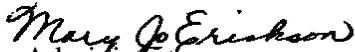


DATE: March 1, 2005

**PERSL #1389**

TO: HR Directors and Designees

FROM: Mary Jo Erickson   
Vacation Donation Administrator

PHONE: (651) 297-4042

RE: Vacation Donation Pool

The Vacation Donation Program – Continued Salary was established in M.S. 43A.181 and is described in Administrative Procedure 18A. Under this program, excess hours donated to an employee are moved to a pool once the employee is no longer on the program. These hours are then available to other employees on the program who have not received sufficient donations to cover their salary. Until recently, there have been sufficient hours in the pool to cover all employees who needed the extra hours. However, those hours have been depleted and the pool is currently empty. While more hours may be added to the pool in the future, employees currently on the program who do not have sufficient hours donated to them have no additional hours from which to draw. Therefore, they are at risk for losing their insurance if they do not get additional hours donated in their name. Employees could bounce back and forth between having insurance deductions taken through payroll and not having insurance deductions as they continue to receive some donations, and as more hours are sporadically added to the pool. This creates a problem because they would either need to go on and off benefits billing frequently or have back charges build up to be taken when they do receive pay. In either event they would run the risk of their insurance lapsing inappropriately. Therefore, in order to ensure that employees will not have breaks in their insurance unnecessarily, we have changed the manner in which we will handle their insurance premiums.

- Employees currently on the vacation donation program who have sufficient hours donated to them to continue their insurance will continue under the current system. Deductions will be taken from their paychecks to cover their employee-paid insurance premiums, and their employing agency will continue to pay the employer-paid portion of their insurance.
- Once an employee who is currently on the program reaches the point where his/her donated hours are less than one day and/or do not cover his/her employee-paid insurance premiums, he/she will be placed on Benefits Billing immediately. Kris Valley will enter a new Action Reason code, PLA/VD9. This will treat him/her like an employee on

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FMLA for billing purposes. The employee will be billed for employee-paid premiums, and the employing agency will be billed for the employer-paid premiums. He/she will continue on Benefits Billing until he/she is no longer on the program, regardless of whether or not he/she receives future donations.

- Effective immediately, any employees added to the program will be placed on Benefits Billing and will continue on billing for the entire time they are on the program. Oftentimes new employees do not have donations to cover their absence immediately. This will ensure that there is no lapse in the employee's insurance due to unpaid premiums.
- If an employee does not have sufficient hours, or the pool does not provide sufficient money to cover the employee's insurance for a particular pay period, the employee will be responsible for the employer share of the premiums. Each agency will need to keep track of the hours used by an employee and determine who is responsible, pay period by period, for the insurance premiums—the employer or the employee. While the employer initially pays the premium, if it is determined that the employee is responsible, the agency should work out a re-payment plan with the employee.

When an employee is put on billing, they will no longer be able to pay their employee-paid health and dental insurance premiums with pre-tax dollars. If the employee is currently enrolled in the pre-tax Medical Dental Expense Account, they may continue to participate in that account but on a post-tax basis. (Employees on the Vacation Donation Program are not eligible for the Dependent Care or Transit Expense accounts.) While we recognize that this is a change to our current practice, we feel that it is more than balanced by the assurance that their insurance coverage will not lapse accidentally.

Please share this letter with your agency Human Resources and Payroll staff. A separate letter will be provided to agencies with employees currently on the program to be shared with those employees.

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