

Monitoring Report
June 2013

POLICY TYPE: EXECUTIVE LIMITATIONS

Policy 2.8

POLICY TITLE: *COMPENSATION AND BENEFITS*

With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the corporation's goals include fiscal integrity and a positive public image.

For example, the corporation shall endeavor to accomplish the following goals:

1. Never promise or imply permanent or guaranteed employment.

CEO's INTERPRETATION:

Incorporate an "employment at will" policy into the TBC employee handbook. Have every employee sign an acknowledgement of receipt of the "Employment at will" notice. Conduct hiring and firing within the "Employment at Will" framework.

DATA: No change since last report

An attorney-reviewed and approved version of the employee handbookⁱ incorporates a personnel policy – "Employment at Will", and an acknowledgement page that each employee electronically signs displays the Employment at Will statement in boldface type. Hiring and firing practices are conducted within the Employment at Will framework.

I report full compliance with policy 2.8.1

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2. Establish current compensation and benefits which match materially the geographic or professional market for the skills employed.

CEO's INTERPRETATION:

Conduct periodic surveys or assessments within the TBC service area of compensation and benefit for the skills employed at TBC. At least biannually engage an external assessor to conduct the surveys. Materially match TBC's compensation and its benefit plans to that of the service area for the skills employed at TBC.

DATA:

During May 2012, an external compensation assessmentⁱⁱ was conducted by Terri Herren with the Herren Dimension (HD). The board reviewed HD's report at its 2012 retreat. Below is a synopsis of actions related to Ms. Herren's recommendations (1 - 8) and other compensation and benefits analyses since that time (9):

1. The President/CEO incentive plan was reviewed by BOT in December 2012, and an incentive above the PRIDE payouts was approved for the President/CEO at that time.
2. The Salary Band for the President/CEO was moved from a Grade 21 to a Grade 23, and base compensation was adjusted for President/CEO accordingly.
3. A market adjustment was made, and the CFO compensation was increased in accordance with the BOT direction based on this recommendation.
4. A 3% increase was awarded based on the BOT's approval of the FY2013 Business Plan. Amounts were calculated based on the mid-point control for these wage increases.
5. No action was taken on the HD recommendation to add employee-paid dependent life insurance as an offering at no cost to The Blood Connection.
6. TBC management followed the HD recommendation to continue to work with Rosenfeld Einstein (broker) to ensure that health premiums, co-pays, deductibles, and other medical options are managed and maintained no higher than market value (50th percentile) for the region. Medical rates remained relatively static and budgeted amounts have sustained this expense.
7. A revenue sharing plan document has been reviewed by PECC and legal counsel and will be presented to the BOT for final approval.
8. Effective 1/1/2013 the PTO policy was changed to reflect a decrease in allowed accruals from 1560 hours to 1040 hours. STD was not added at this time.
9. An external benefits assessment was conducted in May 2013 by Katie Howard, CPA of Crisp Hughes Agency. She examined TBC's pension benefit plan and audited the plan for compliance with IRS standards. No major findings have been documented from any of the previous audits. The 2012 5500 will be filed and processed within accordance to ERISA guidelines.

I report full compliance with policy 2.8.2

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3. Limit obligations over the longer term to those that revenues can be safely projected to cover, and in no event longer than one year and in all events subject to losses in revenue.

CEO's INTERPRETATION:

In hiring, wage and salary setting, wage and salary administration, benefit program design, and benefit administration assure through the annual budgeting process and risk management (continuity of operations planning and insurance) that personnel-related obligations can be safely met. Total FTE employment will be at $\pm$ 5% of budget. Total wage and salary expense [less gain-share amounts] will be at $\pm$ 5% of budget. Medical care insurance expense will be no more than + 5% of budget and will be limited by benefit plan design, cost sharing with employees, re-insurance for excessive individual claims, re-insurance for excessive aggregate claims. Pension expense will be no more than + 5% of budget. **However, proportional increased revenue despite personnel expense overruns rebalances this policy.**

DATA:

Wage / Benefit	<i>Fiscal 2013 (As of 4/30/13 Projected to 8/31/13)</i>	Budget	Variance	Meets Policy?
Paid FTE's	250.75	256	-2%	Yes
Total Non-PRIDE Wage & Salary	\$8,873,261	\$8,980,796	-1.2 %	Yes
Medical Insurance Expense	\$1,501,999	\$1,682,736	-11.0%	Yes
401k Expense	\$606,594	\$643,884	-6.0%	Yes
Revenue	\$32,473,844	\$35,000,000	-7.2%	Yes

I report Full compliance with Policy 2.8.3

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4. Pension benefits that result in predictable and equitable situations, including those that:

- A. Avoids unfunded liabilities.
- B. Provides some basic level of benefits to all full time employees, though differential benefits to encourage longevity are not prohibited.
- C. Reserves to the board decisions concerning compensation and benefits of the President/CEO and other key employees.

CEO's INTERPRETATION:

Design the TBC pension program to assure pension liabilities are fully funded and provide basic benefits to every eligible, full-time employee. Note that policy 2.8.1 requires such basic benefits match materially those available to similarly skilled employees of other companies within TBC's service area. Management is to also reserve to the board compensation and benefit decisions for the President/CEO and the Vice Presidents.

DATA:

The 401(k) Plan has been in place since January 1, 2007 and is administered by The Principal Financial Group. The President / CEO has additional pension coverage including a deferred compensation plan and IRS 457(f) plan and a 457(b) plan. The 457(f) plan was approved upon his hiring by the board of trusteesⁱⁱⁱ and terminates upon his contract conclusion on 6/1/2013. The last payment to this plan was made on 7/1/2012. TBC will be paying out the balance of this plan to Mr. Hart per his contract within 30 days of 6/1/2013.

TBC also has a discretionary-funded 457(b) plan for President / CEO and Vice Presidents. During 2012 the Board elected not to fund the 457(b) accounts.

The board also charged the President / CEO with determining compensation and benefits for Vice Presidential positions, with the stipulation that the President / CEO review said compensation and benefits for Vice Presidents with the board's personnel and executive compensation committee. This is accomplished as part of the business plan which will be submitted to the PECC prior to approval of the budget.

I report full compliance with policy 2.8.4

ⁱ Employee Handbook

ⁱⁱ Compensation Study Results, Terri Herren May 2012

ⁱⁱⁱ President / CEO employment contract documents.