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Assistant Superintendent



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March 12, 2008

To: Chatham County Board of Education
From:  Susan J. Little, Chief Finance Officer
Re: 125 Cafeteria Benefits Plan for 2008-2009

As a part of our on going discussion about recruitment and retention of qualified employees, the Board has been discussing salaries and wages for classified employees. Another aspect of recruitment and retention important to the employees of Chatham County is benefits. For years Boards of Education have offered flexible benefit plans that allowed employees to pick and choose additional supplemental benefits beyond what the State of North Carolina offers and pay for them with pre-tax dollars. Because the benefits are so important to our employees, it is important for the Board to review these plans periodically and make sure the best possible service and products are available to everyone.

Cafeteria Benefit Plans have been around for more than twenty years and as with everything else, things have changed over the years. Today, there are three reasons for reviewing the existing plan:

1. IRS guidelines under section 125 continue to change and the Board of Education is responsible for compliance.
2. Contracting a Third Party Administrator (TPA) directly to assume the financial responsibilities for IRS compliance will provide the Board with recourse if needed to deal with any compliance issues.
3. Single Source Billing is an option available to the administration that provides safe and timely on-line processing of payments for employee benefits.

The recommendations tonight are designed to put more safeguards in place to ensure compliance with section 125 requirements from the IRS. The Board will be responsible for contracting a TPA to handle all compliance requirements and take an active roll in determining services and benefits to offer. Finally, our employees will be allowed to keep their existing products. Our goal is not to harm our employees in the process of the change over. Additionally, employees will be offered a comparable line of products if they prefer to make changes.

Based on the reasons above, the company recommended is Wellington Benefits/First Financial Group of America. Those reasons are listed below. The table at the end of this presentation provides some comparative data for your review.

- Wellington Benefits/First Financial Group of America (WB/FFGA) is a corporate general agency and Third Party Administrator (TPA) licensed with many insurance companies.

WB/FFGA is a service oriented company with service to our employees as their core value.

- The WB/FFGA’s service center is located in Wilmington, NC. Employees can call an 800 number for service or questions on any product or benefits they have. The one stop shopping approach eliminates multiple phone calls to more than one company to coordinate benefits. Currently, our employees have to call each insurance company directly.
- Our employees will have secure access to their personal benefit information online 24/7 through a link on Chatham County Schools’ website. Currently, to get information about their policies, they have to call the insurance company directly.
- WB/FFGA will grandfather all existing benefits currently on payroll. They will offer consolidated billing for all existing and new benefits and carriers. Currently, our staff has to reconcile and process all bills from individual insurance companies.
- WB/FFGA offers in house full 125 Cafeteria Plan administration. WB/FFGA, as a TPA, will remove the legal responsibility and liability from the school board and assume this burden directly. WB/FFGA ensures that all spending account guidelines and administration of the Section 125 Cafeteria Plan will be in compliance at all times with IRS regulations and guidelines. Currently, our plan provider uses an outside TPA. The TPA is contracted by the provider, shifting the responsibility of compliance elsewhere.
- WB/FFGA, as the TPA also covers any annual losses on spending account forfeitures at the end of the plan year. Under our current provider, if there is a deficit the provider asks us for a check out of our general fund to cover this expense.
- WB/FFGA uses salaried employees to complete our enrollments, eliminating pressure selling concerns. Currently, our plan provider uses salespeople on commissions.
- WB/FFGA as a corporate general agency can offer various plans with various companies to meet the needs of our school district. As our needs change, we can tell them and they will create or find the right plan to meet our needs.
- WB/FFGA will assign a local account manager who is responsible for the open enrollment and administration of our plan. A team of salaried account managers will conduct the open enrollment every year.
- WB/FFGA will perform all plan administrations and provide all services to employees and the Chatham County Schools at no cost.

Current Provider	Wellington Benefits/First Financial Group
Supplemental Group Term Life Insurance	Supplemental Group Term Life Insurance
Employees \$.26/ \$1000	Employee \$.18/\$1000
Spouse \$.23/\$1000	Spouse \$.18/\$1000
Children \$.20/1000	Employee and Children \$3.16 for \$10,0000

Employer pays for the employee \$1.10 per month for \$5000	Employer pays for employee \$.90 per month for \$5000
Vision	Vision
Superior Employee \$9.90 per month Employee + one dependent \$19.22 per month Employee/Family \$28.24	Superior or Ameritas (employees may keep their Superior product or change to Ameritas) Employee \$9.70 per month (Ameritas) Employee/Family \$23.76 (Ameritas)
Accident and Disability	Accident and Disability
For \$1000.00/monthly income Colonial NC 1000 Level benefit first 3 months, plan reduces 50% the next 9 months, Accident included \$34.00	For \$1000.00/monthly income Various plans and combinations 1. Allstate Accident with American Fidelity Assurance level Disability \$8.84 + \$23.60 = \$32.64 2. AFA Disability, level 14 months \$23.60 3. Allstate accident with DI Rider; pays in addition to all other benefits.
Permanent Life	Permanent Life
LifeBridge Cost per \$1000.00 including additional benefits Age 30: \$1.14 Age 45: \$1.52 Age 50: \$2.79	Texas Life PL110 Cost per \$1000.00 including additional benefits Age 30: \$.46 Age 45: \$70 Age 50: \$1.47
Cancer	Cancer
Individual \$35.50 One parent \$39.50 Two parent \$58.50	Allstate – Enhanced Plan Individual \$26.13 Family \$46.77
Health Care Flexible Spending Account	Health Care Flexible Spending Account
Employees currently pay \$2.00 per month to use AmeriFlex Convenience Card	Employees and the district will not be charged anything to use SmartFlex Card
Dependent Care Flexible Spending Account	Dependent Care Flexible Spending Account
\$5000 for a married couple filing jointly \$5000 for a single parent \$2500 for a married person filing separately	\$5000 for a married couple filing jointly \$5000 for a single parent \$2500 for a married person filing separately
Dental Insurance	Dental Insurance
Delta Dental employer pays \$23.59 per employee Family Coverage \$53.40 Composite \$29.81 This coverage is part of the 125 Plan but is enrolled separately from all other benefits.	Delta Dental employer pays \$23.59 per employee Family Coverage \$53.40 Composite \$29.81 This coverage is part of the 125 Plan but is enrolled separately from all other benefits.

The open enrollment will begin in April 2008 with enrollment counselors visiting schools. Principals and staff will be notified of these changes and times will be scheduled with schools that do not conflict with the instructional day.

Recommendation: Based on the information presented, I am recommending the Board approve Wellington Benefits/First Financial Group of America as our new plan provider for the next

three years beginning July 1, 2008. Employees will be informed of these changes and allowed to keep their existing products. The Delta Dental Insurance coverage will remain a part of the Cafeteria 125 for the Chatham County Schools, but will be shopped separately as it has in the past.