the birth, adoption, or foster placement of the child and only as long as the child remains under the age of 18. An employee may not use paid parental leave intermittently or to work a reduced work schedule.

IV. Benefit

Paid parental leave provides for up to six weeks of paid leave at the employee's regular rate of pay. Bonus, incentive, overtime, and other pay not included in the employee's base salary is not included in paid parental leave.

When both parents are employees eligible for paid parental leave, the paid leave availability is limited to a combined total of six weeks. The six weeks will be divided equally between the two employees if the employees are unable to agree on the allocation of the paid parental leave.

An employee (or employees when both parents are eligible employees) may receive paid parental leave a maximum of three times. This maximum applies regardless of whether the employee has been employed by different campuses, divisions, or units or has had multiple employment periods.

Paid parental leave is limited to one use per child. An employee (or employees when both parents are eligible employees), for example, is not eligible for paid parental leave for the adoption of a child if the employee took paid parental leave for the initial foster placement of the same child.

Paid parental leave is not compensable to the employee upon termination of employment.

V. Other Paid and Unpaid Leave

Nothing in the use of paid parental leave will limit or otherwise restrict the use of leave without pay, accrued annual leave, sick leave, or group short-term disability within the guidelines of those programs and applicable law. In no case, however, may paid leave or disability programs used in any combination result in a payment of more than 100% of an employee's base salary.

LEAVE EXCHANGEI. Purpose

The purpose of this policy is to establish a leave exchange program for eligible employees of any campus, division, or unit of the University of Arkansas System. A leave exchange program provides employees with the opportunity to exchange annual leave for payment on qualified student loans.

II. Eligibility

Eligibility for participation in the leave exchange program requires current employment in a position accruing annual leave. The employee must have an annual leave balance of at least 80 hours after an exchange. Employees with disciplinary warnings or actions related to leave within the previous 12 months may not participate in the leave exchange program.

III. Benefit

Employees may exchange accrued annual leave for direct payment to the lender on qualified student loans. The equivalent hourly rate of accrued leave shall be discounted by 14% in exchange and shall not exceed a discounted value of \$7,500 in a single calendar year.

Subject to approval by the President, campuses may annually increase or decrease the maximum exchange value of \$7,500 and may establish exchange windows or other process guidelines in support of efficient management of this policy.

Any payment on a qualified student loan pursuant to this policy will be reported as income of the employee in accordance with the Internal Revenue Code or federal tax regulations.

IV. Administration

The President shall approve the service agreement with a company or companies, qualified to do business in the State of Arkansas, to administer the leave exchange program.

No exchange of excess annual leave for direct payment on a qualified student loan shall occur unless authorized in writing by the employee.

Eligible student loans are those loans within the Internal Revenue Service's definition of qualified education loan and the administrative guidelines as identified the terms of the service agreement.

INSURED EMPLOYEE BENEFITS PROGRAMSI. Purpose

The University of Arkansas System maintains insured benefits programs for eligible employees and other eligible participants. ~~The purpose of this policy is to outline those programs that are available to eligible employees.~~

~~I.II.~~ Basic Life Insurance

The University makes available basic life insurance coverage for eligible employees of the University and other eligible participants in an amount equal to ~~one hundred~~ 100 percent ~~(100%)~~ of the employee's base annual earnings, subject to a maximum of \$50,000. ~~For any salary not in a multiple of 1,000, the coverage will be adjusted rounded up to the nearest next multiple of \$1,000, subject to a maximum of \$50,000.~~ Basic coverage is employer-paid for eligible employees of the University. Within the terms of the plan document and at the sole cost of the employee or other eligible participant, eligible employees and participants may obtain optional life insurance coverage for covered salary in excess of \$50,000.

~~H.III.~~ Basic Long-term Disability Insurance

The University makes available basic long-term disability insurance coverage for eligible employees and other eligible participants. Such basic coverage shall provide salary replacement for ~~sixty 60~~ percent ~~(60%)~~ of covered salary, subject to a salary maximum of \$20,000. Basic coverage is employer-paid for eligible employees of the University. Within the terms of the plan document and at the sole cost of the employee or other eligible participant, eligible employees and eligible participants may obtain optional long-term disability insurance coverage for salary in excess of \$20,000.

~~HH.IV.~~ Basic Short-Term Disability Insurance

~~As selected by the University and at the election of each campus, the University will make available basic short term disability insurance for eligible employees and other eligible participants. Such coverage shall provide salary replacement for sixty percent (60%) of covered salary. There shall be a two week elimination period.~~

The University makes available basic short-term disability insurance coverage for eligible employees and other eligible participants. Such basic coverage shall provide salary replacement for 60 percent of the covered salary, subject to a maximum salary of \$45,000. Basic coverage is employer-paid for eligible employees of the University for the first three years of eligible employment. Campuses may, upon approval by the President and within

the terms of the plan document, provide basic coverage beyond the first three years of eligible employment. Within the terms of the plan document and at the sole cost of the employee or other eligible participant, eligible employees and participants may obtain optional short-term disability insurance coverage beyond the initial three years of eligibility (if not provided by the campus for the employee) and for salary in excess of \$45,000. With the exception of maternity leave, all accrued leave balances must be exhausted prior to commencement of disability payments. ~~Basic coverage is employer paid for eligible employees of the University.~~

IV.V. Other Optional Insurance

As selected by the University, and at the sole cost of the employee or other eligible participant, eligible employees and eligible participants may also obtain ~~optional life insurance, optional long-term disability insurance, optional short-term disability insurance,~~ dependent life and accidental death and dismemberment insurance and other optional insurance coverages.

For both the basic and optional programs, eligibility for participation, the extent of coverage for eligible employees, dependents and other eligible participants, and the schedule of benefits and premiums, shall be governed by the terms and conditions of the ~~pPlan dDocuments~~. The President shall approve the ~~pPlan dDocuments~~ and determine the carrier or carriers for the forgoing insurance. Eligible participants shall include employees of the University of Arkansas who are employed to work 20 or more hours per week and hold at least a nine-month appointment, and other eligible participants defined as such in the ~~pPlan dDocuments~~.

May 24, 2018 (Revised) (formerly titled "Term Life and Accidental Death and Dismemberment Insurance")
(Incorporates deleted BP 430.3, *Disability Insurance*)

September 20, 1996 (Revised)

May 4, 1990 (Revised)

November 10, 1989 (Revised)

November 11, 1988 (Revised)

June 25, 1987 (Revised)

October 31, 1986 (Revised)

November 16, 1984 (Revised)

June 17, 1983 (Revised)

May 8, 1981 (Revised)

July 1, 1977