

**CareerSource Pinellas
Compensation Committee Minutes**

Date: Wednesday, November 28, 2018 at 12:00 p.m.

Location: (via conference call)

Call to Order

Chair Karla Leavelle called the meeting to order at 12:00 p.m. There was a quorum present with the following Compensation Committee members participating.

Committee Members in attendance

William Apple, Candida Duff, Karla Leavelle

Committee Members not in attendance

Jack Geller, Debbie Passerini, Michael Glinger

Guests

James Cornelius – Gallagher

Roberta Watson – Wagner

Staff Present

Jennifer Brackney, Linsey Stiglic, Dawn Evans

Action Items

Action Item 1 – Approval of Minutes

The minutes of October 31, 2018 Compensation Committee meeting were presented for approval.

Motion:	Candida Duff
Second:	William Apple

The minutes approved as presented. The motion carried unanimously.

Action Item 2 – Annual Performance Evaluation Stipend

An annual performance evaluation is completed for each staff on a calendar year basis and is based on the employee's performance during the entire year. The evaluation procedure in place establishes a cost of living adjustment as the basis for any salary increase or one time performance stipend that may be awarded as a result of the performance evaluation.

The Board has established in the past that staff may be provided a cost of living adjustment after taking into consideration the economic conditions in the area and the overall organization budget. The Consumer Price Index (CPI) has been the tool used by the Board for determining these economic conditions.

Below is the CPI information from the Bureau of Labor Statistics website for the Tampa Bay area through the second half of 2017: "The Consumer Price Index for All Urban Consumers (CPI-U) in the Tampa-St. Petersburg-Clearwater area rose 2.2 percent from the second half of 2016 to the second half of 2017, the U.S. Bureau of Labor Statistics reported today. Regional Commissioner Janet S. Rankin noted that the all items less food and energy index was up 2.0 percent compared to its second half 2016 level as price increases were noted for several

categories, most notably shelter. Food prices increased 2.4 percent over the year and energy prices advanced 5.1 percent.”

For the past three years, after reviewing the CPI and the organization budget, management has recommended, and the Board has approved, a performance stipend payable in one lump sum in lieu of base salary increases.

Discussion

Committee members discussed that there should be a new salary study conducted before June 2019 to ensure salaries are still in line with current economic conditions. CareerSource Pinellas’ HR Manager will research salaries and present her findings to the Committee to review by the established June deadline.

Motion:	William Apple
Second:	Candida Duff

The Compensation Committee recommends that in lieu of base salary increases, staff be provided a performance stipend, payable in one lump sum following the completion of all annual performance evaluations around mid-December with the range for the one-time stipend from 0% to 5% of the employee’s base salary determined by the individual’s overall rating on his/her annual performance evaluation.

The motion carried unanimously.

Action Item 3 – Employee Health Benefits and Stipend

In 2013, the Board of Directors approved for WorkNet Pinellas to (1) create a cafeteria style plan that offers full time employees the flexibility to select the benefits that best meet their needs and (2) provide a 28% benefit stipend for each employee to use to select from the various benefit options offered in the plan, including health insurance. It is the employee’s choice whether to select a benefit or not and, if a benefit is selected, the level of coverage desired, including family coverage. If the cost of benefits selected exceeds the 28% stipend, the remaining premium cost is deducted from the employee’s paycheck. In accordance with IRS guidelines, WorkNet Pinellas must include the entire 28% benefit stipend as wages on the employee’s W-2.

In addition to the increasing cost of health insurance coverage which impacts affordability under the ACA, providing a benefit stipend which must be included in the gross wages figure and not separately identified on the W-2 does not give WorkNet the ability to prove that it pays the cost of health insurance as is required under the ACA. Because of these two factors, WorkNet is now facing the possibility of significant fines as we cannot document and report that we offered health insurance coverage that meets the IRS definition of affordability.

On Dec. 16, 2015 the IRS issued Notice 2015-87, which provides lengthy and complex guidance on how various provisions of the Affordable Care Act (ACA) apply to employer-provided health coverage. The Notice provides new guidance on the “employer mandate” rules (aka employer shared responsibility or “play-or-pay”) and on employer flex credits.

Included within this IRS notice was the clarification that employer flex credits (such as our benefit stipend) to a cafeteria plan that may be used either for health coverage, for other types of benefits (such as life insurance or dental care) or may be cashed out do NOT count toward the employee’s share of the premium for employer-provided coverage, thus they do NOT reduce the dollar amount of the required contribution.

As a result of this IRS notice, we have determined that our current benefit stipend arrangement does not meet the affordability requirement under Section 4980(b) of the Affordable Care Act thus creating potential exposure to fines/penalties from the IRS.

IRS Notice 2015-87 also notes that since regulatory guidance has been less than clear on the above types of payments, transition relief will apply for plan years 2015 and 2016 for flex credit arrangements that were adopted no later than December 16, 2015. This transition relief states that all flex credits for plan years 2015 and 2016 will count toward reducing the employee's required contribution, even if they may be used for non-health benefits or taken as cash.

Staff met with the benefits consultant, Arthur Gallagher & Company, several times to discuss the benefit stipend and process, how the benefit stipend (employer flex credits) is impacted by the ACA, and potential options to bring the organization into compliance with the ACA. An action was presented to the Compensation Committee on June 1, 2016 recommending that effective July 1, 2016, WorkNet Pinellas should begin directly paying for the lowest cost minimal coverage health insurance (currently at \$5,175/year) for all full time eligible employees and reduce the 28% benefit stipend by the cost of that health insurance coverage. If an employee waives this offer of health insurance coverage, they will not be compensated for the cost of the coverage. It would also be necessary to conduct an open enrollment in June as a result of this qualified change.

The Compensation Committee had recommended and approved the following motion. "The compensation committee recommends to continue communicating with subject matter experts to prepare and alleviate any potential financial ramifications presented under the current IRS reporting regulations, prepare a one page explanation with matrix for the board, send a notice to all eligible staff notifying them of this situation and requiring them to advise us if they are receiving a health insurance premium tax credit/subsidy, creation of an Affordable Care Act Policy and to revisit this issue prior to benefit open enrollment in late fall 2016." (See attachments)

Attachments for reference

- CareerSource Pinellas and CareerSource Tampa Bay 2016 Staff Memo detailing the Affordable Care Act and CareerSource insurance coverage
- Affordable Care Act – Statement of Coverage
- 2019 Medical Coverage Current & Renewal for CareerSource Pinellas

Discussion

Committee members discussed whether the proposed benefit stipends affected employees with lower salaries in the same manner as employees with higher salaries. Committee members expressed concern that there should be a more equitable plan in the future to address the needs of lower salary employees better for next year. CareerSource Pinellas' CEO and insurance broker ensured that employees are accustomed to the stipend at the current level and would not recommend changing that at this time. Discussion concluded that more insurance options and viable plans need to be considered for next year, and CareerSource Pinellas' insurance broker assured he would provide additional information and options.

Motion:	Candida Duff
Second:	Karla Leavelle

The Compensation Committee recommends that current benefit stipend of 28% is divided into two parts, as follows: Part 1 – Cost of Basic Health Coverage for Employee: Part 1 would be the EXACT COST, for a single employee, of the basic (bronze level) coverage that CareerSource offers its employees. This basic coverage must meet all the ACA requirements

applicable to CareerSource, including its being “minimum essential coverage” and its having “minimum value.” Employees would be offered Part 1 on an all or nothing basis. Those who elected the coverage would get the coverage, and those who waived it would get the dollar amount that the coverage would have cost, but ONLY if they demonstrated proof that they had actual alternative coverage. Part 2 – Balance of 28% of Compensation Amount: Part 2 for a participant would be 28% of that participant’s compensation minus the amount of Part 1. The dollar amount resulting from this formula would need to be computed for each participant. The participant can use the Part 2 amount for anything other than Basic Health Coverage – dental, vision, the upgrade cost for the Platinum Health coverage, coverage for the participant’s spouse and/or children, a health FSA, whatever the cafeteria plan offers. Since Part 1 fully covers the cost of the Basic coverage, which is the only coverage to which the affordability rules apply, there should be no concern about fitting Part 2 to the affordability rules. All the above must operate under CareerSource’s Section 125 cafeteria plan. The operation of these choices must be clearly set forth in CareerSource’s cafeteria plan documents. Also, if there is a “wrap” plan for your health plans, it must be clearly set forth in those documents.

The motion carried unanimously.

Other Administrative Matters

None

Public Comments

None

Adjournment

The meeting was adjourned at 12:24 p.m.