

## MONITORING REPORT – 2.4 COMPENSATION AND BENEFITS FOR UUA STAFF

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*Submitted to Boardpaq on September 30, 2016.*

### 2.4

#### **Policy:**

With respect to employment, compensation, and benefits for Association staff, the President shall not cause or allow:

- A. An unfair or inhumane benefit structure.
- B. Conditions that jeopardize the fiscal integrity of the Association.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Promise permanent employment.
2. Set salaries at levels that are materially less than those paid by comparable nonprofit organizations.
3. Provide less than a living wage to all employees.
4. Change or administer benefits so as to cause imprudent or inequitable situations, including those that:
  - A. Incur unfunded liabilities.
  - B. Provide less than a reasonable level of benefits to all employees.
  - C. Allow any employee to lose benefits already promised.
  - D. Differentiate among classes of employees.

**2.4.A.:** The President shall not cause or allow: An unfair or inhumane benefit structure.

**Operational Definition:** The UUA shall provide benefits for eligible staff, consistent with the inclusive values of our faith. Benefit plans will not be defined to limit eligibility, preclude participation, or limit UUA cost sharing or contribution based on race, color, ability or disability, gender or gender identity, affectation or sexual orientation, genetics, age, or national origin as qualifiers. Neither will eligibility be determined in such a way that staff at higher grades receive benefits options that differ from those offered to staff at lower grades or employee rank, except when specified by the Board of Trustees for officers of the Association.

To promote fairness, in addition to allowing participation by regular full-time staff in the benefits plans, regular part-time staff will also be eligible for participation, pro-rated as appropriate. Where plan rules allow, eligibility will be set at 20 hours per week (1,000 hours per year for the UUA Organizations Retirement Plan).

Domestic partner coverage for applicable group insurance plans will be offered.

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**Rationale:** Much Federal and some state legislation prohibits benefits plan discrimination based on protected categories, including race, color, ability/disability, gender or gender identity, affectation or sexual orientation, age, or national origin.

Benchmarks from the 2016 Kaiser Family Foundation Survey indicate that organizations of 200 or more employees set benefits eligibility to allow for an 81% eligibility rate, permitting participation by some, but not all, part-time staff. The UUA, in setting our eligibility at 20 hours per week for staff, far exceeds the national benchmark with eligibility at 97% of regular staff.

Note that eligibility for the UUA Organizations Retirement Plan is set at 1,000 hours by Internal Revenue Code.

**Supporting Data:** No UUA benefit plan limits eligibility, participation or cost sharing or contribution based on race, color, ability or disability, gender or gender identity, affectation or sexual orientation, genetics, age, or national origin as qualifiers.

No UUA benefit plan determines eligibility, participation, cost sharing or contribution in such a way that staff at higher grades receive benefits options that differ from those offered to staff at lower grades.

No regular UUA employee who works at least 20 hours per week is excluded from the UUA benefits plans.

Domestic partners (same- or opposite-sex) are not excluded from participation in the health, dental, or flexible benefits plans.

**Therefore, I report compliance.**

**2.4.B.:** The President shall not cause or allow: Conditions that jeopardize the fiscal integrity of the Association.

**Operational Definition:** In regard to employment-, benefits- and compensation-related matters, the UUA will observe all applicable Federal and state laws, will follow best Human Resources practices, and will follow best practices in financial management and oversight.

**Rationale:** The UUA engages legal counsel for employment matters and for the benefits plans. Other best practices in Human Resources are suggested by the Society for Human Resources Management. The UUA bases its accounting and control systems on the Financial Accounting Standards Board Codification. Yearly audits will also include the UUA benefits plans.

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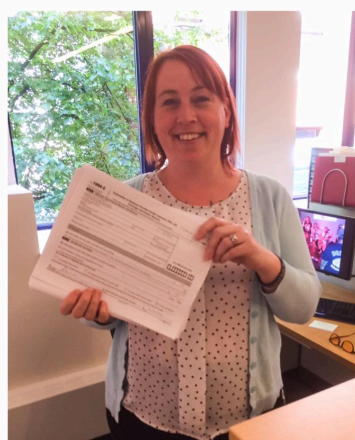
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See also, the Monitoring Report for Policy 2.7.

**Supporting Data:** Government regulations concerning employment and benefits plans are extensive. As such, written records of all personnel-, compensation-, and benefits-related actions are kept for all employees. Personnel records are kept securely, and document hire, pay rate and benefits changes, job changes, requests for leave (including Family and Medical Leave Act [FMLA] requests) and accommodations under the American’s with Disabilities Act (ADA). I-9 documentation (U.S. employment eligibility and identity) is also kept securely and separately for all staff hired after November 6, 1986 and retained per U.S. Department of Homeland Security retention requirements. Reports on unemployment eligibility, Social Security wages, etc. are provided by the Office of Human Resources upon request of the various Federal and state agencies.

Annual review and non-discrimination testing for the UUA Organizations Retirement Plan (for national staff) was completed for the calendar year ending December 31, 2014. On February 3, 2016, The ANGELL Pension Group issued a letter indicating that employer contributions (11% of eligible compensation) had been made according to plan guidelines; that non-discrimination testing (so that the Plan does not operate in favor of Highly Compensated Employees) was determined to pass; that Section 415 limitations on contributions had not been exceeded; and, that required minimum distributions for terminated employees reaching age 70½ had occurred per Internal Revenue Code. The annual review and non-discrimination testing for the calendar year ending December 31, 2015 is in progress; all materials have been submitted, and we are awaiting the final determination letter from The ANGELL Pension Group.

As required under Section 6056 of the Affordable Care Act, the first “New Health Insurance Marketplace Coverage Options and Your Health Coverage” notice (OMB No. 1210-0149) was first distributed on September 30, 2013 and thereafter annually in January and at time of hire for new staff. As of January, 2013 and also required under the Affordable Care Act, the UUA began reporting the cost of health insurance premiums in box 12 of the Form W-2, which is distributed each January to employees active during the previous calendar year.



Also required by the Affordable Care Act, for the first time we distributed individual copies of the IRS Form 1095-C “Employer-Provided Health Insurance Offer and Coverage.” These were mailed to staff on March 16, 2016. We filed the complete package with the IRS under Form 1094-C “Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns” on May 26, 2016 in advance of the deadline. (See photograph, left, of Kati MacDonald, our Human Resources and Benefits Manager, getting ready to send off the 1094-C package to the IRS.)

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Reports of accidents and injuries are produced per Occupational Health and Safety Administration (OSHA) regulations and reported to state agencies as necessary via our worker's compensation carrier. The annual OSHA 300A was completed on February 1, 2016 for calendar year 2015.

The Medicare Part D Notice was mailed to all participants of the UUA Health Plan and all Medicare eligible staff on September 11, 2015.

The annual Medicaid and the Children's Health Insurance Program (CHIP) Notice was distributed in December, 2015 for calendar year 2016.

Other required reporting includes the annual EEO-1, which was last filed on October 30, 2015. (Note that the EEO-1 is normally due by September 30 each year. In 2015, however, the Equal Employment Opportunity Commission extended the deadline to October 30.) The next EEO-1 will be filed on September 30, 2016.

Required Federal and state workplace postings are displayed on bulletin boards accessible to all staff at each of our office locations.

The UUA Health Plan, the UU Organizations Retirement Plan, and the Worker's Compensation plan are audited each year (the latter by the carrier solely for determination of rates). The financial statements of the UUA for the fiscal years ending June 30, 2015 and 2014 were audited by Mayer, Hoffman, McCann P.C., Tofias New England Division. In their November 9, 2015 report to the Board of Trustees, they stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Unitarian Universalist Association as of June 30, 2015 and 2014, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America." The financial statements of the Unitarian Universalist Organizations Health Plan for the fiscal year ending June 30, 2015 and 2014 were audited by RSM US LLP. In their January 29, 2016 report to the Employee Benefits Trust, they stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2015 and 2014, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America."

**Therefore, I report compliance.**

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**2.4.1.:** The President shall not: Promise permanent employment.

**Operational Definition:** The UUA will not make promises or implications of permanent or guaranteed employment by including language in hiring letters and in the *Employee Manual* stating that employment is “at will,” “regular,” or “temporary,” and will avoid using the term or references to “permanent” or “guaranteed” employment.

The *Employee Manual* includes explicit language indicating that “[a]n employee may terminate his or her employment at any time, and the UUA retains a similar right.” Hiring letters will typically include the following language:

“As a condition of employment, please sign and date this letter below, and return it to [Human Resources]. By accepting this offer, you will be an employee ‘at will,’ with no specified term of employment. This acceptance means that either you or we may terminate employment, at any time....”

**Rationale:** The Society for Human Resources Management recommends, “In an effort to avoid creating a contractual agreement, the [hire] letter should contain a statement that the employment is at will. Eliminating verbiage regarding employment for a definite period of time or making promises about future earnings or bonuses is a consistent way to keep your [organization] out of the courts in the event that an employee files suit based on language in the offer letter that implies an employment commitment between the employer and the employee.”

**Supporting Data:** With the exception of the UUA President, 100% of regular and temporary UUA staff hired since July 1, 2009 have received hire letters or memoranda indicating that their employment is “at will,” “regular,” or “temporary.”

100% of UUA employees receive Intranet links to and have access to the online or printed *UUA Employee Manual*.

**Therefore, I report compliance.**

**2.4.2.:** The President shall not: Set salaries at levels that are materially less than those paid by comparable nonprofit organizations.

**Operational Definition:** Salaries and compensation for regular Association employees will be benchmarked against market data gathered from salary surveys for comparable work, organizations and geography, in addition to reflecting data based on broader economic changes (e.g., cost of living). Salary ranges will be reviewed at least biennially; staff compensation within the ranges will be reviewed at least annually.

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**Rationale:** Salary ranges for UUA pay grades were reviewed in 2015 based on data from a variety of regional and national sources, such as the Compdata Nonprofit Survey, the Nonprofit Employment Trends Survey, Guidestar, and in addition to data from non-profit, for-profit, UUA congregations (from the salary recommendations published by the Office of Church Staff Finances), the U.S. Bureau of Labor Statistics, and from data gleaned from or provided by other religious institutions. At least 25 UUA positions in a broad occupational range were benchmarked. Ranges within grades are broad enough to account for geographic differences in compensation.

**Supporting Data:** Salary ranges for all UUA pay grades were reviewed in 2015. Based on the latest review, adjustments to the ranges are needed. We are currently working with our compensation consultants—3C (Compensation Consulting Consortium)—on updates to the ranges to take effect on January 1, 2017.

Compensation rates for all regular UUA staff were reviewed for changes effective January 1, 2016. An adjustment of 2% for cost-of-living was made, with some nominal rate modifications based on duties or grade changes. 100% of regular staff are *at or above the minimum* of the range for their current pay grade.

**Therefore, I report compliance.**

**2.4.3.:** The President shall not: Provide less than a living wage to all employees.

**Operational Definition:** Salaries and compensation for regular Association employees should not fall below established position pay grades, updated if necessary to reflect broader economic changes and data gathered from salary surveys for comparable work. Furthermore, each regular employee of the Association shall earn an hourly wage of no less than the calculated “Living Wage” based on data for one adult in their city of employment.

The UUA President’s initial salary is set by the Board of Trustees.

**Rationale:** Salary ranges indicating market conditions were reviewed 2014 based on data from a variety of sources, including non-profit, for-profit, UUA congregations (from the salary recommendations published by the Office of Church Staff Finances), and data gleaned from other religious institutions.

To set the Living Wage, the UUA uses the “Living Wage Calculator” of the Massachusetts Institute of Technology, which is based on the Urban Consumer Price Index (CPI-U) and other pertinent data. Since all of the UUA staff whose pay rates closest to the Living Wage are based in Boston, we also benchmark with the Living Wage set by the Boston City Council under the Living Wage Ordinance. Note that the Living Wage set by the City of Boston—currently \$14.11 per hour (June, 2015)—is established for a family of four.

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**Supporting Data:** 100% of regular Association staff is paid *at least* at the minimum of the salary range for each grade.

100% of regular Association staff is paid at or above the Living Wage. In the spring of 2015, the UUA Leadership Council set a minimum wage of \$15.00 for all UUA staff. 100% of Boston-based staff is paid at or above the Living Wage set by the Boston City Council in the Living Wage Ordinance. (Note that the lowest hourly wage paid by the UUA to staff—regular or temporary—is currently \$18.00.)

**Therefore, I report compliance.**

**2.4.4.A.:** The President shall not: Change or administer benefits so as to cause imprudent or inequitable situations, including those that: Incur unfunded liabilities.

**Operational Definition:** The creation of benefits programs or plans shall not create future debt obligations for the Association for which the costs and payment of benefits have not been budgeted and/or accrued previously.

**Rationale:** The UUA currently offers a number of benefits that create future financial liability for the Association, including the UUA Health Plan, the retiree health plan, the paid vacation plan, and the sabbatical provision for the President. In no case will the Association permit benefits plans to go unfunded in current or future fiscal years. Liabilities will be carried in appropriate lines in the UUA Budget for the retiree health plan, the paid vacation plan, and for the sabbatical provision for the President; or, in the financial statements in the case of the UUA Health Plan.

The UUA Health Plan records a liability each year for incurred but not reported claims (IBNR). The Plan uses an actuary (Milliman, Inc.) to calculate the IBNR liability, and the actuary incorporates management lag reports and other historical information to estimate the amount of claims incurred, but not reported.

The paid vacation plan is funded and budgeted each year per GAAP as determined by the UUA's Finance office.

The sabbatical provision for the President is funded and budgeted each year per vote of the UUA Board of Trustees (January 26, 1985).

Medical insurance for retirees of the Association's national staff (per policy dated July 1, 2002, *Employee Manual*) is funded and budgeted per FAS 106 guidelines (Financial Accounting Standards Board statement 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"). The accumulated postretirement benefit obligation of \$1,991,000 for 2015 is explained in the November 9, 2015 Independent Auditors' Report by

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Mayer Hoffman McCann P.C., Tofias New England Division to the Board of Trustees, Note 11.

Note that the UUA Organizations Retirement Plan—as a defined contribution plan—creates no unfunded liability for the UUA now or in the future.

**Supporting Data:** The January 29, 2016 audit of the UUA Health Plan by RSM US LLP states, “Plan obligations at June 30, 2015 and 2014 for claims incurred by active participants but not reported at that date are based on an estimate, prepared by the Actuary, which is based on historical payment lags experienced by the Plan including factors of average days claims are outstanding and average dollars of such claims. The Plan had \$991,000 and \$893,000 of estimated claims incurred but not reported for all active participants at June 30, 2015 and 2014, respectively.” The January 29, 2016 audit also notes that “The [UUA Health] Plan experienced claim losses at a per participant level *in excess* of the deductible during the Plan year ended June 30, 2014” [emphasis mine.] However, “[st]op-loss reimbursements totaling \$919,754 have been netted with claims paid in the accompanying statements of changes in net assets available for plan benefits.” It’s important to note that for FY 2015, “The Plan *did not experience* claim losses at a per participant level or at the Plan level in excess of the respective deductibles during the Plan year ended June 30, 2015” [emphasis mine.]

Medical insurance for retirees is funded and budgeted in FY 2017 for \$67,000 (account 10-51512-630 “Post Retirement Benefit Cost” in the Human Resources lines of the UUA Budget).

Vacation Accrual is funded and budgeted in FY 2017 for \$15,000 (account 10-51511-630 “Vacation Accrual” in the Human Resources lines of the UUA Budget).

The sabbatical provision for the President is accrued for future payment. The President’s sabbatical is funded and budgeted in FY 2017 for \$57,687 (account 10-51510-630 “Sabbatical Provision” in the Human Resources lines of the UUA Budget).

The UUA, therefore, has no unfunded benefits liabilities.

**Therefore, I report compliance.**

**2.4.4.B.:** The President shall not: Change or administer benefits so as to cause imprudent or inequitable situations, including those that: Provide less than a reasonable level of benefits to all employees.

**Operational Definition:** To provide a reasonable level of fairness to all employees, in addition to allowing participation by all regular full-time staff in the benefits plans, regular part-time staff will also be eligible for participation, pro-rated as appropriate. Where rules



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allow, eligibility will be set at 20 hours per week (1,000 hours per year for the UUA Organizations Retirement Plan) for regular employees.

Benefits offerings will be benchmarked and reviewed against market data gathered from benefits surveys for comparable work and organizations.

**Rationale:** Benchmarks from the 2016 Kaiser Family Foundation Survey indicate that organizations of 200 or more employees set benefits eligibility to allow for an 81% eligibility rate, permitting participation by some, but not all, part-time staff. The UUA, in setting our eligibility at 20 hours per week for staff, exceeds the national benchmark by allowing for eligibility for 97% of our staff.

The UUA's extensive benefits offerings are benchmarked against market data gathered from regional and national surveys, including the Massachusetts Nonprofit Employee Benefits Survey, the Kaiser Family Foundation Survey, and the Society for Human Resources Management Employee Benefits Survey. Surveys suggest that the majority of similarly-situated organizations will offer in terms of major benefits:

- Defined contribution retirement plan (90% nationwide)
- Health insurance (94% nationally);
- Dental insurance (96% nationally);
- Life insurance (80% nationally);
- Long-term disability insurance (77% nationally);
- Flexible spending accounts (34% nationally);
- Qualified pre-tax transportation spending account (10% nationally); and, an
- Employee assistance program (77% nationally).

Nearly all organizations provide for paid time off, including a combination of vacation, sick, and holiday time (97% nationally).\*

*\*Statistics are approximate and vary somewhat by study.*

Some benefits are required by statute, such as FICA, Worker's Compensation insurance and unemployment insurance (in New York for non-religious workers, and in Oregon).

**Supporting Data:** Currently 97% of all UUA staff are eligible for participation in our benefits plans.

For benefits, the UUA offers to all eligible staff:

- a defined contribution retirement plan (the UUA Organizations Retirement Plan);
- health insurance through the UUA Health Plan;
- dental insurance through MetLife;

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- life and long-term disability insurances through Guardian;
- flexible spending accounts for healthcare and dependent care through WageWorks;
- qualified pre-tax transportation spending account through WageWorks; and,
- an employee assistance program through EAP Systems.

All eligible staff have access to vacation, sick, holiday and sabbatical time plans.

The UUA provides to all benefits as required by statute. Worker's Compensation is provided through Church Mutual.

**Therefore, I report compliance.**

**2.4.4.C.:** The President shall not: Change or administer benefits so as to cause imprudent or inequitable situations, including those that: Allow any employee to lose benefits already promised.

**Operational Definition:** The UUA does not promise or accrue benefits with few exceptions, including Vacation Time and the retiree medical insurance plan.

Unused, but accrued Vacation Time will be paid to terminating employees upon separation of employment (payout = hourly rate × hours unused).

Medical insurance for retirees of the Association (per policy dated July 1, 2002, *Employee Manual*) who meet eligibility requirements will be provided with subsidized medical insurance per plan guidelines.

Staff hired after April 1, 2002 have no promise of medical insurance coverage upon retirement, other than that required by federal and state regulation, nor do they have any other promise of other insurances or benefits post-retirement.

**Rationale:** Per statute, if Vacation Time remains unused at termination, it is paid to the departing employee in the final paycheck.

FAS 106 guidelines require accounting for the cost of future retiree health insurance benefits.

So as not to create an expectation of future benefits, the *Employee Manual* and benefits summaries include the statement, "the UUA reserves the right to modify, amend, or terminate any benefit or its associated cost to current staff or retirees at any time for any reason."

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**Supporting Data:** All retirees who are eligible for the retiree health insurance plan are enrolled in either the UUA Health Plan or the Tufts Medicare Supplement Plan for which they receive subsidy; or, they are reimbursed quarterly for their Medicare Supplement plans per plan guidelines.

All staff who have terminated employment with the Association have been paid out for unused, accrued vacation time in their last paycheck since July 1, 2007.

**Therefore, I report compliance.**

**2.4.4.D.:** The President shall not: Change or administer benefits so as to cause imprudent or inequitable situations, including those that: Differentiate among classes of employees.

**Operational Definition:** All eligible employees (regular employees working 20 or more hours per week) will be offered enrollment in all of the UUA's benefit plans; we offer enrollment in the UU Organizations Retirement Plan for all regular employees who are 18 years of age or older working 1,000 or more hours per year with at least one year service (per plan documents). The UUA will allow participation in and pay the same percentage premium or make the same retirement plan contribution for all enrolled, eligible staff without regard to race, color, disability, gender or gender identity, affection or sexual orientation, age (except where prohibited under Plan rules), national origin, grade, or full- or part-time status (except where prohibited under Plan rules).

**Rationale:** The plan documents for the UUA Health Plan, the Dental Plan, the Life and Accidental Death and Dismemberment Insurance Plans, and the Flexible Benefits Plans permit enrollment at 20 hours per week for regular UUA employees. By contract, the Employee Assistance Plan is open to all UUA staff, regardless of regular or part-time status.

A retirement plan is provided to eligible staff through the UUA Organizations Retirement Plan, an IRS qualified 401(a) retirement plan. The current recordkeeper is TIAA-CREF. Eligibility in the UUA Organizations Retirement Plan is specified in the *Plan Documents of the Unitarian Universalist Organizations Retirement Plan*, amended and restated January 1, 2014.

**Supporting Data:** 100% of UUA staff meet with Human Resources upon hire. During this in-person or virtual meeting, staff are given instructions and provided with paperwork for enrollment in the benefits plans. We require the return of forms accepting or declining benefits from 100% of staff and keep them on file with the employee's Personnel File.

The UUA pays 80% of the premium for 100% of eligible employees enrolled in the UUA Health Plan; no distinction is made to class of employee. The UUA pays 100% of the premium for the Life and Accidental Death and Dismemberment Insurance Plan; no

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distinction is made to class of employee. The UUA pays 100% of the cost of the Employee Assistance Program; no distinction is made to class of employee.

The Dental Plan and the Flexible Benefits Plan are 100% employee paid for all classes of employee.

The UUA currently makes an 11% contribution based on wages (as defined by the Plan) to each enrolled employee's TIAA-CREF account. UUA contributions are calculated semi-monthly and submitted by wire to TIAA-CREF by the UUA Finance office within timeframes proscribed by the IRS.

There are currently 206 employees eligible for the Retirement Plan. 204 of these employees have enrolled in the Plan. The two unenrolled employees started employment at the UUA the week of September 26, 2016. They will not be eligible for the employer contribution until they have 1,000 hours' service within the a year's time.

100% of eligible, enrolled staff in the Retirement Plan receive the full 11% contribution semi-monthly within the proscribed IRS timeframes with no distinction made by class of employee. Annual review and non-discrimination testing for the UUA Organizations Retirement Plan (for national staff) was completed for the calendar year ending December 31, 2014. On February 3, 2016, The ANGELL Pension Group issued a letter indicating that employer contributions (11% of eligible compensation) had been made according to plan guidelines. The annual review and non-discrimination testing for the calendar year ending December 31, 2015 is in progress; all materials have been submitted, and we are awaiting the final determination letter from The ANGELL Pension Group.

**Therefore, I report compliance.**