

# balance sheets

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

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# Xsheets™

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

The Center for  
**Work & Family**  
BOSTON COLLEGE  
CARROLL SCHOOL OF MANAGEMENT

**One Small Step** 

MIDWESTERN  
WORK-FAMILY  
ASSOCIATION  CENTER FOR  
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***“MBNA’s benefits help different people at different times in their lives. Adopting a child is a very big step for a family to take. From the moment an MBNA family begins to consider adopting a child, the company’s benefits kick in, from adoption resource and referral through financial reimbursement and paid leave. For MBNA, it is simply the right thing to do.”***

Maureen Byrnes  
Senior Vice President People Services  
MBNA America

***“Those who adopt are passionate about the rewards of parenting — it is a wonderful way to build a family. Yet, for many the journey is stressful, expensive, and time consuming. A growing number of employers recognize these demands and offer assistance through adoption benefits. While few employees need to use these benefits, those who do speak of a renewed sense of loyalty and commitment and a tremendous sense of gratitude for their employer’s support.”***

Mady Prowler  
Project Director  
Adoption and the Workplace Project  
National Adoption Center

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## Adoption Assistance

A comprehensive adoption benefits policy includes financial reimbursement as well as leave time, adoption support services, worksite seminars and employee informational materials. Reimbursements are typically between \$2,000 and \$5,000 maximum per child, although there are several organizations that offer \$10,000.

Adoption benefits are a growing part of many organizations’ work/life benefits packages. Employers and employees have begun to question the equity of policies and programs that support employees who give birth, but fail to meet the needs of those who adopt. Adoption benefits establish equity, build employee loyalty, and acknowledge the importance of providing homes for children. The most common strategy is to provide financial assistance. This benefit has appeal to senior management, offering high good will at a relatively low cost due to low utilization rates. In addition to financial assistance, many employers are including adoption information within their resource and referral packages. Employers benefit directly from the time savings that result when employees are able to easily access information.

While the implementation of financial assistance and/or adoption information benefits may be relatively easy, the decision to offer paid leave is more complex. First, adoptive parents may need to be away from work at a moment’s notice and for an indeterminate amount of time (depending on the location of the adoption and the ease of the adoption process). Second, employers have indicated that equity between birth and adoptive parents is an issue in their organizations. For many employers, the decision to offer adoption leave is closely tied to their overall parental leave policies.

For many families, the road to adoption begins or ends with infertility. Many employees have indicated that their employer’s support of adoption helped them to consider adoption as a viable alternative, when faced with the decision of how to build their families. Employer support of adoption sends a message to all employees that adoption is a ‘societal good.’

### RELEVANT STATISTICS

- The majority of Americans are personally affected by adoption. A 1997 survey which examined public attitudes towards adoption found that 6 in 10 Americans have had personal experience with adoption — they, a family member, or close friend was adopted, had adopted, or had placed a child up for adoption (Evan B. Donaldson Institute, 1997).
- The 1997 National Survey of Adoption Benefits found that 64% of employers offered financial assistance, and 37% offered paid leave for adoption. Responses also indicated that many more organizations had considered implementing or expanding adoption benefits. (Forgotten Families: The Move to Provide Paid Time-off For Adoptive Parents, 1998).
- According to the National Adoption Center, less than 1/2 of 1% of employees will utilize adoption benefits.

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## MODEL PROGRAMS

**Aetna Inc.** of Hartford, CT, all or none offers full and part-time employees up to \$5,000 gross per adopted child for necessary expenses. In addition, employees are eligible for Family Leave of up to 16 weeks; employees may use their "banks" for the paid portion of the leave. Aetna employees also have access to adoption resource and referral and counseling.

**Cellular One** of San Francisco, CA, offers a financial reimbursement of \$2,500 for employees who adopt.

**Chevron Corporation** of San Francisco, CA, recognizes that adoption can be a rewarding, yet challenging experience. The company provides adoption counseling and reimburses employees for eligible adoption expenses up to \$5,000 per child, incurred on or after January, 1999. Employees may take up to six months of unpaid leave to welcome their new child into the home.

**Genzyme Corporation** of Cambridge, MA, provides 8 weeks of paid time off at 100% pay for eligible employees who adopt children and are the primary caregiver for the child.

As part of its continuing effort to help employees achieve a better balance between work and family life, **GTE Corporation** of Irving, TX, offers financial assistance for adoption. GTE will reimburse regular full-time employees up to \$3,000 and regular part-time employees up to \$1,500 for covered expenses once the adoption is final. This benefit supports GTE's philosophy of providing the benefits flexibility necessary to meet the individual needs of employees.

On July 1, 1997, **Harvard University** of Cambridge, MA, established The Harvard Adoption Assistance Plan which offers employees adoption grants of \$2,000 – \$5,000 based on financial need. In 1999, Harvard increased its paid adoption leave from 1 week to 4 weeks for the primary caregiver. (Pay is calculated at 100% for those employed over seven years, and 70% for those employed less than 7 years.) The University's Office of Work and Family also offers monthly discussion groups to provide pre and post-adoptive families with the opportunity to learn from guest speakers as well as from informal discussions.

Effective in 1999, **Merrill Lynch** of New York replaced their current maternity, paternity and adoption leave policies with one inclusive Childcare Leave Policy. The new strategy was designed to more closely align with their Principle of Respect for the Individual and recognize the growth of non-traditional families. Leave time is no longer determined by gender or child-birth, but by primary or non-primary caregiver status (see Typical Policy Language). The primary caregiver receives 13 weeks paid leave and the non-primary caregiver receives

one paid week to be taken within three months of birth or coming home. Additionally, the company has increased its adoption assistance from \$3,000 – \$5,000 and \$5,000 – \$8,000 for special needs.

**Phoenix Home Life** of Hartford, CT, provides a \$5,000 reimbursement package per adoption, to a max of 2 per lifetime. In April, 1999, Phoenix presented an Adoption and Foster Care Exposition. The exposition, which featured representatives from 12 adoption and foster care agencies, was open to the public. Phoenix reports that they had a tremendous turnout and plans to expand the expo to a larger venue in the future.

In an effort to offer benefits that respond to the needs of its diverse employee population, **The Timberland Company** of Stratham, NH, provides up to \$10,000 in financial assistance (\$12,000 for special needs adoptions) and 2 weeks of paid leave to employees, completing at least 1 year of service, who are adopting a child.

Under its Parental Leave Policy, **Time Warner Inc.** of New York grants an unpaid leave of up to 16 weeks to all regular full-time and part-time employees, male and female, in connection with the birth or adoption of a child or the placement of a child in foster care. Time Warner also offers a \$5,000 financial reimbursement.

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## TYPICAL POLICY LANGUAGE

### **Qualified Expenses**

The Timberland Company of Stratham, NH, states the following in their adoption policy, "requests for reimbursement will be reviewed on a case by case basis, and the company reserves the right to determine, in its sole discretion, whether a particular expense is reasonable and necessary." Virtually all employers stipulate that financial assistance is for eligible or qualified expenses only.

The most commonly included expenses are:

- public and private agency fees
- legal and court fees
- temporary foster care expenses
- uninsured maternity expenses
- fees related to immigration and immunization, and translating documents
- travel related expenses related to the adoption, including transportation, meals, and lodging
- child's medical expenses, unless covered by mother's insurance.

Select organizations will also reimburse for:

- expenses related to adopting a step-child
- fees for a birth certificate
- medical expenses for mother and child
- costs associated with a state required home study
- psychological counseling for the adopted child and/or adoptive parents.

There are also many organizations which specifically exclude certain expenses. These may include:

- voluntary donations such as a contribution to an adoption agency
- expenses already reimbursed under employee's, spouse's, or domestic partner's plan
- guardianship or custody costs that are not associated with the legal adoption of the child
- adoption expenses for a child who is in the custody of one parent (i.e. a stepchild)
- expenses incurred in carrying out a surrogate parenting arrangement
- medical expenses, including expenses of the birth mother or newborn
- expenses in violation of state or federal law
- expenses you intend to take as a tax credit on your federal income tax return
- adoptions that are not legally recognized.

### **Primary Caregiver**

Since the medical necessity for a leave of absence does not exist in an adoption, employers must use other criteria to decide who is eligible for adoption leave.

Merrill Lynch defines primary caregiver as "the parent responsible for the predominant care of the child at home during the first several weeks after birth or adoption". The company notes that if both parents are Merrill Lynch employees only one can be the primary caregiver.

### **Adoption**

The Timberland Company defines adoption as "the legal assumption of the parental role for a dependent child under age 18, or age 18 or older if the adoptee is incapable of self-care due to mental or physical disability." The company stipulates that adoption does not refer to situations involving foster parents and certain other relationships.

### **Child with Special Needs**

May be defined as: the child cannot or should not be returned to the parents home, and it is reasonable to assume that the child cannot be placed with adoptive parents without adoption assistance because of a specific factor or condition such as: ethnic background, age, mental condition or handicap.

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### **TAX IMPLICATIONS**

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Under current federal law, employer-provided assistance for qualified adoption expenses up to \$5,000 may be excluded from gross income, for expenses incurred between January 1, 1997 and December 31, 2001. However, the exclusion is phased out for taxpayers with modified adjusted gross income above \$75,000. The Families First Act has been introduced that would repeal the December, 2001 termination date and make it permanent. It would also allow parents to withdraw up to \$5,000 from the IRAs to pay for adoption costs without penalties. Depending on individual state income tax laws, the reimbursement also could be subject to state income tax. Employers should encourage employees to review their personal circumstances with a financial advisor.

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### **SPECIAL CONDITIONS**

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#### **What if both parents work for the company?**

Most organizations add specific conditions that stipulate if both parents are employees then the financial reimbursement and/or length of leave will be limited accordingly. In many cases the company sets a limit per child or per family.

#### **Should expenses be covered if adoption is not completed?**

Employers should be prepared that often the completion of an adoption is out of the employee's control. In fact, in many international adoptions, employees will incur a great deal of expense only to have the process unexpectedly 'dead-ended.' It is important that employers be up front concerning reimbursement in these cases so that parents can better assess the potential financial risks they may be facing.

#### **Whether or not to cover the adoption of a step-child?**

More and more employers recognize that often the bonding process with older child and step-child adoptions can be lengthy and difficult. Although some employers exclude the expenses associated with the adoption of a step-child, often a leave of absence paid or unpaid is still an option.