

October 25, 2013

To Educators, Pastors, Church Leaders, and Conference Employees:

There has been much discussion regarding the passage of the recent federal health care bill and its potential impact upon the entities and employees of the Michigan Conference. This letter and the accompanying Sections A-C are an attempt to address some of these questions. It will be in a simple question and answer format.

The Patient Protection and Affordable Care Act (“ACA”) is a United States federal statute that was signed into law on March 23, 2010. Its purpose is to aid the affordability and standard of health care insurance coverage for all Americans. Certain provisions of the bill will directly impact large employers, including the Michigan Conference. These provisions will be implemented nationwide on January 1, 2015.

Below are several areas that will be altered, or newly implemented, by the Michigan Conference as a result of these provisions. These items will be uploaded shortly onto the HR link of the Michigan Conference website. We implore each of you to read the following items carefully and to act accordingly and timely.

They are organized below as follows:

- A. New Full-Time and Part-Time Hours
- B. Changes in Classifications – Exempt vs. Non-Exempt
- C. Look-Back Period - Measurement, Administration, Stabilization

Due to the recent passage of the bill and the lack of any legal precedent, our understanding and interpretations of the law will be somewhat fluid. Consequently, we will do our best to provide updates when we are made aware of them.

Finally, please do not hesitate to contact the Human Resources Department with any questions you may have. Please direct your questions to: lim@misda.org. The office number is: (517) 316-1568.

It is important to note the impetus for these policy changes are a result of changes to the current federal health care law. These policies affect not only our local conference, but also employers and employees nationwide. Failure to act accordingly may result in fines and penalties. It is because of our intent to remain compliant with the federal law that we are asking for your cooperation.

We thank you in advance and count it a privilege to work together in the Lord’s work.

Blessings,

Leroy Bruch
Treasurer

Laura Im
Vice-President of Human Resources

Encl.

Section A - New Full-Time & Part-Time Hours

What are the current full-time hours?

The Michigan Conference designates full-time status as working 38-40 hrs./week.

What will be the new full-time hours?

Full-time will remain the same at 38-40 hrs. However, when determining if an employee is eligible for **health care** beginning January 1, 2015, an employee must have averaged **30 hours or more per week** in 2014. More on this in Section C.

What about part-time hours?

The Conference will adopt a **new part-time 3-day 24-hour workweek** classification beginning 2014. Hours worked within the “gray zone” of 25-29 hours per week are highly discouraged. Avoiding this gray zone would minimize potential issues; for instance, when an employee works overtime to complete a special project or to compensate during a busy season on the occasional week.

How does this affect our church and school employees?

In order to comply with the ACA, employees of the Michigan Conference (which includes employees at Michigan constituent churches and schools, as well as conference employees) **MUST** be offered health care in 2015 if the employee averaged 30+ hrs./week in 2014 (refer to Section C). Part-time employees are not eligible under the ACA. The cost to the local entity for each full-time employee is currently \$9,600.00/year. This amount is subject to change each year.

It is important to note that the Conference will continue to bill all local entities for each employee’s health insurance coverage, a fact that each local entity must take into consideration when determining whether an employee should be full-time or part-time.

What if my employee is salaried or receiving a stipend/flat rate?

The correct distinctions between salaried (exempt) and hourly (non-exempt) employees are discussed in Section B.

What does the Conference advise?

Local churches, schools, and other facilities are encouraged to fund health care for full-time employees. If entities are unable to afford the costs, employees may need to be reclassified to part-time status or, as a last case scenario, cease employment. Entities should not, however, continue to employ individuals while disregarding the employee’s health care benefits. While economic necessity may result in the reclassification of an employee, once an employee is designated as full-time, each entity must provide health care.

If there is any discrepancy over whether an employee should be considered full-time and eligible for health care, the Conference may elect to use a 9-month look-back period. (See Section C)

Section B – Exempt vs. Non-Exempt

Who should be classified as an exempt (salaried) employee?

Certain types of employees, who are classified as exempt employees, are not entitled to overtime pay as guaranteed by the Fair Labor Standards Act (FLSA). If an employee is classified as exempt (vs. non-exempt), their employer is not required to pay them overtime pay. Administrative, executive, and professional employees, outside salespeople, and certain computer employees may be classified as exempt if they meet the following criteria:

- Employees are paid on a salary rather than on an hourly basis.
- Employees earn **at least \$455.00** per week.
- Employees are paid full salary for any week they work, regardless of how much time they work.

Because I am being paid a stipend, or “flat rate”, does that mean I am exempt?

NOT NECESSARILY! Unless you fit under the category mentioned above, there should be NO “stipend” or “flat rate” compensated employees. All remuneration to employees must meet either the minimum wage (\$7.40/hr) and overtime requirements for non-exempt employees, OR the requirements for salary exempt employees (\$455.00 per week) as set out in state and federal law. Employers should refer to the Exempt vs. Non-Exempt FLSA worksheet (Exhibit A) to guide them in determining whether an employee should be salaried or hourly.

So I have determined I cannot be salaried or on a stipend. What now?

A change in status for several current employees who might now be considered on a “salary” status **must** move to an hourly status. This is due to the fact that wage and hour laws require that non-exempt employees be paid for the actual hours that they work. This means that the employee needs to be tracking and reporting hours rather than receiving a flat stipend amount. To begin this change, employers must complete and send to Human Resources the Local Staff Employee Agreement Form (listed as Exhibit B).

Based on the job title, the employee will need to be paid wages commensurate with the job description and the employee’s own education/experience. The following link will provide national, state, and community wages for paid positions and will assist in determining what wages to pay the employee:

<http://www.bls.gov/ocs/ocsfaq.htm#faqc>

This will also require the submission of a time sheet to the MI Conference Treasury office on a semi-monthly basis (listed as Exhibit C). Time sheets are also required to determine each employee’s hours for ACA purposes (See Section C). Additionally included in this packet under Exhibit D are the pay periods for the rest of 2013 and all of 2014.

Section C – 9-Month Look-Back Period

What is this look-back period I have been hearing about?

The MI Conference may elect to use a **9-month look-back period** beginning on Jan 1, 2014 to determine whether an employee should be considered full-time and eligible for benefits. For full-time and part-time employees, there is no need for validation. However, if your employee is a variable-hour employee, meaning the hours vary depending on the workload per week, it may be necessary to apply this look-back period.

If the employee meets the ACA definition of a full-time employee during this look-back period, the employee must be offered coverage in the health care plan.

So how does this look-back period work?

In order for the MI Conference to use the voluntary look-back period, they must use:

- (i) a measurement period
- (ii) an administrative period, and
- (iii) a stabilization period

Measurement Period:

The MI Conference will use the measurement period to examine the hours worked by an employee for a period of 9 months, beginning on January 1, 2014 to September 30, 2014. During this period, the Conference will have the ability to examine the hours worked by the employee to determine whether the employee remained above (or below) the 30-hour workweek threshold in order to qualify for benefits. The Conference will consider the overall average hours per week that the employee worked during the 9 months.

Administrative Period:

This period will last for three months, beginning on October 1, 2014 and ending on December 31, 2014. It is the period of time during which the health care assistance plan administrator determines which employees have qualified as full-time and provides those employees the opportunity to enroll in the health care assistance plan.

Stabilization Period:

This period will last for all of 2015. This is the period of time that the employee must be covered under the health care assistance plan if the employee qualifies as a full-time employee during the measurement period. During this period, the employee will consistently remain on the health care plan, *even if* during the year, the employee's hours dip below the 30-hour threshold.

So to sum up the Look-Back Period....:

Measurement Period	9 mo:	Jan 1-Sept 30, 2014
Administrative Period	3 mo:	Oct 1-Dec 31, 2014
Stabilization Period	12 mo:	Jan 1-Dec 31, 2015

Refer to Exhibit E for a sample timeline for ongoing employees and new hires on Jan 1, 2014.

What happens for each subsequent year?

The process will repeat all over again on January 1, 2015 for the same employee. The Measurement Period will run from January 1 to September 30, 2015. If at the end of the Measurement Period, the employee is deemed to have worked an average of 30+ hours per week, the employee will be eligible for health care coverage for the entire year of 2016.

What if I am hired after the 1st of January in 2014?

For all employees that are hired after January 2014, the Measurement Period will begin on the date the employee begins and will run for 9 months exactly from the date of hire, even if the period extends into the next year. However, the Measurement Period for 2015 will still begin on January 1, 2015, so there may be some months of overlap. Refer to Exhibit F for a sample timeline of an employee who is hired after January 1.

What if I have an employee that is only working for the summer? Do I have to offer him/her health care coverage as well?

By definition, a “seasonal” employee is hired for a set, pre-determined, short duration of time. This may be for summer camp or perhaps during a physical move from one office to another.

Regulatory definition has not been fully established, but employment durations of **4 months or less** are considered “seasonal” and as such, would not qualify for employer-sponsored health care benefits. It is critical that these timelines be carefully guarded if the intent is to keep this individual as “seasonal” versus “variable”. If they extend beyond “seasonal” and are viewed as “variable” employees the same measurement calculation or verification process described above must be performed to determine if they do or do not qualify for health care benefits.