West Virginia University
SCHOOL OF PUBLIC HEALTH

# JOB OFFER TERMINOLOGY

## RETIREMENT BENEFIT TERMS

**Vesting:** Vesting refers to the amount of time a participant must work before earning a nonforfeitable right to a retirement benefit. Once the participant is vested, the accrued benefit is retained even if the worker leaves the employer before reaching retirement age. Vesting schedules apply only to employer contributions; employee contributions (including pretax contributions) are always 100 percent vested.

### RETIREMENT PLAN TYPES

**401(k):** A defined contribution plan offered by a corporation to its employees, which allows employees to set aside tax-deferred income for retirement purposes, and in some cases employers will match their contribution dollar-for-dollar. Taking a distribution of the funds before a certain specified age will trigger a penalty tax. The name 401(k) comes from the IRS section describing the program.

**403(b):** A retirement plan similar to a 401(k) plan, but one which is offered by non-profit organizations, such as universities and some charitable organizations, rather than corporations. There are several advantages to 403(b) plans: contributions lower taxable income, larger contributions can be made to the account, earnings can grow tax-deferred, and some plans allow loans. Contributions can grow tax-deferred until withdrawal at which time the money is taxed as ordinary income (which is sometimes a disadvantage).

**Savings and Thrift Plans:** Employees may contribute a predetermined portion of earnings (usually pretax)-all or part of which the employer matches-to an individual account. Employers may match a fixed percentage of employee contributions or a percentage that varies by length of service, the amount of employee contribution, or other factors.

**Deferred Profit Sharing Plans:** A defined contribution plan under which a company credits shares of company profits to participating employees' accounts.

**Employee Stock Ownership Plans (ESOPs):** The employer pays a designated amount, often borrowed, into a fund which then is invested primarily in company stock. Any debt incurred in the purchase of the stock is repaid by the company. Stock then is distributed to employees according to a formula.

**Individual Retirement Accounts (IRAs):** An IRA is a retirement savings plan. There are several types of IRAs: Traditional IRAs, Roth IRAs, Simplified employee pensions (SEP) IRAs, and Savings-incentive match plans for employees (SIMPLE) IRAs. Traditional and Roth IRAs are established by individuals who are allowed to contribute earnings up to a set maximum dollar amount. SEPs and SIMPLE plans are retirement plans established by employers.

**Simplified Employee Pensions (SEPs):** An individual retirement account (IRA) is established for each eligible employee. The employee is immediately vested in employer contributions and generally directs the investment of the money. These arrangements are sometimes called SEP-IRAs. Savings-incentive match plans for employees (SIMPLE plan).

## HEALTH CARE BENEFIT TERMS

**Health Maintenance Organization (HMO):** A form of health insurance combining a range of coverages in a group basis. A group of doctors and other medical professionals offer care through the HMO for a flat monthly rate with no deductibles. However, only visits to professionals within the HMO network are covered by the policy. All visits, prescriptions and other care must be cleared by the HMO in order to be covered.

**Preferred Provider Organization (PPO):** A plan that provides coverage through a network of participating health care providers. Enrollees may receive services outside the network, but at higher costs. The additional costs may be in the form of higher deductibles, higher coinsurance rates, or both, or non-discounted charges from providers.

**Exclusive Provider Organization (EPO):** A plan that obligates employees to use their providers exclusively to receive coverage, in contrast to PPO benefit plans, which merely offer a financial incentive for enrollees to use the preferred provider. An EPO is a specific type of PPO plan that can be either self-insured or insured through an insurance company.

**Point-Of-Service Plan (POS):** A plan that combines features of PPOs and traditional HMOs. POS enrollees receive more generous benefits for services within the network and for specialist care authorized by their primary care physicians. Benefits are less generous for care received outside the network and for self-referrals.

**High Deductible Health Insurance Coverage:** A health insurance policy that requires covered individuals to pay a high out of pocket cost for medical care (usually over $1000) before any costs will be paid by the plan. Such plans have lower premiums than traditional health insurance policies. This makes them attractive to employers seeking to manage the cost of providing workplace benefits. The IRS requires participation in a high-deductible health plan for employees and self-employed individuals who wish to use a tax-exempt health savings account to defray the cost of medical care.

**Adapted from Indiana University School of Public Health - Bloomington*

**Health Savings Accounts (HSAs):** Portable accounts owned by employees and used to pay for medical expenses with tax-exempt contributions. HSAs are used in combination with employer-provided high-deductible health plans (HDHPs) with annual maximum limits on out-of-pocket and deductible expenses. Other features include the rollover of unused contributions from year to year and tax-free interest.

**Deductible:** The amount of a loss that an insurance policy holder has to pay out-of-pocket before reimbursement begins in accordance with the coinsurance rate.

**Co-Pays:** The amount an insured person is expected to pay for a medical expense at the time of the visit.

**Premium:** A regular periodic payment for an insurance policy, here also called insurance premium.

## LIFE INSURANCE DISABILITY BENEFIT TERMS

**Life Insurance:** Provides a lump-sum payment to a designated beneficiary or beneficiaries of deceased employees. Companies may provide a basic amount of life insurance benefits, which may vary with an employee's age, income, or occupation. Companies also may allow employees to pay for additional amounts of coverage.

**Long-Term Disability (LTD)**: These plans provide a monthly benefit to eligible employees who, because of a non-work-related illness or injury, are unable to work for an extended length of time. Benefits usually are paid as a fixed percentage of pre-disability earnings, up to a set limit.

**Short-Term Disability (STD):** These plans provide benefits for non-work-related illnesses or accidents on a per-disability basis, typically for a 6-month to 12-month period. Benefits are paid as a percentage of employee earnings or as a flat dollar amount. STD benefits vary with the amount of pre-disability earnings, length of service with the establishment, or length of disability.

**Personal Accident Insurance:** Personal accident insurance covers your expenses from an accident with a lump sum payment, a daily or monthly amount or a payment for loss of life from an accident. Several types of policies supplement an insurance program. Often, accidental death and dismemberment is an inexpensive form of personal accident insurance. Other forms are similar to disability income, but they pay a cash sum when you have an injury due to an accident. There are several ways to buy personal accident insurance. Some policies only pay for specific types of accident.

## PAID LEAVE BENEFIT TERMS

**Paid Holidays:** Holidays are days off from work on days of special religious, cultural, social, or patriotic significance on which work and business ordinarily cease. Employees may receive either full or partial pay for holidays.

**Paid Vacation:** Vacations are leave from work (or pay in lieu of time off) provided on an annual basis and normally taken in blocks of days or weeks. Paid vacations commonly are granted to employees only after they meet specified service requirements. The amount of vacation leave received each year usually varies with length of service. Vacation time off normally is paid at full pay or partial pay, or it may be a percentage of employee earnings.

**Paid Sick Leave:** Sick leave provides all or part of an employee's earnings if he or she is unable to work because of a non-work-related illness or injury. Employees commonly receive their regular pay for a specified number of days off per year. Sick leave is provided on a per-year basis, usually expressed in days, and is never insured.

**Paid Family Leave:** Family leave is granted to an employee to care for a family member and includes paid maternity and paternity leave. The leave may be available to care for a newborn child, an adopted child, a sick child, or a sick adult relative. Paid family leave is given in addition to any sick leave, vacation, personal leave, or short-term disability leave that is available to the employee.

**Unpaid Family Leave:** This leave is granted to an employee to care for a family member. The leave may be used to care for a newborn child, an adopted child, a sick child, or a sick adult relative. A typical family leave plan extends leave without pay to an employee for a period of several months while the employee cares for the family member.

## OTHER BENEFIT TERMS

**Flexible Work Schedule:** Permits employees to set their own schedules within a general set of parameters. Employees generally are required to work a minimum number of core hours each day.

**Childcare Assistance:** Provides either the full or partial cost of caring for an employee's children in a nursery or daycare center or by a babysitter. Care can be provided in facilities either on or off the employer's premises.

**Flexible Workplace:** Permits workers to work an agreed-upon portion of their work schedule at home or some other approved location, such as a regional work center. Such arrangements are especially compatible with work requiring the use of computers linking the home or work center to the central office.

## TAX AND CREDIT TERMS

**Tax-deferred Account (TDA):** A tax-advantaged savings account in which the tax obligation associated with the contributions and/or investment earnings within the account are postponed until a later date.

**Federal Insurance Contributions Act (FICA):** The federal law which requires employers to withhold a portion of employee wages and pay them to the government trust fund which provides retirement benefits.

**Credit Score:** A measure of credit risk calculated from a credit report using a standardized formula. Factors that can damage a credit score include late payments, absence of credit references, and unfavorable credit card use.

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