

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Board of Directors
Thursday, October 22, 2015, 9:00 – 11:00 am
Albert E. Warren Center

MEMBERS PRESENT:

President, Paul Zingg; Interim Provost, Susan Elrod; VP University Advancement, Ahmad Boura; VP Student Affairs, Drew Calandrella; VP Business & Finance, Lorraine Hoffman; Community Member, Dan Hunt; Community Member, Mike Wiltermood; Faculty Member, Erik Bartelink; Faculty Member, Russell Shapiro

ALSO PRESENT: Research Foundation staff Catherine Thoma, Jessica Bourne, Michele Flowerdew, Kevin Kelley, Jerry Fieldsted, and Kathy Kinsey

1. Call to Order – At 9:14 a.m. by Elrod.
2. Public Comments – No public comments.
3. Approval of the Minutes – Elrod elected to postpone the approval of the minutes until the December 14 meeting as the members just received them.
4. Action Item
Thoma explained the board needs to review the medical benefits offered to staff and take action regarding the employer and employee costs. The two issues to discuss are: (1) the changes in benefits due to the Affordable Care Act and the elimination of cafeteria plans, and (2) the 14 percent increase in medical benefit premiums.
5. Affordable Care Act
Currently, the RF staff receives benefits funding of \$135 per month plus 5 percent of their salary. Should the total benefits funding amount exceed the cost of an employee's benefits, those excess funds are paid directly to the employee. This "cash out" is taxable income to the employee. The way the Affordable Care Act is written, the RF can no longer offer this "cash out" option to staff effective January 1.

Thoma suggested that starting January 1, all eligible, benefited employees receive an increase to their base pay of 5 percent of their annual salary, plus \$1,620. Without this increase to base pay, those who "cash out" their benefits funding will perceive a pay reduction. Increasing base pay will not change total compensation, when compared to the prior benefits structure of base pay plus benefits funding (5% + \$1,620).

Impacts of increasing employees' base pay will have several financial impacts.

- Benefits funding is not treated as gross compensation for the employer 403(b) contribution calculation. However, the increase in base pay will be included in that calculation, increasing the RF's retirement contributions to employees.

- Benefits funding is not subject to payroll taxes while an increase in base pay will be subject to payroll taxes. This will increase the payroll tax expense of the RF, and will also increase the amount of payroll taxes paid by the employee(s). An estimate of the increased cost to the RF is \$83,000 per year. This shouldn't be significant enough to be an issue for the centers such as Passages, although Passages has resources that other centers may not have.

Calandrella questioned the sustainability of the motion. Hoffman and Calandrella were part of the discussion with the Associated Students board as well. The split here is different. The employee carries a slightly higher burden here than they will with the Associated Students because the Associated Students moved the money to the corporate side. It's kind of a wash but over time, this carries some weight with it. Modeling it as a 60/40 split would take away the burden of the employee. The Associated Students has a 60/40 split.

Zingg said that in his experience at Chico State and another CSU, the salaries and benefits of the faculty and staff stateside employees are fairly close with the foundation. The foundation employees will now be at a 5 percent salary increase when the stateside employees only received 2 percent COLA.

Hoffman pointed out that the Associated Students took the \$135 and added it to the employer's base to buy down the benefit costs. If the \$135 is moved into the base pay, everybody gets taxed. That is one of the reasons the Associated Students, rather than giving it to the employee, augmented the employer's side of the health benefits. The Associated Students did 7 percent, but they didn't move the \$135. \$135 equivalent benefit for the AS was applied directly to medical premiums and not cashed out. She would opt to do the same rather than increase salaries for the \$135.

A general concern is for those who don't take medical benefits, and they will perceive this as a pay cut. In regard to the 5 percent increase in base pay, Shapiro pointed out that those who make more money will get an even bigger bonus to offset their cost.

6. Medical Benefits Increase

This topic is separate from the discussion of an increase in base pay effective January 1, 2016.

Each year, the board evaluates the changes in cost to employee medical premiums. The board determines the RF's share of the cost of medical premiums.

The FY15/16 RF budget includes \$114,000 for increases in employee medical costs. Additionally, the RF estimates a surplus of approximately \$60,000 from prior years' medical premium funding. (These costs are estimated and pooled.) A total of \$174,000 is available for an increase to the employer contribution. If the employer and employee split the increase in premiums 50/50, the cost to the RF would be \$146,135. If they split the increase in premiums 75/25 with the RF giving 75 percent, the cost would be \$219,000.

7. 5 Percent

"Effective January 1, all eligible benefitted RF employees will receive a 5 percent increase to their base salary as an ACA adjustment."

The explanation of what was captured in the discussion will follow in the message sent to employees.

Examples of how this will impact employees should also be included. Thoma suggested showing these through the presentation at the benefits fair.

Move to approve motion (Elrod)

Motion carried (9-0-0)

8. \$135 and Split –
“All eligible RF employees’ base salaries with increase by \$135 a month as an ACA adjustment. The RF would use a 50/50 split for employer and employee contributions to offset the increase in medical benefits.”
Move to approve motion (Elrod)
Motion carried (6-1-2)
9. Closed Session – Elrod stated they would now be moving to the posted closed session and that only board members would remain. Following that would be the board retreat.
10. Adjournment – The meeting adjourned at 10:54 a.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Catherine Thoma". The signature is written in a cursive, flowing style.

Catherine Thoma, Secretary