

## COWDEN TIMES

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# [Cowden News](#)

## [Press Release: Cowden Associates, Inc. Announces 2017/2018 Tri-State Benefits Pulse Survey](#)

PITTSBURGH, October 31, 2017 – Pittsburgh-based Cowden Associates, Inc. (Cowden), the leading independent retirement/actuarial, compensation, and employee benefits consulting firm in the Tri-State region, announces upcoming 2017/2018 Tri-State Benefits Pulse Survey.

The survey is designed to gather information concerning the issues employers are facing in regard to their health and welfare plans, as well as the plan management strategies that are being implemented. The survey will accept participation from employers with 200+ employees, covering eastern Ohio, Northern West Virginia and Central/ Western Pennsylvania and slated to open in mid-November. The questionnaire encompasses medical, prescription drug, dental, vision, and other ancillary coverages.

Survey results will be available in the spring of 2018, to provide employers with valuable information to incorporate into their 2019 benefits planning.

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# Industry News

## 2018 Annual Benefit Plan Limits

The Internal Revenue Service (IRS) has announced various 2018 benefit plan limits and thresholds. There are increases from 2017 in some cases, but in other instances the 2017 amounts will continue to apply.

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## Compliance Bulletin: Health FSA Limit Will Increase for 2018

The Affordable Care Act (ACA) imposes a dollar limit on employees' salary reduction contributions to health Flexible Spending Accounts (FSAs) offered under cafeteria plans. This dollar limit is indexed for cost-of-living adjustments and may be increased each year.

On Oct. 19, 2017, the Internal Revenue Service (IRS) released Revenue Procedure 2017-58 (Rev. Proc. 17-58), which increased the FSA dollar limit on employee salary reduction contributions to \$2,650 for taxable years beginning in 2018. It also includes annual inflation numbers for 2018 for a number of other tax provisions.

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## Compliance Bulletin: IRS Announces Employee Benefit Plan Limits for 2018

Many employee benefits are subject to annual dollar limits that are periodically increased for inflation. The Internal Revenue Service (IRS) recently announced cost-of-living adjustments to the annual dollar limits for various welfare and retirement plan limits for 2018. Although some of the limits will remain the same, many of the limits will increase for 2018.

The annual limits for the following commonly offered employee benefits will increase for 2018:

- High deductible health plans (HDHPs) and health savings accounts (HSAs);
- Health Flexible Spending Accounts (FSAs);
- Transportation fringe benefit plans; and
- 401(k) plans.

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## SOA Mortality Improvement Scale MP-2017 Released

The Retirement Plans Experience Committee (RPEC) of the Society of Actuaries recently released mortality improvement table MP-2017, an updated version of their MP series of mortality improvement tables. The update reflects historical experience through 2015, in which age-adjusted mortality rates actually increased over the prior year.

As we speculated in our 2018 IRS mortality article, the MP-2017 update reflects

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generally lower mortality improvement than predicted by prior MP tables. According to RPEC's report, pension liabilities calculated with the MP-2017 scale should be approximately 0.7% to 1% lower than the same liabilities calculated with scale MP-2016.

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## [Compliance Bulletin: IRS Reverses Policy on Certifying Individual Mandate Compliance](#)

For 2017 tax returns, the IRS will not accept electronic tax returns (and may suspend paper returns) that do not certify compliance with the individual mandate. This ACA Compliance Bulletin provides an overview of this change.

To avoid refund and processing delays when filing 2017 tax returns in 2018, taxpayers should indicate whether they (and everyone on their return) had health coverage, qualified for an exemption, or are paying an individual mandate penalty. This process reflects the ACA's requirements and the IRS's obligation to administer the law.

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## [Compliance Bulletin: White House Announces Some ACA Subsidies Will End](#)

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On Oct. 12, 2017, the White House announced that it will no longer reimburse insurers for cost-sharing reductions made available to low-income individuals through the Exchanges under the Affordable Care Act (ACA), effective immediately. Because Congress did not pass an appropriation for this expense, the Trump administration has taken the position that it cannot lawfully make the cost-sharing reduction payments.

This decision follows the U.S. House of Representatives' position in a lawsuit it filed against the Obama administration in 2014 challenging the federal government's authority to fund these cost-sharing reductions.

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## Meet Our Team

Our team consists of 25 employees; each newsletter we take time to highlight some of our employees. To see our leadership team [click here](#); to see all employees please [click here](#).



### **Steve Wagner, Consultant**

**What's the greatest bit of advice a parent or mentor has given you?**

When I graduated from college, my uncle told me you should be nice to the people you meet on the way up because they are the same people you meet on the way

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back down.

**What is one of the things on your bucket list?**

I am going to travel around the world for the rest of my life.

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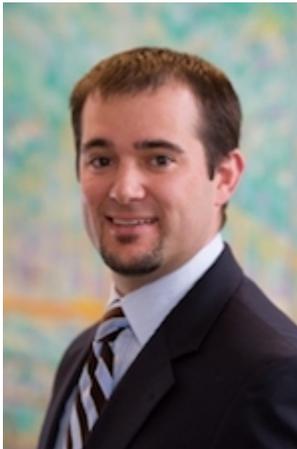
**Jeanne Michaud, Consultant**

**What's the greatest bit of advice a parent or mentor has given you?**

My mother always said, "If you don't have something nice to say, say nothing."

**What is one of the things on your bucket list?**

To see the Grand Canyon.



**Brad Rigby, ASA, EA, MAAA  
Vice President, Retirement and  
Actuarial Services**

**What's the greatest bit of advice a parent or mentor has given you?**

You better marry that girl before she wises up.

**What is one of the things on your bucket list?**

Snow ski on all 7 continents. Only have one so far.

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## **Todd M. Kordecki, Senior Analyst**

**What's the greatest bit of advice a parent or mentor has given you?**

Treat others the way you would like to be treated.



**What is one of the things on your bucket list?**

Travel to Scotland to golf and tour a few distilleries.



## **Nate T. Hoellman, Analyst**

**What's the greatest bit of advice a parent or mentor has given you?**

An important part of creating success is having successful people around you, above and below you.

**What is one of the things on your bucket list?**

Go on a mission trip.

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## **What's Dinkin Thinkin?**

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Elliot Dinkin is equally comfortable whether he is in a courtroom providing testimony or in a CFO's office providing strategic counsel. The 25-year plus veteran of the actuarial, compensation, and employee benefits field continues to make his mark.

Today, as President and CEO at Cowden Associates, Inc., Elliot provides leadership to position the company at the forefront of the industry. You can learn more about changes in actuarial, benefits, management, and compensation policies from his blog, "[What's Dinkin Thinkin?](#)" or on Twitter, [@ElliotDofCowden](#).

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## [Asking Applicants About Their Salary History May Be Over](#)

Employers who ask applicants about their salary history should be aware of the increase in state and local legislation barring this question. Consider that numerous states and localities have enacted laws that apply to private employers, including Delaware, Massachusetts, Oregon, Puerto Rico, Philadelphia, San Francisco, and New York City. Other states are considering similar legislation, including Idaho, Maryland, New York, Rhode Island, Texas and Virginia. Additional jurisdictions have passed legislation that prohibits the government from inquiring about prior salaries, but does not restrict private employers.

As there has been very little action on equal pay issues at the federal level and this lack of activity will likely continue, the prevailing thought is that states and localities will continue to forge the path on this issue, similar to efforts on increasing the minimum wage.

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Salary history bans, generally, prohibit employers from asking applicants about their prior salary during the hiring and salary negotiation process. It should be noted that the term salary is being interpreted to include all forms of compensation and fringe benefits. The asserted intention of these bans is to level the playing field for women and minorities. The laws seeks to ensure that employees are paid what their jobs and skills are actually worth. Although, it does appear that an applicant may be able to voluntarily disclose salary history information, subject to each jurisdiction's specific provisions.

The proper use of salary history information is an open question under the federal Equal Pay Act (Act). The Act prohibits unlawful wage discrimination on the basis of sex, and employers cannot pay higher wages to members of the one sex than another for equal work on jobs which require equal skill, effort, and responsibility that are performed under similar working conditions. The Act places the burden on employees to demonstrate they were paid less because of sex. Employers may assert any of these four affirmative defenses that permit certain wage disparities:

- A seniority system
- A merit system
- A system which measures earnings by quantity or quality of production
- A differential based on "any other factor other than sex"
- The court rulings in the area don't yield consistent and clear paths.

### **What Should an Employer Do?**

From a practical non-legal perspective, any time employers want to ask about salary history, they should ensure that the salary-based questions are related to a legitimate business policy or reason.

Employers should also regularly audit their compensation practices to ensure pay

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equity across gender, race, and other protected classes. Compensation decisions, such as those with respect to starting salaries and bonus amounts, should be justified by legitimate business reasons, such as skills, experience, training, education, and other job-relevant factors. Employers should document the reasons for their compensation decisions and be able to explain pay differences. Certainly, as part of this process, since this is an important legal matter and the law is changing rapidly, any current practices and proposed changes should be reviewed by legal counsel before simply moving to a blanket practice of salary history inquiries.

This process is similar to suggested approaches that provide a pathway to ensure compliance with other federal and state statutes, as well as sound corporate governance.

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## [Why a Not-for-Profit Should Implement a Total Compensation Philosophy and What Should it Contain?](#)

Background:

Best practices suggest that nonprofit boards of directors establish a compensation policy with specified ranges of acceptable salaries and benefits. Also, Boards should ensure that they can justify an arms-length standard in their decision-making process. This justification may require nonprofits to focus on a strong governance structure with diverse and qualified board members.

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In addition, the IRS recommends that charitable nonprofits follow its three-step process to determine that compensation is reasonable and not excessive:

- The board should arrange for an independent body, such as a compensation committee to conduct a comparability review.
- The independent body should take a look at comparable salary and benefits data, from entities of similar missions and of a similar budget size.
- The independent body that is conducting the review should document who was involved and the process used to conduct the review, as well as the disposition of the full board's decision to approve the executive director's compensation. The documentation should demonstrate that the board took the comparable data into consideration, when it approved the compensation.

All of this is well and good for the approval process and an on-going review process. But, what should guide nonprofits in designing Total Compensation programs?

### **Creating a Total Compensation Philosophy**

In our experience, there is no universal standard for a compensation philosophy. However, there are some elements that are considered vital to cover. These include, but are not limited to:

**Overall compensation objectives:** What must your compensation program accomplish, if it is to support the success of the organization? It is important to drill down beyond the standard attract, retain, and motivate to identify specific concerns critical to, both, the mission and the strategy of your organization.

- **Market positioning:** What is your labor market for talent and how do you intend to position your program in relation to that market? Almost always,
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the labor market is different than your customer market and there may be different labor markets and positioning strategies for different employee groups.

- **Pay roles and mix:** What is the respective role of each of the different components of your compensation program (e.g., base salary, annual incentive, recognition, etc.), and what will be their proportionate mix in your compensation program, relative to the market? For instance, do you intend to pay lower salaries but provide an above market incentive opportunity? And, how should benefits and perks be accounted for in this equation?
- **Job valuation approach:** On what basis will you establish the relative value of – and pay opportunity for – the different jobs in the organization? Will you use an external market-based approach or rely on an internal job-content methodology, like a point factor system?
- **Pay Communication:** It is wise to be aggressive here, to ensure that the compensation philosophy statement – which should be communicated to all employees – also addresses what pay information will be shared within the organization (and what will not). This provides employees with a clear signal on the organization’s position and policy and helps to ensure that information sharing happens consistently. It may also be appropriate to include information about Total Compensation Philosophy in the Form 990 filings to establish, in a public manner, a clear and open picture of what the organization is doing in its pay and benefits practices.

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## Cowden View

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## Communicating Force Reduction

Perhaps the hardest thing for any management team to do is to take a hard look at the economic realities of their business and decide how to bring the company's workforce in line with revenue. This is a difficult process, and it creates stress for everyone involved.

When your company must conduct a reduction in force, it is important to provide clear and honest communication with your employees – both the ones being eliminated and the ones remaining. By informing everyone involved, you can make a strenuous transition as smooth as possible.

### **What to Say**

To start, you should develop a unified message that crosses departments. If everyone is hearing the same news in much the same way, it can reinforce that the reduction is not being conducted in a haphazard way. For those being let go, they get the message that the decision was not arbitrary or punitive. For employees who are staying with the company, they have a clearer idea of what the next steps may be.

While you should have a message ready as soon as possible, you should certainly prioritize which information you give out first. Tell the employees what they need to know, but don't overload them with extra information, right away. As the reduction proceeds, you can release additional information or answer specific questions as they arise.

Finally, be prepared to offer help and support whenever possible. Retraining and outplacement programs can reassure outgoing workers, while remaining employees will need help taking on the work left behind. You should make details of such programs available through group meetings as well as through written

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documentation, available in person or online.

## How to Say It

How you communicate with your workforce can be just as important as what you actually say. The most important step is to communicate openly and widely.

People will figure out that something is going on, and it's better to have it in the open than for employees to speculate.

Managers should inform eliminated employees personally, rather than leaving it to HR. They are the ones who interact with the workers on a regular basis, and they have a rapport with everyone on their team. Using that understanding, a manager can deliver the message in the most reassuring way for each employee.

You should be prepared to listen to your employees during the reduction process. If a person feels like they are being heard and understood, it can reduce stress and resentment. While you can allow for comments during group and all-hands meetings, many people may feel uncomfortable speaking up in front of others. Set aside time for one-on-one meetings, in which affected employees can air their concerns.

No one wants to reach the point where reducing the workforce is the only option. But if you do find yourself in that position, you need to handle it with empathy. Cowden Associates can help you manage every aspect of a reduction in force from initial analysis to final communications plan. Contact us for more information.

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# About Cowden

Cowden Associates, Inc. (Cowden) is recognized as a leading independent compensation, health and benefits, and retirement consulting firm regionally, nationally, and internationally. Cowden was established in 1996, bringing together seasoned professionals to provide client-focused advice designed to produce superior and measurable results to businesses, regardless of size or industry. Client industries include: financial institutions, governmental entities, healthcare, manufacturing, not-for-profit, school districts, and Taft-Hartley.

Cowden's exceptional interactive approach is what sets us apart from similar consulting firms. To deliver a tailored resolution to your specific needs, we first identify the overall attributes exclusive to your organization. We build an understanding of your organization by asking questions, observing, and listening. In this manner you are not merely receiving a pre-fabricated answer, but rather a unique solution for your circumstances.

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## How Are We Doing?

Please let us know how we're doing by submitting a Cowden Gram!

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