

Executive

Benefits

JULY 2007

SUMMARY

The **Benefits** of Working at the CSU

This summary of executive perquisites, relocation benefits, and general benefits provides an overview of systemwide benefits generally available to executives of the California State University (CSU).

EXECUTIVE PERQUISITES

Trustee policy recognizes the extensive business-related, public relations, and institutional development obligations of executives and provides special executive perquisites in recognition of these obligations. Campus foundations may supplement perquisites for presidents based on existing campus practice and local community preferences.

Executive perquisites may be taxable income to the recipient, and executives are encouraged to seek individual consultation with competent tax advisors regarding the potential impact of executive benefits and allowances.

- > **HOUSING AND HOUSING ALLOWANCES** The CSU campus presidents are provided with an official CSU residence where available. If an official residence is not available, a housing allowance is provided to assist the campus president in securing a residence. Housing allowances vary by campus.
- > **AUTOMOBILE AND AUTOMOBILE ALLOWANCES** The CSU campus presidents have a vehicle available for business use, and the campus provides automobile insurance, maintenance, and gasoline expenses for that vehicle. In lieu of a university vehicle, the CSU campus presidents have the option of electing an automobile allowance of \$1000 per month. Automobile allowances may be available to executives in the Chancellor's Office.
- > **ENTERTAINMENT ALLOWANCE** Campus presidents receive an entertainment allowance of \$300 per month from the state's general fund to defray entertainment costs incurred in the course of conducting official business and institutional development activities. Additionally, funds are also available from the state general fund for community relations expenses. Executives in the Office of the Chancellor have access to funds for community related expenses. Campus foundations may supplement general fund entertainment allowances and community relations activities.
- > **PROFESSIONAL LEAVES** The chancellor may grant an executive a paid leave of up to one year for the purpose of studying or traveling for the benefit of the CSU. To be eligible, the executive must have served full time as an academic employee, executive employee, or an employee in an academic-administrative assignment, or any combination thereof, for six consecutive academic years.
- > **TRANSITION PROGRAM** Trustees established the Transition II Program for executives (chancellor, executive vice chancellor, vice chancellor, general counsel, or president) appointed into executive positions on or after November 15, 2006. Executives hired prior to November 15, 2006, remain subject to the Trustee Professor Program or the prior Executive Transition Program.

The Transition II Program provides a period of transition for executives who separate from their executive position in order to assume other identified CSU employment. To be eligible, the executive must:

1. Have served five years in an executive position at the CSU;
2. Be in good standing at the commencement of the program;
3. Have previously identified a position in the CSU to return to upon completion of the transitional program; and
4. Not accept non-CSU employment.

> **EXECUTIVE PHYSICAL EXAMINATIONS** The CSU trustees require an annual physical examination. The CSU will pay up to \$900 per year for expenses not reimbursed by the medical provider. The benefit is not taxable to the executive.

> **RELOCATION BENEFITS** The CSU trustees recognize that relocation of newly hired executives is costly, and a relocation program is provided to assist in the relocation process.

Executives are eligible to receive reimbursement for actual, necessary, and reasonable moving and relocation expenses, with the amount determined by the chancellor and funded by the campus for presidents and by the Office of the Chancellor for system executives.

Relocation reimbursements include: movement of household goods; costs incurred for packing, insurance, storage in transit (maximum 60 days), unpacking and installation of household goods; and costs for lodging, meals, incidental expenses, and transportation.

If an executive is required to sell an existing residence to relocate to the new assignment, the executive may be reimbursed for actual and necessary selling costs as determined by prevailing practices within the area of sale. Selling costs may include brokerage commissions, escrow fees, prepayment penalties, taxes, and/or charges or fees fixed by a local authority required to complete sale of the residence. Claims for settlement of an unexpired lease will also be considered.

All relocation expenses must be properly documented to be paid. Repayment of relocation reimbursements may be required if employment with the CSU is discontinued prior to two full years of employment.

> **GENERAL BENEFITS** The CSU offers a comprehensive benefits program that includes health, life, and disability programs, plus retirement and capital accumulation plans, a variety of voluntary benefit programs, and generous time-off benefits.

HEALTH CARE BENEFITS

Executives have medical, dental and vision plans from which to choose coverage. They may cover themselves and their eligible spouse or domestic partner and children. If enrollment is timely, coverage begins on the first of the month after date of hire. Enrollment may also take place during any annual open enrollment period.

> **MEDICAL BENEFITS** The CSU provides executives and eligible dependents a choice of various medical insurance programs through the California Public Employees' Retirement System (CalPERS). Monthly medical premiums are shared between the CSU and the employee, with the CSU paying the greater portion.

Note: The Tax Advantage Premium Plan (TAPP) provides for the payment of required medical plan premiums from pre-tax salary; therefore, any monthly employee-paid premium expenses are tax free.

> **DENTAL BENEFITS** The CSU provides executives and eligible dependents with dental program options which include a fee for service plan or a prepaid plan where dentists are selected from an approved list. The CSU currently pays the full monthly cost of the program.

> **VISION BENEFITS** The CSU provides executives and eligible dependents with a vision care program, and the CSU currently pays the full monthly cost of the program.

> **COBRA BENEFITS** If executives lose eligibility for medical, dental, and vision benefits under specified circumstances (for example, they leave employment with the CSU), the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) and the Omnibus Budget Reconciliation Act of 1989 (OBRA) allow them to continue to receive health care coverage at their expense. Executives and their dependents can receive COBRA benefits for up to 18, 29 or 36 months, depending on the circumstances.

INCOME PROTECTION BENEFITS

The following benefits provide executives with a source of income should they become disabled and unable to perform normal duties at work. Enrollment is automatic and effective on hire date. Currently, the CSU pays the full premium for all income protection benefits.

> **NON-INDUSTRIAL DISABILITY INSURANCE (NDI)** NDI provides minimal coverage if an executive is unable to work due to a non-work related injury or illness. This CSU-paid program is effective at time of appointment and provides a benefit of \$250 per week for up to 26 weeks of disability.

> **INDUSTRIAL DISABILITY LEAVE (IDL)** IDL provides disability benefits if an executive is unable to work due to a work-related injury or illness. IDL is fully paid by the CSU and provides full pay for the first 22 days of disability and 2/3 pay for the next 11 months of disability.

> **WORKERS' COMPENSATION (WC)** If executives suffer a work-related injury or illness, they may select Workers' Compensation Temporary Disability payments in lieu of IDL payments.

> **LONG-TERM DISABILITY INSURANCE (LTD)** LTD is an income protection program that provides benefits after 180 days of continuous disability. LTD is provided to supplement IDL, Social Security disability, retirement system payments, or any other group disability plan payments. If disability criteria are met, the executive will receive 66 $\frac{2}{3}$ percent of pay up to a maximum of \$15,000 per month, until age 65 or Social Security normal retirement age.

FLEXIBLE BENEFITS PLANS

Flexible benefits plans help executives save money by allowing them to pay for certain eligible expenses with pre-tax dollars.

The tax savings help offset the impact of these expenses on disposable income. With timely enrollment, coverage begins on the first of the month after hire. Employees may enroll during any annual open enrollment period.

> **TAX ADVANTAGE PREMIUM PLAN (TAPP)** TAPP allows the monthly cost for medical coverage through the CSU to be deducted from an executive's paycheck on a pre-tax basis. Therefore, the executive is not taxed on the employee portion of the premium, which reduces taxable income.

> **FLEXCASH** If executives waive the CSU medical and/or dental coverage because they have other non-CSU coverage, they can receive additional cash in their paycheck each month. This payment is taxed as additional income. Currently, executives can receive \$128 FlexCash per month if they waive medical coverage and \$12 FlexCash per month if they waive dental coverage.

> **HEALTH CARE REIMBURSEMENT ACCOUNT (HCRA) PLAN** With a Health Care Reimbursement Account, executives can set aside a portion of their pay on a pre-tax basis to reimburse themselves for eligible health care expenses. They may contribute up to \$5,000 each plan year through payroll deduction. Neither contributions nor reimbursements are taxed.

> **DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCRA) PLAN** With a Dependent Care Reimbursement Account, executives can set aside a portion of their pay on a pre-tax basis to reimburse themselves for eligible dependent care expenses. They may contribute up to \$5,000 each plan year (\$2,500 if married, filing a separate tax return) through payroll deduction. Neither contributions nor reimbursements are taxed.

> **PRE-TAX PARKING DEDUCTION PLAN** Executives may pay for parking in CSU-qualified parking facilities with pre-tax dollars. Premiums are automatically deducted from their paycheck unless they choose to opt out of the plan. They may change their election to participate at any time.

SURVIVOR PROTECTION BENEFITS

If an executive dies while employed by the CSU, his or her surviving beneficiary(ies) will receive benefits from a number of CSU-sponsored plans and, if the executive is enrolled, several voluntary plans.

- > **LIFE INSURANCE BENEFITS** The CSU provides executives with \$250,000 in life insurance coverage and an additional \$250,000 in accidental death and dismemberment coverage effective the first day of the month following appointment. Employer-paid life insurance in excess of \$50,000 results in imputed income to the executive; therefore, the option to waive excess coverage is provided.
- > **VOLUNTARY LIFE INSURANCE** Executives can purchase up to \$1.5 million of additional life insurance for themselves. They may also purchase life insurance coverage of up to \$750,000 for their spouse/domestic partner and/or \$5,000, \$10,000 or \$20,000 for their children. The CSU offers coverage at reduced group rates. Executives pay the full cost on an after-tax basis. If they are a new employee and enroll on a timely basis, they are not required to provide evidence of good health. Current employees may enroll or increase coverage at any time but they have to provide evidence of good health. Coverage begins on the first of the month after the application is approved.
- > **CALPERS PRE-RETIREMENT DEATH BENEFITS** If an executive should die before retirement, CalPERS will pay his or her beneficiary a \$5,000 tax-free death benefit. Depending on length of service, the beneficiary may receive additional benefits. In addition, CalPERS will pay the executive's beneficiary a lump sum payment equivalent to six months of salary.
- > **SURVIVOR EDUCATION BENEFITS** If an executive should die because of a work-related accident or injury, his or her spouse or domestic partner, and eligible dependent children can waive or reduce many of the undergraduate and/or graduate enrollment fees at a CSU campus.

A Word About Social Security and Medicare

The executive and the CSU each pay 6.2% in taxes for Social Security up to the IRS established maximum. For Medicare Hospital Insurance, the executive and the CSU pay 1.45% of salary, with no limit. The CSU pays half the cost—employees get all the benefits.

RETIREMENT PLANS

The CSU provides executives with a number of retirement benefits, including retirement income, medical and dental coverage, and several voluntary retirement savings plans.

BASIC RETIREMENT PLANS

- > **CALPERS RETIREMENT PLAN** Executives are automatically covered by CalPERS at time of appointment. The executive is required to contribute 5 percent of gross monthly salary in excess of \$513 per month. The contribution is not subject to federal and state taxes. Plan vesting is five years, and executives are eligible for retirement at age 50 with a minimum of five years of service. CalPERS is a defined benefit retirement plan with retirement benefits calculated based on age at retirement, years of service, and compensation. In accord with Internal Revenue Code 401 (a)(17), for executives who became members of CalPERS on or after 7/1/96, there is a "cap" on the annual salary that can be covered by CalPERS. That compensation "cap" may be adjusted each year by the IRS.
- > **RETIREE MEDICAL AND DENTAL** Executives will be eligible for CalPERS retiree medical benefits and CSU retiree dental benefits if:
 - They retire at age 50 or later with at least five years of qualified service,
 - They were eligible for medical and dental benefits while an active employee, and
 - They retire within 120 days of separation.

VOLUNTARY RETIREMENT SAVINGS PLANS

- > **PRE-TAX SAVINGS PLANS** Executives have three voluntary retirement savings plans available to them, which allow them to invest pre-tax dollars to supplement their CalPERS Retirement Plan benefit. They are:
 - The CSU 403(b) Tax Sheltered Annuity (TSA) Plan
 - The Savings Plus 401(k) Thrift Plan
 - The Savings Plus 457 Deferred Compensation Plan

Executives may participate in any or all of the plans. Each is governed by a different section of the IRS Code resulting in different rules and provisions.

- > **CALPERS SUPPLEMENTAL CONTRIBUTION PROGRAM** Executives also can supplement their CalPERS retirement benefit with after-tax contributions through the CalPERS Supplemental Contribution Program. CalPERS invests the contributions in a well-diversified portfolio. All investment earnings from the contributions are tax-deferred.

TIME-OFF BENEFITS

The CSU provides executives a variety of paid and unpaid time-off benefits.

PAID LEAVE

- > **HOLIDAYS** The CSU offers executives 14 paid holidays each year; 13 scheduled on specific days and one that may be taken any time during the year.
- > **VACATION** Executives earn two vacation days (16 hours) per month from date of hire. Vacation may be accrued up to a maximum of 480 hours.
- > **SICK LEAVE** Executives accrue eight hours of sick leave each month up to an unlimited maximum. At retirement, unused sick leave can be converted to retirement credit as defined in CalPERS regulations.
- > **BEREAVEMENT LEAVE** If an executive experiences the death of an immediate family member or a significantly close relative, the CSU provides five days of bereavement leave with pay.
- > **CATASTROPHIC LEAVE** The catastrophic leave program may provide leave with pay for up to three months for an eligible executive who suffers a catastrophic illness or injury, is unable to work, and has exhausted his/her leave credits. The leave is funded through voluntary donations of leave credits by employees to the injured/ill employee.
- > **MATERNITY/PATERNITY/ADOPTION LEAVE** An executive is eligible for 30 days of paid maternity/paternity/adoption leave starting within 60 days of the arrival of the new child.
- > **ORGAN DONOR LEAVE PROGRAM** After exhausting all available sick leave, you are eligible for up to 30 days paid leave if you donate an organ, and up to five days paid leave if you donate bone marrow.
- > **JURY DUTY** The CSU will continue your salary while on jury duty, regardless of length of jury service. In order to receive your salary for days served in a state court, you must submit Proof of Service, which will be provided to you as a state of California employee. For days served as a juror in a federal court, you must make your jury duty stipend payable to the CSU. You are entitled to keep any travel expenses (i.e., mileage) associated with jury duty service.

UNPAID LEAVE

- > **CSU FAMILY MEDICAL LEAVE (FML)** Under the CSU Family Medical Leave Policy (FML), an executive may take up to 12 weeks of unpaid leave to care for a new child, or care for a seriously ill spouse, domestic partner, child or parent or if the executive suffers a serious health problem. Sick leave and vacation days, as approved, must be used first before going on unpaid leave.
- > **LEAVES OF ABSENCE** Additional leave programs are available.

ADDITIONAL CSU BENEFITS

- > **CALPERS LONG-TERM CARE (LTC) PLAN** Through CalPERS, executives can purchase long-term care (LTC) insurance for themselves, their spouse, parents/in-laws/step-parents, and/or siblings 18 years old or older. The plan provides benefits for assisted living should the executive (or covered family members) become unable to care for themselves. There are several coverage options.
- > **EMPLOYEE AND DEPENDENT FEE WAIVER AND REDUCTION PROGRAM** A special fee waiver program is available to an executive where up to two courses or 6 units may be waived per term. The executive may transfer the fee waiver benefit to a spouse, domestic partner or dependent child.
- > **HOUSING PROGRAMS** The CSU and CalPERS offer special housing programs to assist with home purchasing needs.
- > **HOMEOWNERS' AND AUTOMOBILE INSURANCE** Employee-paid home and automobile insurance programs are available and may be paid for through payroll deductions.
- > **CREDIT UNION** There are a number of credit unions available that provide payroll savings programs, as well as standard credit union services.

GENERAL INFORMATION

- > **APPOINTMENT PROCESS** Executives, as CSU employees, are employed under the public personnel statutes and regulations of the state of California. Executives receive letters of appointment rather than employment contracts. Executives serve at the pleasure of the trustees and the chancellor.
- > **PAYROLL PROCESS** The CSU employees are paid on a monthly basis at or near the first of the month with warrants from the California State Controller's Office. Direct deposit of salary through electronic transfer to a bank or credit union is available.



OFFICE OF THE CHANCELLOR

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