

How to Use This Manual

Human resources is an increasingly more complex function to manage. Businesses nationwide continue downsizing, banks are merging at an unprecedented pace, sexual harassment suits are on the rise, and since the enactment of the Health Insurance Portability and Accountability Act, Americans with Disabilities Act, and the Family Medical Leave Act, employers are subject to rules (coordination requirements) that even the courts are still figuring out. To add to the unsettling climate is the uncertainty surrounding solutions to health care reform and affirmative action. In addition to these fairly new concerns there are still the issues of controlling human resources costs, of employee compensation, employee benefits, and general employment practices.

In these unsettled times, senior bank management is recognizing that to forestall compliance violations or unnecessary lawsuits, and respond to cost concerns and the growing pressure to change to meet the needs of the current workforce, human resources administration must be part of its bankwide strategic planning process.

Pratt's Human Resources Practice and Compliance Guide for Bankers is intended to help ease the process of human resources administration. It guides you through the legislated requirements of the major aspects of the employee-employer relationship and provides a state-by-state guide to compliance with major human resources regulations. It addresses discretionary benefits that are not required by any law, but which have a controlling set of regulations once enacted by an employer. And it discusses compensation and benefit practices including the practical day-to-day application of key management strategies and responsibilities.

Pratt's Human Resources Practice and Compliance Guide for Bankers is divided into the following chapters:

PART I — COMPENSATION PRACTICES

- Chapter 1, “Human Resources Management Strategy and Structure,” examines the role of the human resources department in implementing the strategic vision and mission of the bank. It also discusses appropriate organization and staffing levels.
- Chapter 1A, “Collecting and Documenting Job Information,” discusses job analyses and gathering job information, creating job descriptions, and the impact of the Americans with Disabilities Act.
- Chapter 2, “Job Evaluation Process,” covers techniques for measuring job worth, the classification point factor and factor-comparison systems, cross-checking evaluations, and uses of job evaluation, potential design problems, the market pricing approach, establishing pay grades and broadbanding.
- Chapter 3, “Job Pricing,” describes the job pricing process via market surveys using outside information and gathering information in-house, other pricing considerations, techniques for administering the pay structure, and effective employee communications.
- Chapter 4, “Salary Administration and Mandated Pay Practices,” discusses methods for developing a salary administration policy, employee communication issues, and merit increase programs, including who should receive increases, how much of an increase to give, and tools for making merit increase decisions. It examines other types of pay actions, starting salaries, position reevaluations, and equity increases, special compensation situations, program maintenance, and effectively communicating pay decisions.

The chapter reviews various legal issues, including pay discrimination, the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, comparable worth, major discrimination laws, case studies,

and the specifics of age discrimination, race and general discrimination, child care concerns, and handling a discrimination grievance.

- Chapter 4A, “Payroll Administration,” generally identifies rules and regulations specific to payroll administration. It addresses permissible methods of making wage payments, frequency of such payments, and deductions that are required, permitted, or may be court ordered (e.g., garnishments and child support withholding), from wage payments. This chapter defines bank responsibilities for withholding, depositing, and reporting taxes, required recordkeeping requirements, and regulations for payment of termination and final wages.
- Chapter 5, “Budget Planning and Control,” reviews salary budgeting, budgeting methods and pitfalls, and salary controls.
- Chapter 6, “Measuring Job Performance,” deals with assessing and managing performance, defining performance criteria, design considerations for the performance assessment form, and the assessment process. It discusses performance development plans, coaching, and counseling and presents a problem-solving process.
- Chapter 7, “Variable Pay Plans,” reviews variable pay, including program development, design and administration.
- Chapter 8, “Executive Compensation,” reviews various incentive plans and performance agreement options such as deferred compensation, nonqualified retirement plans, golden parachutes, and executive perquisites. The chapter discusses government regulations and reporting, legal aspects of perquisite programs, Internal Revenue Service (IRS), and Department of Labor involvement in executive compensation, accounting for executive compensation, Securities and Exchange Commission (SEC) executive compensation disclosure rules, special rules regarding shareholder approval of new plans, director compensation, and compensation standards required under the Federal Deposit Insurance Commission Improvement Act (FDICIA).

PART II — BENEFITS PRACTICES

- Chapter 9, “Required Employee Benefits,” reviews social security, workers’ compensation, and unemployment compensation.
- Chapter 10, “Design, Costing, and Administration of Benefit Programs,” discusses designing the benefit program and defined contribution plans, death benefits, benefits for part-time employees, and benefits for domestic partners. It covers benefits administration, employee records, record retention, administering defined benefit, pension and capital accumulation and insurance plans, communicating with employees, and regulatory changes. Discussion includes Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirements, certification, special enrollment periods, and nondiscrimination standards.
- Chapter 11, “Medical and Health Care Benefit Plans,” discusses federal health care legislation governing the Health Insurance Portability and Accountability Act of 1996, including preexisting conditions, exclusions, health status, and guaranteed renewability. It discusses Medical Savings Accounts, operational rules and other medical coverage, long-term care insurance, the Mental Health Parity Act, Newborn and Mothers’ Health Protection Act, and other health care and related benefits. It examines various state health care benefits regulations, administrative practices to manage benefits programs, including combining various benefits into flexible packages to control costs and promote employees’ choice, medical and dental plans, general coverage provisions, cost containment strategies, managed care programs, hospitalized patients, extended hospitalization, preferred provider plans, qualified medical child support orders, reporting requirements for health care plans, retiree health funding and plan design.

- Chapter 12, “Death Benefits, Disability Income, and Long-Term Care,” examines death benefits, group term life insurance, accidental death and dismemberment, and other insurance, as well as disability income.
- Chapter 13, “Savings and Pension Plans,” reviews types of plans, pay for pension purposes, credited services, and vesting. It covers general concepts of funding, typical plan provisions, funding, defined contribution pension plans, defined benefit plans, and benefits formulas.
- Chapter 14, “Discretionary Benefit Programs,” discusses the most commonly offered benefits that are not mandated by law, and such as vision care, prescription drug plans, child care assistance, tuition-aid plans, employee assistance programs, extended military leave, and employee stock purchase plans, among others. It provides a summary of the controlling set of regulations for each benefit once it is enacted by an employer. It also discusses options for benefits design, implementation, and administration.
- Chapter 14A, “Work/Life Benefits,” discusses the benefits that help employees balance their work and non-work lives. These benefits include flexible work arrangements, time-off benefits, domestic partner benefits, and child and elder care support.

PART III — EMPLOYMENT PRACTICES

- Chapter 15, “Paid and Unpaid Leave,” discusses the Fair Labor Standards Act, how to develop a time off from work policy, and what topics should be covered in the policy, such as holidays, vacations, personal absences. The chapter also contains a state-by-state guide to time off from work.
- Chapter 16, “Family and Medical Leave Act (FMLA),” explains the provisions of the Family and Medical Leave Act. It includes definitions of key terms and interpretations, a discussion about integration of state and federal leave laws, a state-by-state summary of the key leave law provisions, and necessary forms.
- Chapter 17, “Sexual Harassment,” discusses the issue and causes of sexual harassment, including methods of investigation, company policies and training, and legal and social issues surrounding sexual harassment.
- Chapter 18, “Privacy in the Workplace,” discusses historical precedents for workplace privacy issues; major privacy issues during pre-employment, current employment, and post-employment; highlights common litigation, and presents model company policies to protect company and employee rights.
- Chapter 19, “Equal Employment Opportunity/Affirmative Action,” reviews the legal background of discrimination, presents key terms and the impact on employment, interviewing, performance assessment, and grievance. It discusses affirmative action, plan components, and preparation.
- Chapter 20, “Americans with Disabilities Act (ADA),” outlines the requirements of the various titles of the ADA. It focuses on compliance guidelines to meet employment requirements and includes recent EEOC guidance on the ADA and group health benefits, as well as preemployment inquiries. It includes recent case discussions, court rulings, and samples of policies and forms.
- Chapter 21, “Selection Process and Interviewing,” covers preparation, needs assessment, sourcing, legal issues, interviewing, testing, reference checking, and special rules regarding bank directors. It covers “negligent” referral, limiting exposure to liability and protection from retaliation, the Illegal Immigration and Immigrant Responsibility Act of 1996, Immigration and Naturalization Service (INS) and social security working together, document fraud, technical I-9 violations, “over documentation” liability, and contingent workers liability arising out of temporary employment.
- Chapter 22, “Training,” discusses the purposes of training, compliance-related training, and administration of a training program. It summarizes employer responsibilities in federally mandated

employee training dealing primarily with worker safety, the Health Act of 1970, and the pending Comprehensive Occupational Safety and Health Reform Act.

- Chapter 23, “Recordkeeping,” discusses types of employment records, file structure, records management, and record retention requirements.
- Chapter 24, “Layoffs and Terminations,” discusses layoff and termination legislation, employer responsibilities under the Worker Adjustment and Retraining Notification (WARN) Act, and it provides a summary of state notification laws. It examines the right to employment at will and the provisions that prohibit retaliation against workers exercising certain statutory rights, such as wage and hour claims, safety and health claims, workers’ compensation claims, discrimination claims, and absence for jury duty or appearance as a witness.
- Chapter 25, “Human Resources Information Systems,” discusses selecting appropriate hardware, software, and vendor to help you implement change and gain maximum effectiveness of the new Human Resources department.
- Chapter 26, “Human Resources Risk Management,” discusses the overall role of Human Resources (HR) in risk management. It presents a model for conducting an HR audit, or diagnostic review, as a process for investigating the effectiveness and legality of an organization’s HR policies and practices. It also includes a list of diagnostic self-audit questions for managers to use to do a quick assessment of the status of HR in the bank.
- Chapter 27, “Substance Abuse in the Workplace,” discusses the impact of substance abuse in the workplace, the federal laws requiring some organizations to implement policies and procedures to deal with substance abuse, and those policies and procedures.
- Chapter 28, “Organizational Development: Planning and Evaluation,” discusses how to manage an organization’s growth and change, identify the most critical systems that must be coordinated to facilitate effective organization change, and determine the skills and experience needed for a project leader.
- Chapter 29, “Mergers and Acquisitions,” discusses how to prepare for a merger or acquisition, conduct an HR assessment, and anticipate the impact on systems, policies, and procedures.