

Employee Benefits

Subject: VACATION PAY, EARNED TIME OFF PAY, OR STAT PAY DURING A PERIOD OF APPROVED DISABILITY

Policy: When an employee receives vacation pay, earned time off pay or statutory holiday pay during a period of approved disability, this must be reported as earnings to 3sHealth by the employer.

Per the *Benefit Reductions* article of the 3sHealth Disability Income Plans, vacation pay, earned time off pay and stat pay will result in a direct reduction of the employee's corresponding weekly or monthly Disability Income Plan benefit payment.

An exception is made for a one time lump sum payout, which is not paid in relation to a specific period of time.

A lump sum payout is commonly defined as:

"A single payment made at a particular time, as opposed to a number of smaller payments or installments"; or as

"A single large payment made all at once, in lieu of several smaller payments made at regular or infrequent intervals".

During the course of their 3sHealth disability claim, an employee will be permitted to access a single (one) lump sum payout for each category, vacation pay, earned time off pay and stat pay, without it resulting in a reduction of their Disability Income Plan benefit payments.

The one time payout should be reported on the *Disability Income Plan Integrated Earnings Report* in the week (bridge) or month (LTD) after it was paid.

Example #1: An employee who is on approved disability has been previously approved by her employer for a two week period of vacation for July 1-14. The employee proceeds to access vacation for this two week period and is paid \$2,000.00 in vacation pay by her employer. The employer reports to 3sHealth the gross amount of the vacation pay provided to the employee and it results in a direct reduction of the employee's July Disability Income Plan benefit. Her regular gross monthly disability benefit is \$3,500.00. After the reduction of \$2,000.00 she receives a reduced Disability Income Plan benefit for July in the gross amount of \$1,500.00.

Employee Benefits

Example #2: An employee who is on approved disability has accrued 200 hours of vacation. He requested the vacation to be paid out as a single lump sum payment. This lump sum payment, in the gross amount of \$7,000.00 is paid to the employee on July 14. The employer reports to 3sHealth that this 200 hour, \$7,000.00 lump sum vacation payout occurred and that it was not paid in relation to any specific period of time. As the vacation was paid as a single lump sum and not in relation to a specific time period, it does not result in any reduction of the employee's Disability Income Plan benefit payments and should be reported to 3sHealth as a 1x vacation payout.

Example #3: An employee who is on approved disability has accrued 200 hours of vacation. In discussion with her employer it is determined that the best course of action is for this vacation to be paid out. The employee and employer determine that this will be done in five installments of \$1,400.00 (40 hours of vacation paid with each installment). The installments occur on the 1st of the month beginning July 1 and ending on November 1. The employer reports to 3sHealth that a 40 hour, \$1,400.00 vacation payout occurred on July 1 and that it was not paid in relation to any specific period of time. As the vacation was reported as a lump sum paid not in relation to a specific time period, it does not result in any reduction of the employee's Disability Income Plan benefit payments. The subsequent four vacation payouts beginning on August 1 and through November 1 result in a direct reduction of the employee's corresponding monthly Disability Income Plan benefit payments; because the multiple vacation payouts do not fit the description of a lump sum payment.

This same employee asks for a payout of her accrued 75 hours of stat pay in December. The single lump sum payment, in the gross amount of \$1,500 is paid to the employee on Dec 20. The employer reports to 3sHealth that this 75 hour, \$1,500 lump sum stat payout occurred and that it was not paid in relation to any specific period of time. As the stat pay was paid as a single lump sum and not in relation to a specific time period, it does not result in any reduction of the employee's Disability Income Plan benefit payments and should be reported to 3sHealth as a 1x stat payout.

Example #4: An employee on an approved disability has accrued 100 hours of earned time off pay. She requests the ETO time to be paid out as a single lump sum payment. This lump sum payment, in the gross amount of \$2,000.00 is paid to the employee on December 20. The employer reports to 3sHealth that this 100 hour, \$2,000 lump sum ETO payout occurred and that it was not paid in relation to any specific period of time. As the ETO pay was paid as a single lump sum and not in relation to a specific time period, it does not result in any reduction of the employee's Disability Income Plan benefit payments and should not be reported as earnings to 3sHealth.

Employee Benefits

Plan Member Responsibilities:

- Discuss lump sum payment options with their employer.

Employer Responsibilities:

- Clearly communicate to employees that vacation pay, stat pay and earned time off pay are earnings that will be an offset to their disability income plan payment. The exception is a onetime lump sum payment that is not tied to a specific time period.
- Report all employee income paid using the *Disability Income Plan Integrated Earnings Report* when an employee is on an approved 3sHealth disability claim the week (bridge) or month (LTD) after it was paid.

3sHealth Employee Benefits Responsibilities

- Through a weekly query, identify earnings paid to employees while they are on an approved disability claim. 3sHealth will follow up with the employers if there is a payment that was not reported.
- Offset earnings according to the terms of the plan.