



Fact Sheet

November 17, 2009

This fact sheet is a reminder of how UNTHSC employees, including those who work for UNT Health, are paid, policies that guide merit payments, and actions taken during the UMA transition.

How UNTHSC Employees and UNT Health Employees are Paid

As UNT Health employees, we are paid with local money that comes from our clinical enterprise. Other employees at the UNT Health Science Center are paid with money from the State of Texas. State laws and regulations determine how state funds can be used. Why is this important? It can make a difference in merit payment distribution, as you'll see below.

Salary Increases

On September 1, 2009, every classified employee of the Health Science Center, including UNT Health employees and former UMA employees, received a salary adjustment equal to the greater of a 3% or \$1000 increase to their base salaries as part of the Health Science Center's staff compensation plan.

Merit/Bonus Payment Distribution

When funds are available, UNTHSC distributes one-time merit payments to eligible Health Science Center non-faculty employees. Merit payments have to be made from the same type of funds as the employee's regular pay; employees paid with state funds are paid merits with state dollars, and employees paid with local funds (including UNT Health employees) have to be paid merits with local dollars. Employees who earn at least a 3.5 on their annual performance evaluations are eligible for the one-time payment. Many HSC employees received one-time merit payments this fall.

At UNT Health, a merit payment for staff was delayed for these reasons:

- Recently transferred UMA employees would not have been eligible for merit payments until March because state guidelines stipulate you must be an employee for at least six months before becoming eligible for a merit payment, even if that payment is made with local funds.

- Since merit payments for UNT Health employees must be paid with money generated by our practice, we must make sure we earn the money to pay for these merits.

- Therefore, we will revisit the situation in March. If the clinic practice generates enough revenue, we will provide one-time merit payments to those employees who qualify. These will be performance-based. Employees who have earned a 3.5 or higher on their performance evaluations will be eligible, and the final decision regarding how merit funds are to be allocated will be made by the UNT Health Executive Team. Therefore, not all UNT Health employees will receive one-time merit payments.

UMA Transition

Here is a review of what happened during the UMA transition:

Salaries

Every classified employee of UNT Health, including those transitioning from UMA, received a salary adjustment equal to the greater of a 3% or \$1000 increase to their base salaries effective September 1, 2009.

Retirement

As of August 31, 2009, all UMA employees were converted to fully-vested in their UMA retirement (America's 401K retirement) regardless of previous vesting status. It normally would have taken 3 years of continuous employment to become fully vested.

Employees could avoid all tax liability by rolling over their retirement. Many chose to liquidate their retirement instead. Federal IRS guidelines require these early non-qualified distributions to be fully taxable and subject to an additional 10% penalty.

Had UMA not been dissolved, the previous employee retirement plan would have been revised January 1, 2010 because it was out of compliance with federal guidelines regarding the maximum amount that an employer could contribute to retirement on the employee's behalf under required discriminatory testing. Thus, effective January 1st, employees would have no longer been able to benefit from employer contributions alone. Employees would have been required to contribute to continue getting an employer match, and the match from UMA would have been reduced.

COBRA/Benefits/Insurance

UMA employees transitioning to UNTHSC had a 90-day waiting period to be eligible for health insurance coverage. To help ease this transition, all UMA employees were paid the equivalent of 90 days coverage expense for COBRA coverage identical to the previous healthcare coverage they had while in UMA.

Employees who opted to purchase the coverage were able to benefit from a 65% discount off the regular COBRA premium unless they were eligible for Medicare or could be covered on a spouses' policy. Thus, most employees received more money than needed to cover their actual expenses for COBRA coverage.

For those employees denied the 65 percent discount on the premium, we issued a second payment to reimburse the amount of tax withheld from the first disbursement.

Many employees decided not to pay for COBRA, but kept the distribution as additional take-home compensation, since COBRA allows a 90-day retroactive application. In other words, if in the 90 days you incurred no healthcare expenses, you just keep the money and don't buy retroactive COBRA. In most cases this was a \$1,500 - \$2,000 payment in the employee's favor. If on the 75th day you have a healthcare incident costing more than the COBRA payment, you could retroactively purchase the coverage.

Employees were paid out at 100 percent for all accrued vacation, but did lose all unused sick time.

Glossary

Classified Positions: This category includes all staff positions which do not entail significant instructional or executive responsibilities.

Merit payment: A one-time, lump-sum payment. It has no bearing on your monthly or annual wage.

Salary adjustment: An increase to the hourly rate which you are paid, and therefore an increase to your monthly and annual salary.