

# Gallagher Nonprofit Beat



## Gallagher

Insurance | Risk Management | Consulting

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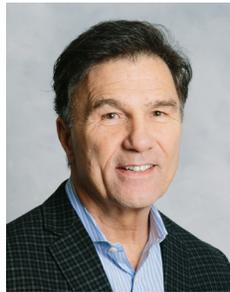
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Where do we begin to highlight the headlines that feature nonprofits in the news each day! While I would prefer to emphasize the notable philanthropic work around the world, and it is truly remarkable, we all know how one toxic news feature can affect us all negatively. Perhaps these events also remind us how high the bar is for nonprofits—to do more with less and to excel beyond expectations.

Speaking of doing more, I found Candid (formerly known as GuideStar) CEO Jacob Harold’s reporting on the correlation

between financial transparency and success in fundraising very compelling. We have always been a proponent of data! After all, the insurance industry relies on data—hard facts. And now we learn that GuideStar’s data platform will grow exponentially with its amicable consolidation with The Foundation Center—in a new global nonprofit called Candid. Talk about a disruptor and game changer!

We talk a great deal about consolidation—whether it be internally as we find ways to grow our footprint—or externally as we aggregate like-minded organizations around an efficiency model of self-insurance and alternative risk financing for insurance and health and welfare benefits. Size can lead to spread of risk, diversification and economies of scale.

In addition to consolidation, transparency and accountability have been the themes of meetings we attended with Leadership Roundtable, a consulting firm working closely with the Roman Catholic dioceses to address the twin crises of child sexual abuse and bishop accountability. Never before have we witnessed such anger in our culture as it relates to the moral malfeasance that permeates our society. Add to this malady the #metoo movement and we have devastated stakeholders as a result of abuse of power.

We can do better and brave, professional women and men are coming forward to make risk management a priority and transparency a new way to engage and regain trust in the faith-based and broader nonprofit sector. For us, **CORE360™** is our guide in taking our nonprofit clients to the next level of strategic risk assessment. Risk should be a topic at every department meeting and needs to have a holistic thread through the organization.

At Gallagher, we continue to grow as a company and as a specialist serving the nonprofit sector. We hosted a Think Tank on the Child Abuse Crisis and enlisted the expertise of a number of professionals for two days in early November. We believe data is critical to this

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### The Gallagher Way. Since 1927.

effort and we are committed to taking on this movement of measuring. What does the model organization look like from this exposure perspective?

More recently in January 2019, we hosted an internal war room focused on all the services we provide to mission-sending organizations—and that was refreshing to see our various centers of excellence collaborating and finding new ways to serve both short-term and career missionaries around the world. We too want to leverage our knowledge and make sure that we are getting that expertise to our clients in the field.

We have to be careful as we enter this period of full employment and the war on talent. How can nonprofits compete with commercial companies offering a higher starting salary? I know that our benefits team is working hard, facilitating discussion around our mantra Gallagher Better Works<sup>SM</sup>, to help our nonprofit clients retain and manage their talent, whether it be through more rewarding benefit programs or enhanced financial and physical wellbeing offerings.



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## New Excise Tax Imposed on Tax-Exempt Organizations

by Mark I. Levitats, CFP, RFP, Area Vice President, Retirement Plan Consulting



Effective December 31, 2017, §4960 levied a 21% excise tax on all compensation in excess of \$1,000,000. At first glance this may appear that it may not affect many tax-exempt organizations. However, the code also includes vested account balances of nonqualified plans which commonly come due while executives are still employed. Combining these plans with current income the total balances can easily amount to over \$1,000,000. Additionally, there is no grandfathering and organizations need to rethink their compensation strategies to avoid said tax. Lastly, and much less commonly known, but extremely important is the code also penalizes organizations for “Excess Parachute Payments.” Under the new law, if the present value of any parachute payment is in excess of three times the employee’s “Base Amount,” the organization would then be subject to the 21% excise tax. This could mean that a tax-exempt organization with an executive making \$200,000 could be subject to this excise tax.





# GGMP | Gallagher Global Missionary Program 2019 & Beyond

by Tami Rolan-Tharp, Benefits Consultant, Gallagher Benefit Services

God is on a mission to go global. Gallagher is a “business on mission.” Gallagher CARES.



On January 23 and 24, Gallagher’s Religious and Nonprofit Practices leadership hosted thought leaders across five centers of excellence at an internal think tank with the aim to radically collaborate in developing a Gallagher Global Missionary Program.

We built a team and our team had dialogue that helped us leverage our knowledge and expertise to begin the process of designing holistic solutions for individuals, groups and mission-sending

agencies serving internationally.

The think tank promoted debate and conversations to identify the critical factors in growing a comprehensive program. The egos were left at the door and the hard questions were asked:

- How can we best serve our clients in this niche?
- How can we design solutions to open the doors to new business?
- How can we continue to differentiate ourselves in the religious and nonprofit space?
- What facets of this proposed program does Gallagher already have?
- What is the list of programs and services that would make up a menu for a holistic program?
- How can we ensure the safety and wellbeing of people doing Christ’s work, no matter where they are?

The GGMP 2019 team stood collectively to say we are a “business on mission” and are taking the first step to develop a marketing and revenue strategy to support a program internally and externally.

Whether long-, mid- or short-term, the needs and the opportunities for missionaries have never been more apparent or abundant. Gallagher will build programs and make available resources to support the good work around the world by protecting the people who do that work.

This is our challenge—to help our clients and prospects embrace a global mindset and recognize the need for an all-inclusive, strategic approach to the great commission. We will work to change the face of mission-sending organizations by utilizing the Gallagher expertise to build a consistent, competitive, cost-effective, compliant and safe program that delivers critical services on a global international level and allows them to do what they do so well, ministry and outreach.

An external think tank of trusted clients and the development of a whitepaper will be among the next steps in the evolution of this program.

Gallagher accepts the challenge to be the flagship and assume a global leadership role to change the face of mission-sending organizations today, tomorrow and in the future.

Gallagher will support the change we want to see in the world by taking hope to the world...

Gallagher **CARES**.

**C**onsistent, Competitive, Critical

**A**nalysis and Advice for

**R**isk Management

**E**xpertise to Efficiently Provide

**S**afe Solutions and Services

# GGMP | A Gallagher Colleague's Perspective

by Kristen Wood, Producer Associate GBS-St. Louis



**“God is on a mission to go global.”** That is a bold statement. Do you know what is even more daring? Gallagher’s Religious Practice hosted a two-day internal think tank with the aim to radically collaborate in developing a Gallagher Global Missionary Program. Why?

We are a business on mission. We care. We want to change the world. Changing the world takes work. It takes blood, sweat and tears. We know it is not going to be easy, but it will be worth it.

The first step was to ask the hard questions: How can we best serve our clients? How can we continue to differentiate ourselves in the religious and nonprofit space? What facets of this proposed program does Gallagher already have? How can we ensure the safety and wellbeing of people doing Christ’s work, no matter where they are?

These questions, among others, led the conversation for the nearly 20 Gallagher thought leaders that gathered this past week. The vision of this Gallagher Global Missionary Program, first conceived by Tami Rolen-Tharp, is to implement a program that will mitigate the risk and challenges of missionaries from the time they first decide to go on mission to when they return home.

Through the course of this meeting, many others and I too learned of the various expertise and personal experiences shared by the attendees. We also discussed the initiatives and programs already in place that accomplish pieces of this project already. For example, in attendance was Kristin Sampson who spearheads Gallagher Mobility Services. This division of Gallagher aids corporations in the entire process of placing an employee in a different country. This includes but is not limited to: compensation consulting, cultural and language training, tax planning and immigration compliance. Several mission-

sending groups would benefit from these services, especially those facilitating long-term assignments.

Additionally, we were impressed while hearing about the incredible work of Gallagher Charitable. This group administers a trust for traveling volunteers whose members have the privilege of participating in comprehensive insurance and crisis management benefits. These benefits include services like security evacuation, which will come at a moment’s notice to rescue participants from crime, civil unrest, natural disasters and kidnap/hostage situations. This group also administers coverage for personal property, medical expenses, general liability and a host of other things.

As a group, we instantly connected over our shared passion of helping the church through our work. We often lost track of time as we shared our relevant experiences that have led to our individual expertise. There was so much more we would have liked to discuss that we did not get to. However, before we headed our separate ways, we were able to distinguish what we believed to be the biggest risks of mission sending organizations and missionaries into groups based on the length of trip. We sorted these items based on what services Gallagher has already rolled out and what the new opportunities are. This will serve as our springboard for future conversations.

We still have a lot to figure out before this vision is realized. This is a great undertaking, it cannot be rushed. The long-term result, however, is going to no less than change the world.

# Making Sense of Nonprofit Risk Management

by Caleb Cooper, Producer, and Phil Bushnell, Managing Director, Religious & Nonprofit Practices



In today's hostile social climate, the need for nonprofit organizations to thrive in our communities has never been greater. Nonprofits can bleed finances outside of their organization in six different ways:

- Insurance Premiums
- Program Structure
- Coverage Gaps
- Uninsured & Uninsurable Losses
- Loss Prevention & Claims
- Contractual Liability

A holistic approach to managing your total cost of risk (TCOR), including management of the above referenced bullet points, not only protects dollars and inherent risk, but it allows you to focus clearly on the mission that you set out to accomplish.



In reviewing total cost of risk, an area of risk that should be considered is Talent Risk.

Talent Risk can show up in any of these six areas and how it's dealt with can have a major impact on the sustainability of your organization. A holistic approach to Talent Risk can help turn your workplace from an obligation to a destination. It's how you can become better and your organization stronger.

Managing Talent Risk involves managing your Organizational Wellbeing. Organizational Wellbeing includes the development of a comprehensive strategy for managing risk, staying on top of compliance and clearly communicating your organization's vision. Here are some of the components of Organizational Wellbeing:

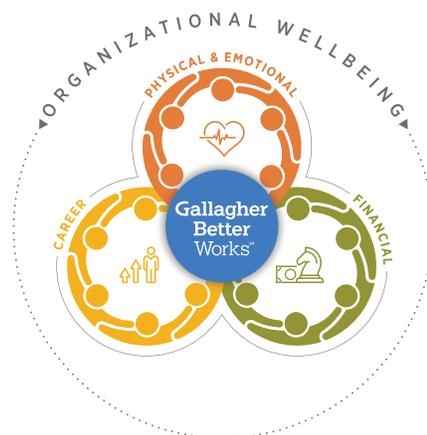
Managing Talent Risk involves managing your Organizational Wellbeing. Organizational Wellbeing includes the development of a comprehensive strategy for managing risk, staying on top of compliance and clearly communicating your organization's vision. Here are some of the components of Organizational Wellbeing:

- Total Wellbeing and Engagement Strategy
- Employee Communications
- Compliance Issues
- HR and Benefits Administration Technology Optimization
- Enterprise Risk Management

Individual Employee Wellbeing is important to Organizational Wellbeing and takes shape in three different areas:

- **Physical & Emotional Wellbeing**—Medical insurance is only the tip of the iceberg when it comes to your employees' physical and emotional wellbeing. There are dozens of ways to promote a healthier, happier workforce such as healthcare plan design, data analysis, voluntary and flex benefits, workplace flexibility and community involvement.
- **Financial Wellbeing**—Many employees experience financial stress. Meet your employees wherever they are in their financial journey with education, communications and solutions supporting their spending and savings efforts. You can help guide your investment strategy and help ensure your people are retirement-ready.
- **Career Wellbeing**—In addition to developing a compensation structure that rewards individuals who help your organization grow, you could help set your employees up for career-long success through compensation structure, training and coaching programs, total rewards programs, surveys and validation, and human resources management.

At Gallagher, we call this holistic approach to building a better workplace Gallagher Better Works. It's how you, as an organization, can become a better organization while managing costs and enhancing your ability to sustain your mission.



# The Continuously Changing Compliance Landscape

by Debra Davis, Area VP Compliance Counsel



Nonprofit organizations often find it challenging to keep plans current and compliant with the rules as they seemingly constantly change. To stay in compliance, organizations will want to make sure that they've carefully evaluated their plans' compliance in the following areas.

- **Proper classification of workers.** Workers are occasionally incorrectly classified as independent contractors when they are actually common law employees. An employer who has inadvertently misclassified common law employees as independent contractors may need to offer coverage to workers it had previously considered ineligible for medical benefits in order to avoid penalties under PPACA's Employer Mandate.
- **Determining whether volunteers are eligible for benefits.** Nonprofit organizations often depend heavily upon the work and dedication of volunteers, which can raise issues under the Employer Mandate. The Employer Mandate provides that employers with 50 or more full-time employees (and full-time equivalents) must offer minimum essential coverage that is affordable and provides minimum value to all full-time employees and their dependents to avoid potential penalties. Some volunteers receive compensation, which can result in Employer Mandate penalties if they receive more than nominal compensation.
- **Completing Forms 1094-C and 1095-C properly.** Employers who are subject to the Employer Mandate are also subject to reporting requirements on Forms 1094-C and 1095-C. Many nonprofit employers have challenges ensuring that their employees are reported properly on Forms 1094-C and 1095-C, particularly for employees working in multiple roles, seasonal employees, and employees on leaves of absence.
- **Complying with the EEOC's wellness rules.** The Equal Employment Opportunity Commission ("EEOC") recently removed the incentive provisions from its wellness rules in response to a court's decision and plans to re-issue the rules. Until the EEOC does so, employers will need to decide how to design their wellness programs given the lack of guidance.
- **Understanding which laws apply to employee assistance programs ("EAPs").** Numerous rules can apply to EAPs, depending on plan design. For example, EAPs that provide mental health counseling sessions with trained therapists (even if very limited in number) likely constitute medical care as that term is used under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Privacy and Security Rules of the Health Insurance Portability and Accountability Act ("HIPAA"), which means that EAP benefits should be included in plan documents, and related data should be safeguarded according to HIPAA Privacy and Security policies and procedures. In addition, EAPs are also likely to qualify as benefits subject to COBRA continuation coverage.

- **Plans can face challenges complying with COBRA.** Compliance issues frequently arise under Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), which allows individuals to continue coverage. For example, the COBRA administration process may be more difficult when an employee is terminated in conjunction with experiencing multiple types of work leave (FMLA leave, disability leave, or personal leave). The necessary timing of COBRA notices and effective coverage dates may be adversely affected upon an employee's termination, which may ultimately lead to disputes between an employer and qualified beneficiary as to when and how long an individual is eligible for COBRA coverage.
- **Written plan documents are needed for pretax employee contributions.** Although nonprofit organizations are exempt from many tax laws, they must comply with the Section 125 requirements for employees to receive these tax benefits. Among other requirements, these rules require a cafeteria plan to be formally adopted by the employer and to describe the manner in which the cafeteria plan will operate.
- **Complex rules apply for electronic participant elections.** In addition to specific record keeping requirements, the rules regarding electronic participant elections provide that participants must be effectively able to access the electronic system used to make their elections, and the electronic system must: (1) provide a means for authentication; (2) provide an opportunity to review an election; and (3) provide a means to confirm the election.
- **Managing expatriate plans.** Many nonprofit organizations have employees working outside of the United States, known as expatriates. Nonprofit organizations may be provided coverage that falls within the expatriate plan exception to many PPACA mandates. Such plans are exempt from PPACA fees, such as the PCORI fee and the annual fee on health insurance providers. However, expatriate plans are subject to the Cadillac Plan tax if the coverage is employer-sponsored coverage provided for a qualified expatriate assigned to work in the United States. Coverage under an expatriate health plan will count as minimum essential coverage for the Employer Mandate and IRS reporting on Forms 1094-C and 1095-C.
- **Maintaining adequate documentation.** Employee benefits documentation requirements range from written HIPAA Privacy and Security policies and procedures, notice and disclosure requirements, such as distribution of HIPAA, wellness program, grandfather status, and other notices, payroll records to demonstrate employee status for purposes of the Employer Mandate under PPACA, waivers and enrollment records to establish that offers of . were made, and much more. Employers wishing to maintain the ability to demonstrate compliance will annually review existing and new requirements to verify that their current documents meet applicable requirements.

Nonprofit employers will want to carefully evaluate whether their plans are complying with these requirements.

## Nonprofit Risk Management Center 2019 Risk Summit

<https://2019risksummit.org/>

**When:** October 20–22, 2019

**Where:** Washington, D.C. area (Leesburg, Virginia)

As a corporate sustainer of the Center, Gallagher is pleased to provide a discount for its nonprofit clients attending and will be making two presentations:

**The Devil is in the Details: Interpreting Your Cyber Liability Policy**

Andrew Moss, Nonprofit Practice, Washington, D.C. area

**Captive Audience: How and When to Explore an Insurance Captive**

Peter Persuitti, Managing Director, Nonprofit Practice, Gallagher Headquarters, Chicagoland

The [Nonprofit Risk Management Center \(NRMC\)](#) produces the Risk Summit—the only conference for nonprofit risk management leaders and corporate supporters of risk management in the nonprofit sector. NRMC is a 501(c)(3) nonprofit with a mission to inspire effective risk management practices and Risk Champions across our sector.

- All Gallagher clients are eligible to receive the Gallagher partnership discount of 25%.
- If registered by May 30, 2019, you will receive the Gallagher corporate discount and early-bird special pricing for a registration rate of \$555.

**To do what is right, sometimes you have to stand alone.** Gallagher is proud to be the only insurance broker named one of the 2019 World's Most Ethical Companies®.

