Policy 2000

From Human Resources

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PERSONNEL POLICY MANUAL
MoDOT Personnel Policy Title: Relocation Assistance **Policy Number**: 2000 **Chapter Title**: Subsistence **Effective Date**: July 1, 2008 **Supersedes Policy Number** 2000 **Dated** July 1, 2007
Approved By: Micki Knudsen, Human Resources Director (Signature on file)

Contents

POLICY STATEMENT

The department will provide relocation services through a third-party administrator (TPA) and/or reimburse eligible expenses as authorized by this policy. The department's intent is for both the employee and the department to make the relocation at the least expense to the department, while not creating an undue hardship on the employee and his/her family.

DEFINITIONS

Closing Costs: These are costs associated with employees selling their current home and with buying a home at the new location, which are typically shown on a standard Settlement Statement under the headings of "Items Payable in Connection with Loan," "Title Charges," "Government Recording and Transfer Charges," and "Additional Settlement Charges." Some of these usual costs include deed preparation and recording fees, credit report fee, appraisal fee, survey fee, abstract fee or title insurance, application fee, processing fee, underwriting fee, inspection fees, and flood determination letter fees. Closing costs do not include loan origination and/or discount fees. The department will not reimburse closing costs employees agree to pay that should typically be the responsibility of the other party.

Completed Move: Homeowners will be considered moved when they have purchased a home at the new location, their family has relocated to the new location, and their old home has been sold. Homeowners who do not have a family to move will be considered moved when a home is purchased at the new location and their old home is sold. A completed move for renters is typically considered to be when their household goods have been moved to the new location. Employees who own mobile homes are considered moved when their mobile home has been moved or when their household goods have been moved to the new location (for situations when employees choose not to move their mobile home to the new location).

Delayed Transfer: When employees are eligible for financial reimbursement of temporary living expenses when required to relocate to a new work location.

Dual Housing: When employees are obligated to pay two mortgages simultaneously on two homes they own, one at the old location and one at the new location.

Home: Shall mean real estate: (i) which is owned and used by an employee as a principal year round one or two family residence, including condominiums but excluding cooperative housing and mobile homes; (ii) which contains acreage within the norm and zoning limits for the locale or neighborhood, not to exceed five acres; (iii) with respect to which insurance is available at standard rates for normal hazards of fire and extended coverage; (iv) in which the employee has marketable title; and (v) with respect to which mortgage financing is available at standard rates.

Internal Revenues Service (IRS) 50-Mile Rule: The distance between an employee's former residence and the new work location must be at least 50 miles farther than the distance between the employee's former residence and old work location. The distance between an employee's residence and work location is the shortest of the more commonly traveled routes between them.

Lateral Transfer: The movement of an employee between jobs in the same salary grade, regardless of the job title.

Promotion: The movement of an employee to a higher salary grade job.

Third-Party Administrator (TPA): A vendor contracted by the department who is responsible for coordinating, consulting, and providing services for relocation of eligible employees.

Withdrawal: A home seller who has elected within 30 days from the effective date of transfer to utilize the TPA process and subsequently does not complete the process because he/she: (i) does not use a TPA registered network broker for the sale of the departure home; (ii) does not use a TPA registered network broker for the purchase of destination home; or (iii) later elects, after the 30 day window, not to utilize the TPA process for reasons other than home ineligibility.

PROCEDURES

SECTION I – General

1. An employee will be eligible for relocation assistance when the employee is promoted to a position in salary grade 11 or higher and relocation is required by the department, or the employee is relocated as the result of a lateral transfer (salary grade 11 or higher) for which the employee competed for the position. Additionally, for a lateral transfer, the relocation assistance must be approved by the district engineer or division leader/state engineer after consultation with the human resources director before services and reimbursements will be provided.

2. To be eligible for a department-approved paid relocation is that the move must meet the criteria of the IRS 50-mile rule.

3. The local human resources manager (districts and Central Office) is responsible for notifying the Human Resources Division of employees eligible for relocation benefits. The Human Resources Division will be responsible for referring eligible employees to the TPA.

4. Employees will receive a 4 percent temporary relocation pay increase when relocation benefits have been approved. (Refer to Personnel Policy 1016, “Salary Increases.”) This 4 percent increase will be given in addition to whatever is received for a promotion increase and may result in an employee’s salary being above the maximum rate for his/her salary range. If two steps do not provide an employee with approximately a 4 percent increase (around 3.8 percent or 3.9 percent), the employee’s salary may be changed from table driven pay to being placed on pay parameters to provide a flat 4 percent increase for this six month period. The temporary relocation pay increase is for six months, beginning with the effective date of transfer.

5. When an employee’s work location is changed as the result of a relocation (lateral or demotion) initiated by the employee for personal reasons, and granted by the department to accommodate the employee’s request, the employee is not eligible for paid relocation benefits or temporary salary increases associated with the relocation. Relocations made necessary by disciplinary action are also not eligible for relocation benefits.

6. Expenses connected with the relocation will be charged to the location to which the employee is being transferred.

7. Homeowners who pay a loan discount fee (for new home only), which is based on a point or a fraction of a point and results in a lower loan rate, may be eligible for a reimbursement for part or all of the fee. The amount of reimbursement, if any, will be limited to the amount the reduced interest rate will benefit the department under mortgage interest rate differential payments (see Section X for the calculation process).

8. Homeowners must complete the sale of their old home and purchase of their new home within 12 months of the effective date of transfer to be eligible to receive services and reimbursements associated with the sale or purchase of homes.

9. Employees will receive a one-time lump sum payment based on their new base salary on the effective date of their transfer. This lump sum is intended to assist with the increased tax liability the employee will have related to some of the services and reimbursements provided during the move. Base salary does not include the temporary relocation increase noted in paragraph 4, above, or cost of living or other increases the employee might receive before the move is complete. This lump sum payment will be paid to the employee during the calendar year in which the employee’s move is completed, provided the employee is still working for the department. The amount of the payment will be equal to one pay period for homeowners and one-half pay period for renters and mobile home owners. Should a homeowner elect not to sell his/her home, or elect not to purchase a new home, he/she will receive a one-half pay period lump sum payment.

10. Employees should be given a copy of MoDOT Personnel Policy 2000 and a copy of the Employee Relocation Handbook at the time of the job offer, if relocation may be required. The handbook gives a description of services provided as well as the terms and conditions for the

home selling/buying process, including the home eligibility criteria for the TPA process. Employees can also visit the TPA's website noted in the handbook for additional information.

SECTION II – Post Job Offer Process for Homeowners

1. Once a job has been offered and accepted by an eligible employee who is a current homeowner, the employee will have 30 days from the effective date of transfer to determine whether or not he/she will sell his/her home and whether or not he/she will utilize the TPA process for selling his/her home. If the employee elects during those 30 days not to sell his/her home, the department has no obligation to reimburse the employee for any cost associated with the sale of the home should the employee decide to sell the home in the future.

2. If an employee elects to utilize the TPA process but subsequently is determined to have a non-eligible home, the department will handle the relocation under the non-TPA process.

3. If an employee elects not to use the TPA process for the sale of his/her old home, he/she will not be allowed to use the TPA process for the purchase of his/her new home.

SECTION III – Home Selling/Buying Guidelines for TPA

1. If an employee elects to utilize the TPA, the employee will be required to comply with the terms and conditions outlined in the Employee Relocation Handbook. This includes compliance with the TPA's home appraisal process, and home marketing and pricing strategies.

2. By utilizing the TPA, all realtor fees and closing costs associated with selling the old home will be paid by the department directly to the TPA. Additionally, employees will receive up to $2120 for reimbursement of actual closing costs and up to $1500 for reimbursement of loan origination fees for their new home.

3. Should an employee withdraw from the TPA process after originally committing to the process, the employee will be responsible for reimbursing the department for any penalties or fees assessed by the TPA to the department for the withdrawal.

Should an employee elect to utilize the TPA process for the sale of his/her old home, he/she must use the TPA process for the purchase of his/her new home as well. Utilizing the TPA process means the employee must use brokers who are currently registered with the TPA or will agree to register with the TPA for both the sale of the old home and purchase of the new home. Should the employee not utilize a registered TPA broker for the purchase of his/her home or land if building a home, the employee may be responsible for paying a $1400 referral recovery fee charged by the TPA.

SECTION IV – Home Selling/Buying Guidelines for Non-TPA

1. Employees who elect not to utilize the TPA process will be eligible to receive reimbursement of no more than $10,500 for realtor fees for the sale of the old home and no more than $2120 for

combined closing costs for both the old and new home. The department will not provide any tax assistance for the reimbursement of realtor fees and/or closing costs.

2. Employees will be eligible to receive reimbursement up to $1500 for loan origination fees associated with the purchase of their new home.

3. Homeowners who elect not to sell their old home but still purchase a home at the new location will be eligible to receive up to $2120 of reimbursement for closing costs on new home and up to $1500 for loan origination fees for new home. The employee will have one year from his/her effective date of transfer to utilize this reimbursement benefit.

SECTION V – Renters

1. Renters may be eligible for assistance in terminating a lease agreement; however, documentation must be presented to verify the costs associated with terminating the lease are not for damage to the apartment or for any delinquent rent. Typically, reimbursement will be for any security deposit forfeited and one month rent for terminating the lease.

2. Employees currently renting at the time of relocation, who decide to purchase a new home at the new location, will not be eligible for reimbursement associated with the purchase of the new home outlined herein.

SECTION VI – Mobile Home Owners

1. If an employee's permanent residence is a mobile home, the employee may receive, in lieu of payment for moving household goods, reimbursement for the actual cost of transporting the mobile home and its contents to the new location subject to the following:

   a. Bids will be secured from three movers. The mover must have active common carrier authority from MoDOT Motor Carrier Services Division; however, the move is not governed by MoDOT Motor Carrier Service Division rate requirements. Bids should be obtained utilizing Form P-23, "Moving Household Goods Bid Form." Each bid should include the actual cost of permits, escorts, license, bridge tolls, ferry charges, leveling and stabilizing at destination, and the packing and unpacking of contents.

   b. The employee will be allowed insurance covering the moving of the mobile home and its contents in the amount of the actual value of the mobile home, including the contents, not exceeding $75,000 maximum. Additional insurance above this value, if desired, must be purchased by the employee and is not a reimbursable expense.

2. The TPA will not be involved in the process to transfer the mobile home.

SECTION VII – Delayed Transfer

1. Employees who are required to relocate to a new location are eligible for reimbursement of temporary living expenses for up to six months. Typical expenses may include meals, lodging,

and customary business-related expenses; however, all expenses must conform to the Financial Policy and Procedure guidelines for expense accounts. Employees may be authorized to temporarily live in a furnished apartment in lieu of a hotel/motel, provided the cost of the apartment and utilities does not exceed those of a reasonably priced hotel/motel at the same location.

2. Employees may be temporarily authorized to use a state vehicle or be reimbursed mileage to return to the employee's old home on weekends. The employee can use either a MoDOT leased vehicle or their personal vehicle. If a state vehicle is used, the employee must contact the Controller's Division to determine the commute value of this benefit. If the employee uses his/her personal vehicle, he/she will be allowed round trip mileage at the current approved rate.

3. Although an employee can be in delayed transfer status for up to six months after the effective date of transfer, it will end sooner if conditions occur as noted below.

a. <u>For a homeowner who does not have family members to relocate</u>: it will end when he/she purchases a new home and moves household goods.

b. <u>For a homeowner who has family members to relocate</u>: it will end when one of the following occurs:

(1) He/she purchases a new home before selling the old home thereby switching to dual housing status, or
(2) The family and household goods are moved.

c. <u>For a renter who does not have family members to relocate</u>: it will end when he/she moves household goods.

d. <u>For a renter who has family members to relocate</u>: it will end when the family and household goods are moved.

e. <u>For a mobile home owner</u>: it will end when the mobile home is relocated to the new location (or when household goods are moved, in situations when employees choose not to move their mobile home to the new location).

SECTION VIII – Dual Housing

1. Reimbursement will be made for the lesser mortgage payment, excluding any Private Mortgage Insurance (PMI) or escrow payments, for either the new or old home. Dual housing reimbursement payments will be provided for up to six months from the effective date of the employee's transfer date or until the old home sells, whichever occurs first.

Construction loans are not eligible for dual housing reimbursement.

2. For an employee to be eligible to receive dual housing reimbursement, he/she must meet all three of the following requirements:

a. Purchase a home at the new location before selling the old home,

b. Declared intent to sell the old home and be actively engaged to sell the old home, and

c. Not be renting or leasing out the old home to another party.

3. The department can request information from employees to ensure a good faith effort is being made to sell the old home.

4. Employees cannot simultaneously receive delayed transfer expense reimbursement and dual housing reimbursement, and they cannot be on a combination of delayed transfer and dual housing for any longer than six months.

5. Homeowners who elect not to sell their old home, but want to purchase a home at the new location, will not be eligible for dual housing benefits.

SECTION IX – Bridge/Early Equity Loans

1. To assist employees in securing a loan for the purchase of their new home, employees may elect to apply for a bridge/early equity loan. The repayment of this loan is the employee's responsibility.

2. Employees can obtain their bridge/early equity loan from the financial institution of their choice. The department will reimburse employees for the interest on these loans for up to 12 months or until their old home sells, whichever occurs first.

3. Employees who elect to not sell their old home but purchase a home at the new location will not be eligible for interest rate reimbursement on any kind of loan.

4. Interest reimbursement will not be provided on bridge/early equity loans to purchase acreage that is not within the norm and zoning limits for the locale or neighborhood. However, the maximum acreage allowed for reimbursement, regardless of norm and zoning limits, is five acres. Loans based on the equity value for mobile homes or modular homes not permanently affixed to the property are not eligible for interest reimbursement under this section.

SECTION X – Reimbursement Assistance for Increased Mortgage Interest Rates

1. Employees who own a home that requires mortgage payments, and are relocated and elect to purchase a new home involving a loan at the new location, may incur a higher mortgage rate. To help offset some of this expense, the employee will be reimbursed for three years for the difference between the mortgage interest rate at the old location and the mortgage interest rate at the new location as applied to the lesser balance of either the old mortgage or the new mortgage.

2. **Example:**

Balance of loan on the old home – $50,000
Balance of loan on the new home – $125,000

Interest rate on the new home loan – 10.00%
Interest rate on the old home loan – 8.00%
Increase in interest rate – 2.00%

Calculation:

$50,000 (lesser balance mortgage)
x.02 (increase in interest rate)

Annual Mortgage Interest Rate Differential Payment:

$1,000

3. Reimbursement will be made to the employee in three annual payments, with the first payment being made on the first anniversary of receipt of documentation that a new home has been purchased at the new location. Subsequent annual payments will be made on the anniversary date of purchase. Prior to reimbursement for the second and third annual payments, the employee must renegotiate the mortgage loan if interest rates in the area have decreased, providing the employee will not experience a pre-payment penalty or other substantial costs offsetting the lower mortgage interest rate.

4. Reimbursement assistance due to increased mortgage interest rate must be confined to the home in which the employee resided at time of transfer, excluding any rental units or other income property owned by the employee.

5. If the employee voluntarily terminates employment, or sells the home at the new location (for reasons other than subsequent department relocation) before the end of three years, no further annual payments of mortgage interest rate differential will be made. The annual payment will be prorated, if conditions warrant. If the employee is relocated again within the three-year period and is entitled to another reimbursement due to a mortgage interest rate differential, the new payment will again be initiated for three annual payments. This is in addition to any remaining payments from the previous three-year entitlement.

6. The employee must provide documentation of the old home mortgage loan interest rate and the remaining balance as well as documentation of the interest rate and balance on the new home mortgage loan before each annual payment will be made.

SECTION XI – Moving and Storage of Household Goods

1. Employees will be allowed the actual cost of one move of household goods and personal possessions to the new location. All homeowners who are selling their home through the TPA process will be required to utilize the TPA for the movement of household goods. The department has contracted with the TPA to handle the coordination of the shipment of the household goods, insurance claims processing, and an audit of household invoices. Employees who do not utilize the TPA process will be required to obtain three bids from movers or, if approved, rent a moving truck in lieu of working with a moving company. The moving company must have active common carrier authority from MoDOT Motor Carrier Services Division;

however, the move is not governed by MoDOT Motor Carrier Services Division rate requirements. Bids should be obtained utilizing Form P-23, “Moving Household Goods Bid Form.”

2. Full replacement value insurance for household goods and possessions is allowed through the TPA. The maximum coverage paid by the department for non-TPA moves is $75,000. Additional insurance protection, if desired, must be purchased by the employee and is not a reimbursable expense.

3. Should it become necessary for the employee and family to vacate the old home before the new home is available or prepared for occupancy, the employee will be allowed temporary storage for a period of up to 60 days.

4. The department will not reimburse any costs associated with the dismantling or setting up of special hobby equipment such as darkrooms and workshops; or disconnecting of washers, dryers, and refrigerators; or the shipment of boats, automobiles, trailers, pets, motorcycles, firearms, or other items as declared by the TPA.

SECTION XII – Meal and Hotel Expenses

1. Advance trip to secure new residence:

Employees will be allowed meals, lodging, and transportation costs for a maximum of four nights of lodging and five days of meals for advance trips to the new location to secure a new permanent residence.

Reimbursement allowed for meals and lodging will be the actual expenditure made for these items and will be reimbursed per guidelines in Financial Policies and Procedures "Expense and Reimbursement Policies." Transportation allowed will be either by use of an official state vehicle or reimbursement for use of a personal vehicle at the current approved rate. If an official state vehicle is to be used, the employee must contact the Controller’s Division to determine the commute value of this benefit.

2. During the move:

Employees will be allowed mileage, at the current rate, from the old location to the new location for not more than two personally owned vehicles. Meals and lodging for the employee will be allowed for the day household goods are being loaded, while goods are in transit, and the day on which good are being unloaded, not to exceed a total of three days. Meals and lodging reimbursement allowed will be the actual expenditure made for these items and will be reimbursed per guidelines in Financial Policies and Procedures "Expense and Reimbursement Policies."

3. For closing on the sale and/or purchasing of homes:

Employees will be allowed mileage, meals, and lodging for up to one night and two days each for closing on the sale of the old home and purchase of the new home.

4. Expense coding and forms:

Employees' time away from work, as allowed in numbers 1, 2, and 3 above, will be covered as department time. Additional time off, if needed, will be charged to annual leave or compensatory time. Employees should submit Monthly Expense Report Form MO300-0966N for personal expenses, attaching the necessary receipts.

SECTION XIII – College Civil Engineer Graduates

A one-time stipend will be provided to recent college civil engineer graduates who have to relocate to begin full-time employment with the department. This stipend is offered to help offset the costs associated with moving. The employee will receive the stipend only after completing the move, which must be completed within 12 months of his/her full-time hire date and completing the "Relocation Assistance Form." Please check with the Human Resources Division for listing of college specific stipends.

SECTION XIV – Repayment Provisions

1. Employees who are approved for relocation benefits will be required to sign the P-24 Relocation Repayment Agreement Form (See "Forms" section of policy) before receiving such benefits. Failure to sign the Agreement Form will result in a denial of relocation benefits.

2. Under the Agreement Form, the employee agrees to repay the department if the employee voluntarily or involuntarily terminates employment for any reason during his/her relocation or within twelve months of the employee receiving a lump sum payment. The Agreement Form will require repayment of the following expenses paid on the employee's behalf directly by the department or indirectly through a third party administrator: realtor fees (only non TPA/BVO); closing costs (only non TPA/BVO); loan origination fees; cost for moving of household goods; bridge loan interest; storage of household goods; increased mortgage interest rate payments; and the lump sum payment. The total repayment amount must be fully paid to the department no later than 30 days after the effective termination date of employment.

3. The immediate supervisor, upon being notified of a voluntary or involuntary termination, should immediately notify the local HR or support services representative to determine if repayment provisions will apply.

4. The employee, upon being notified that he/she owes money to the department under this policy, will be allowed a review period of no more than two business days to contest any or all of the repayment expense amounts owed. The department will provide the employee with documentation that supports the repayment expense amounts owed by the employee to the department under this policy. The employee's review period of two business days will begin when the department provides the employee with the documentation outlined herein.

5. An employee may elect to make a personal payment to the department to repay all or a portion of the repayment amount owed the department instead of having money withheld from his/her remaining paychecks and/or remaining annual or compensatory leave balances. However, if the

employee requests to pay by personal payment, the payment must be received by the department by the end of the two-day review period. If the personal payment is not for the full repayment amount owed then the remaining amount owed will be withheld from the employee's remaining paychecks and/or remaining annual or compensatory leave balances.

6. If the full repayment amount owed is still not recovered by means of salary withholding and/or remaining leave balance withholding, the department may establish a payment plan with the employee for the remaining amount owed.

7. If a payment plan is not entered into, or should an employee fail to comply with the established terms and conditions of the payment plan, the department may elect to pursue any or all lawful means to collect this repayment owed to the department.

8. Any expenses inadvertently reimbursed to an employee in excess of the stated amounts allowed under this policy, unless otherwise previously authorized, may also be recovered from the employee by the department under the procedures outlined herein.

9. A copy of the completed and signed Form P-24, "Relocation Repayment Agreement Form" should be forwarded to the local HR representative, local support service representative, and Central Office HR.

10. The Controller's Division will coordinate and handle the collection of employee repayment on behalf of the department.

SECTION XV – Taxation of Reimbursement

Federal income tax laws require most of the relocation expenses paid by an employer on behalf of an employee to be reported as income on the employee's W-2 (Wage and Tax Statement) for the year in which payment is made. Employees should consult with a tax advisor regarding relocation reimbursements and the tax liability they may have on the reimbursements they receive.

CROSS REFERENCES

Personnel Policy 1016, "Salary Increases"

Section 387.120, "Revised Statutes of Missouri" (http://www.moga.mo.gov/statutes/c300-399/3870000120.htm)

"Financial Policies and Procedures - Expense and Reimbursement Policies" (http://financialpp.gh.modot.local/index.php/Category:Expenses_and_Reimbursements,)

FORMS

Monthly Expense Report (http://wwwi/intranet/ct/forms.htm)

Relocation Assistance Form (http://wwwi.gh.modot.local/intranet/ct/documents/Relocation-Assistance-form.doc)

Form P-23 – Moving Household Goods Bid Form (http://wwwi/intranet/hr/P-23MovingHouseholdGoods.dot)

Form P-24 – Relocation Repayment Agreement Form (http://wwwi/intranet/hr/documents/P-24RelocationRepaymentAgreement.doc)