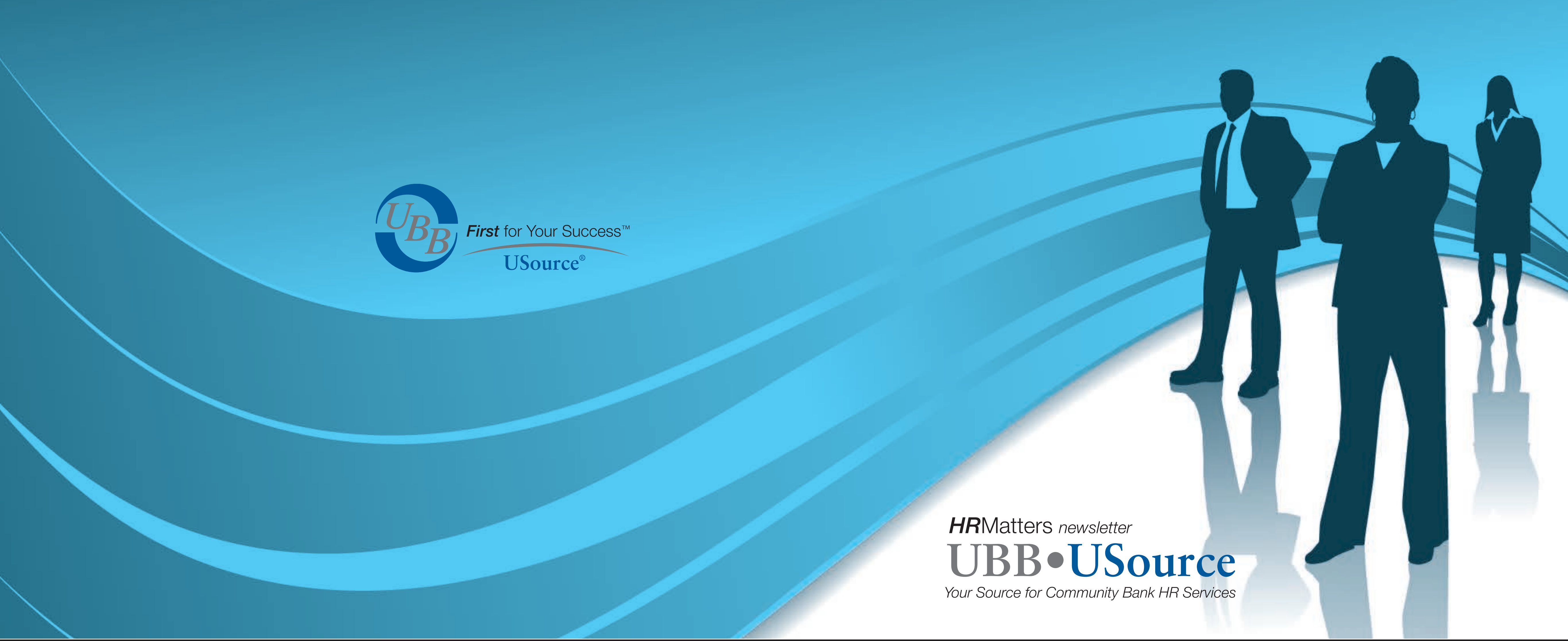


Fall 2018

INSIDE

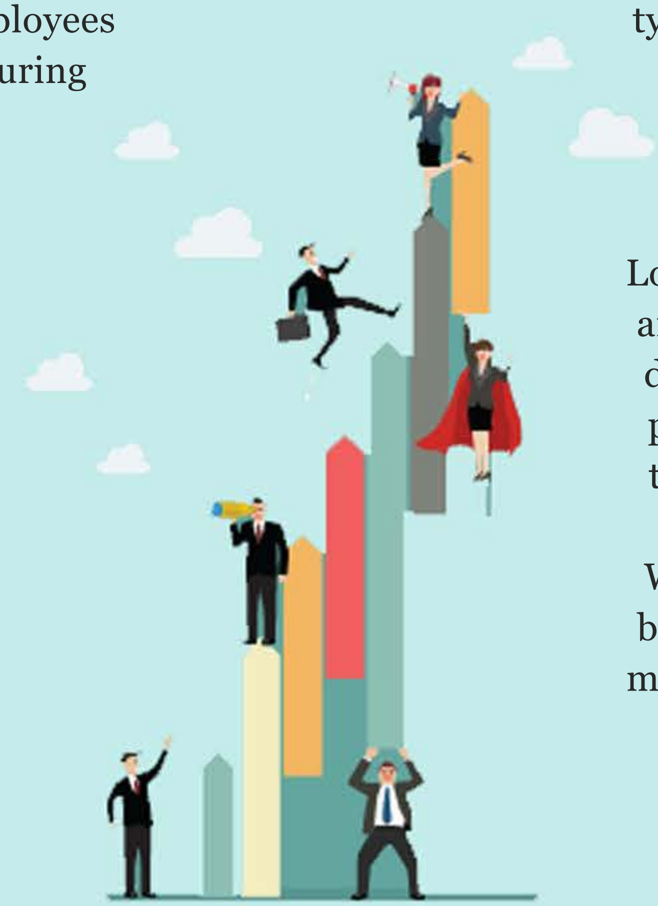
Determining Employee Value –

What Does Your Bank Consider Important

There are plenty of ways to determine value: relative experience, work ethic, competence in a specific area, performance and so on, but how about soft skills? Do they hold the same value when interviewing for a superstar "well-connected" lender versus an accounts payable position? Well, they probably should. While technical and other hard skills defined in the job description matter greatly, it's an employee's people skills and personal attributes that are often most crucial for long-term success. The reality is most companies probably undervalue soft skills and their potential impact on an organization. Many assume the "hard stuff" automatically holds more weight and brings more value to the business. However, when difficult personalities emerge, sudden changes occur, or conflict seems inevitable, it's the employees with the natural ability to communicate and respond during crisis who might be the most valuable.

When identifying the kind of people desired to maintain or improve your bank's culture, it's advisable to seek the following types of employees:

- **People who are active listeners** - Effective communication isn't just about talking; it is also the ability to listen and understand what's happening on the other side of the aisle.
- **People with a high level of patience** - This involves having the capacity to process a situation about to worsen, get perspective, listen without judgment to someone they disagree with, and hold back from knee-jerk reactions. Practicing this rare business virtue may mean delaying a decision, but should result in more level-headed conclusions.



- **People who avoid drama** - These people state the facts as they see them and how it affects them, instead of making accusations. Involves being able to diffuse an emotionally-charged moment with a calm demeanor, explain the outcome desired and ask for solution options with an open mind. Avoiding drama leads to more constructive, productive, and respectful discussions taking place, which can help resolve difficult situations to everyone's satisfaction.
- **People who can manage their emotions** – The ability to control emotions is a personal competence developed in every person to some degree. While emotions and behavior cannot always be managed to a positive outcome, people with self-control will typically be viewed as reasonable, the ones who can sustain safe, fair environments.
- **People who are successful in managing their time** - They avoid juggling too many things so as not lose focus from spreading themselves thin. Lowering work quality while taking longer to hit goals are logical outcomes when pulled in too many directions. These people set boundaries and say no to people when needed, protecting the use of precious time.

While value is in the "eye of the beholder", it would be beneficial to look beyond just the obvious or easily measured, and consider the critical soft skills as well.

Improve New Hire Retention -

Meet with Employees in First Week!

First impressions in the workplace really matter, and not just to the employer. New employees can begin to formulate views about their organizations from the get-go, potentially influencing their decision to stay with the company in the long term. Poor onboarding experiences can lead to unnecessary and preventable turnover, the cost of which could be significant.

According to an article in Harvard Business Review, the Microsoft organization concluded its understanding of the onboarding experience was inadequate and weighed far too heavily on drawing conclusions from attrition numbers. Microsoft hires thousands annually and in an effort to better get a handle on early departures turned to an obvious, but neglected information source, the new employees! Microsoft developed a survey for new hires who were asked about their experiences after their first week and then again after 90 days. The objective was to learn about new hires' experiences and first impressions of Microsoft, and what was the impact of those perceptions.

From the survey it was learned that often little things matter most to new hires — like having a working computer and immediate access to the building, email, and the intranet on day one. In a software company this would seem obvious, but probably can apply to most companies. However, it is more important for a new employee to have a one-on-one meeting with their manager during their first week. Those who did so tended to feel "plugged-in" from the onset, as if they truly belonged and also spent more time collaborating with their team compared to those who did not have a one-on-one meeting. The end result was an increased desire to stay at the company longer.

At the end of the day, managers should not underestimate the power of having a one-on-one discussion during a person's first week, with such efforts needing to continue beyond that week of course. Employees will likely develop a stronger sense of belonging and importance....and that they matter! Sounds obvious, but it could be the most important connection for the new employee to make. In smaller organizations like community banks, there's really no excuse not to, right?

Legal Update

Overtime Rule

The Department of Labor (DOL) is in the process of revising the overtime rule, which was blocked by court order in 2016 and never took effect. The DOL intends to release a new overtime rule in March 2019. Employers have shared their concerns on the appropriate salary threshold for the white-collar exemptions (exempt status) and the frequency for updating the salary threshold. If the DOL meets its self-imposed March deadline for a proposed rule, it will then receive public comments on the proposal and a final rule probably would not be in place until sometime in 2020. An appeal on the blocked rule is also pending until the DOL issues a final overtime rule. The hope is that employers will be given plenty of notice to implement the change.

Employers remain cautious that their concerns from the previous overtime rule debate will be considered, including the potential for layoffs, reduction in employee benefits and even diminished levels of customer service. The current exempt salary threshold, the minimum amount an employee must earn to be exempt from the Fair Labor Standards Act's (FLSA's) overtime requirement, is $23,660, still unchanged from 2004. The overtime rule from 2016 would have increased it to $47,476, meaning employers would have to raise salaries to keep employees exempt or reclassify them as hourly non-exempt workers, which some would view as a demotion. Most employers would agree the exempt salary threshold should be increased, but not that drastically. Speculation is the new rule will raise it somewhere between current level and the amount proposed by the Obama administration, which seems reasonable.

More information will follow as it becomes available!

EEO-1 Reporting Deadline for 2018 Workforce Information is March 31, 2019.

The EEOC (Equal Employment Opportunity Commission) requires that federal contractors with at least 50 employees (head count) and with a federal contract of $50,000 or more to file an EEO-1 report to the EEOC annually. The report provides data about the size and location, race and gender demographics of the employer's workforce.

The 2018 EEO-1 report is due on March 31, 2019. This report is based on a workforce payroll snapshot taken between October 1 and December 31, 2018. If you have completed the EEO-1 report in the past, typically you are notified by the EEOC when the survey report is open for filing. As of the date of this publication, the EEO-1 2018 survey report is not yet open for filing.

If this is the first time you will be completing the EEO-1 report, please contact USource with any assistance that you may need.

Executive Order 13658 Minimum Wage for Federal Contractors

You may have read in a recent Department of Labor publication that per Executive Order 13658, the minimum wage for federal contractors will be increasing to $10.60/hour, effective January 1, 2019. Furthermore, you may recall that these increases began in January 2015 with a minimum wage requirement of $10.10/hour and have increased annually in January since that time. However, this federal contractor minimum wage requirement does not apply to community banks. Four major categories of contractual agreements, for services or construction, are covered by this executive order:

- Procurement contracts for construction covered by the Davis-Bacon Act (DBA);
- Service contracts covered by the Service Contract Act (SCA);
- Concessions contracts, including any concessions contract excluded from the SCA by the Department's regulations at 29 C.F.R. 4.133(b); and
- Contracts in connection with federal property or lands and related to offering services for federal employees, their dependents, or the general public.

The EO minimum wage generally applies to workers performing on or in connection with the above types of contracts if the wages of such workers are governed by the DBA, the SCA, or the FLSA. As such, none of these would typically impact the banking industry.

What Federal Contractors Can Expect

Speaking of federal contractors, at a recent conference in California, the OFCCP (Office of Federal Contract Compliance Programs) Acting Director Craig Leen spoke about the four pinnacles of change the current administration is focused on: transparency, certainty, efficiency and recognition. Additionally, he shared what federal contractors can and should expect from this agency as detailed in link below.

https://www.dol.gov/ofccp/regs/compliance/posters/FS_WhatFedContractorsCanExpect-v2ESQA508c.pdf

Overall, the commitment from OFCCP is that contractors seeking OFCCP's assistance while satisfying their nondiscrimination and equal employment opportunity obligations can expect clear, accurate, and professional interactions with OFCCP's staff including:

- Access to Accurate Compliance Assistance Material
- Timely Responses to Compliance Assistance Questions
- Opportunities to Provide Meaningful Feedback and Collaborate
- Professional Conduct by OFCCP's Compliance Staff
- Neutral Scheduling of Compliance Evaluations
- Reasonable Opportunity to Discuss Compliance Evaluation Concerns
- Timely and Efficient Progress of Compliance Evaluations
- Confidentiality

It is reassuring in some ways to hear the OFCCP leadership publicly state a desire to be more helpful than adversarial. Let's hope this plays out as such!

ACA Coverage

The Affordable Care Act (ACA), enacted in 2010, stipulates that employees who work 30 hours or more per week (not the traditional 40 hours per week) are full-time workers and must be offered ACA-compliant minimum essential health coverage by “Large employers”, defined as those with 50 or more full-time employees, or the equivalent in part-time employees' hours. Many USource customers were impacted and began providing health care benefits to their employees who in the past did not often receive until they worked 40 hours or just under 40.

Since then, employers have wanted to change its definition of a full-time worker. Congressional action on this part of the employer mandate may finally be near, at least in the House. The U.S. House appears ready to vote on a 40-hour work week being designated full-time, as part of the Save American Workers Act (H.R. 3798). The vote appears likely after the November mid-term elections, though nothing is for certain. The bill likely up for vote would:

- Establish a 40-hour workweek for determining full-time status. Applicable large employers can be assessed fines for not offering medical coverage to their workers. The proposed change would eliminate penalties for these employers that don't offer coverage to employees working less than 40 hours but more than 30 hours per week.
- Suspend the ACA's employer mandate for 2015 through 2018. The practical impact of the proposed suspension is to eliminate penalties for employers that previously didn't comply. Passage would halt the IRS's current attempts to enforce the mandate and open the door for employers to obtain refunds from the IRS for any penalties already paid.
- Further delay the "Cadillac tax." The 40 percent excise tax on employer coverage that is considered expensive was originally slated to apply beginning this year, but it has been delayed many times. This newest proposal would make the tax effective in 2023 instead of 2022.

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- Modify ACA reporting requirements. Employers now must provide IRS Form 1095-B for fully insured group plans to employees who receive ACA-compliant coverage, or Form 1095-C for self-insured group plans, to be distributed annually by Jan. 31. The proposal would make these disclosures necessary only when an individual covered by the plan requests a form. Annual reporting to the IRS would still be required.

Obviously by raising the full-time threshold from 30 hours per week to 40 hours per week, employers wouldn't be required to offer coverage to as many employees, and would therefore have to report on fewer employees, easing the burden on the employer, in addition to likely lowering of employer-paid medical costs. It's important to note this legislation would not alleviate or eliminate the requirement of the employer to track their employees.

Employers shouldn't overestimate the relief they'd receive from the bill's passing, since applicable large employers would still have to separately report to full-time employees [upon request] and to the IRS that they complied with the mandate. There’s also the unpleasant task of potentially informing certain employees (over 30 hours now but not at 40) their coverage would be ending. This is a bill to keep close tabs on, so stay tuned!

Updated FDIC Rules for Hiring

The Federal Deposit Insurance Corporation (FDIC) has loosened restrictions on hiring bank employees with criminal histories. On January 8, 2018, the FDIC published in the Federal Register notice of proposed changes to Section 19 of the Federal Deposit Insurance Act, which prohibits the hiring of personnel, without the prior written consent of the FDIC, a person convicted of any criminal offense involving dishonesty, breach of trust, money laundering, or who has entered into a pretrial diversion or similar program in connection with a prosecution for such offense, from participating in the affairs of an FDIC-insured institution. After considering public comment, the FDIC approved on July 19, 2018 modifications to the SOP's (Statement of Policy) de minimis exceptions to filing an application and made clarifying changes. The modifications are expected to reduce the number of Section 19 applications and the regulatory burden.

The following are highlights from the approved modifications:

- The de minimis exceptions, under which the FDIC's consent is automatically granted and an application is not required, have been modified to encompass convictions or program entries for issuance of insufficient funds checks of moderate aggregate value; small dollar, simple theft; and isolated minor offenses committed by young adults.
- Drug-related covered offenses will be granted automatic FDIC consent and not require an application if de minimis criteria are met.
- FDIC-supervised institutions may provide prospective employees conditional offers of employment pending a background check provided that the individual does not begin employment until the institution verifies that the individual's participation is not barred by Section 19.
- Clarifying modifications have been made to further define the terms "complete expungement," "jail time," and "pretrial diversion or similar programs."

continued →

- The FDIC is in the process of updating its application forms to reflect these revisions.
- The FDIC will issue an informational brochure that explains the process for submitting an application to the FDIC.
- The modifications provide carefully measured changes to the SOP while preserving the purpose of the law that will reduce regulatory burden, promote public awareness of the law, and decrease the number of covered offenses that will require an application.

For further specific information, the full SOP is available for download from the FDIC website:

https://www.fdic.gov/news/news/financial/2018/fil18042a.pdf

Even with the modifications highlighted above, any individual, convicted with a felony for certain financial crimes are subject to an outright prohibition on working in (or owning or controlling) a bank for 10 years. Individuals convicted of these crimes cannot have the bar lifted through FDIC approval. (12 U.S.C. Section 1829.)

A best consistent practice for financial institutions is to conduct criminal background checks after extension of an employment offer.

GovDocs

Just a reminder that as USource members you will receive notifications from GovDocs when there is a change in an official poster for a state or federal employment law update. You can purchase the posters directly from GovDocs.com for a fee or obtain from the appropriate state or federal agency, typically free of charge.

Also, please note that when there is a new poster update, the USource library will be updated and provide the flow to find the poster links.

Are “Good Bosses” One of Your Bank’s Best Employee Benefits?

Having a good manager is one of the most important benefits a company can offer. Banks need to train their managers to make sure they are creating a positive workplace to retain top talent in a tight job market.

One in two employees have left a job to get away from a bad manager, supervisor or an overall negative work environment according to research findings. If an employee is unhappy at work, it often follows them home and adds unnecessary stress, affecting their happiness and overall well-being. So if you don’t think that’s an important benefit, you’re missing the boat. It is essential then to ensure managers are providing a healthy, positive work environment.

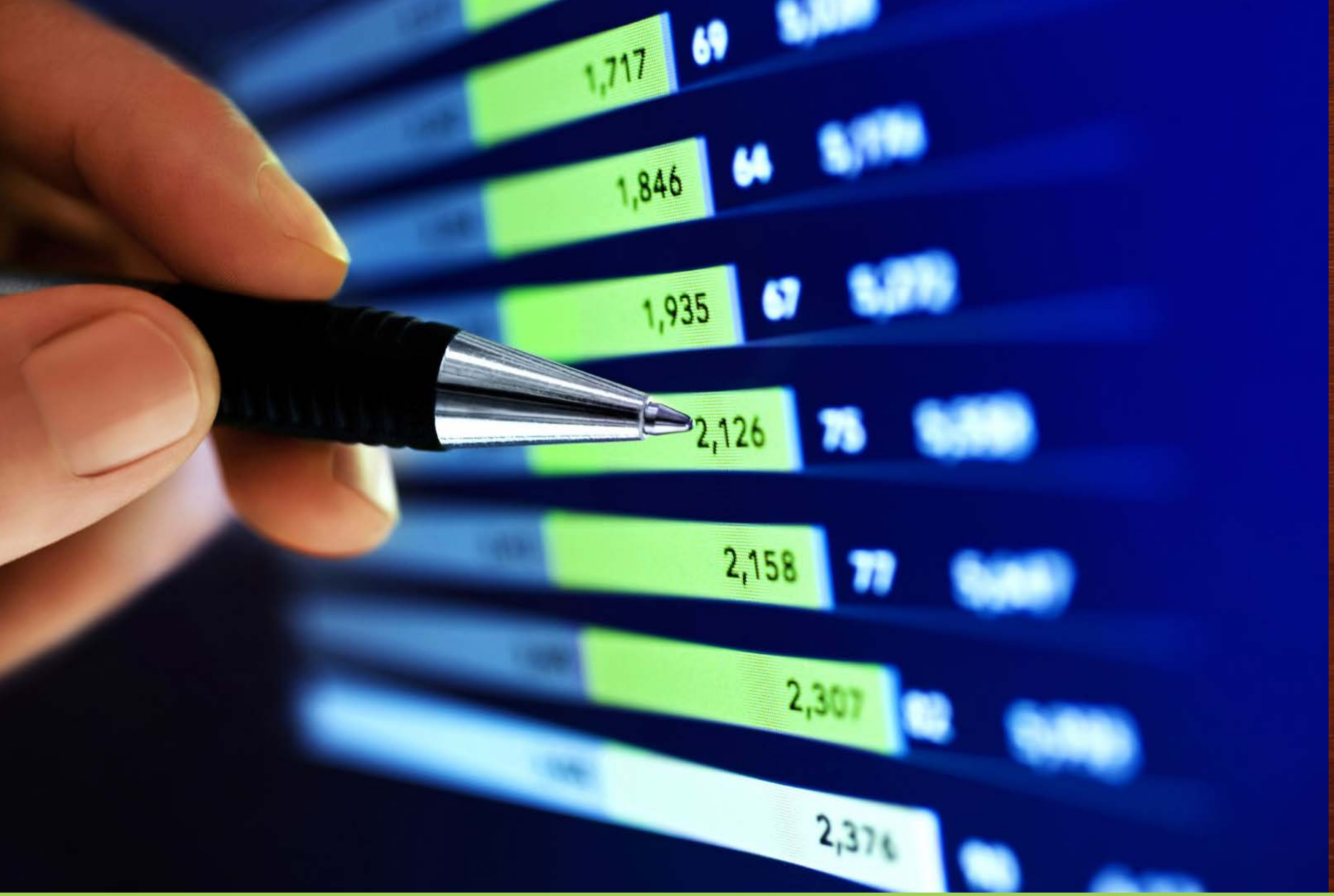
Banks should understand the characteristics of an effective leader and reward good management skills, prioritizing the promotion/selection of strong managers.

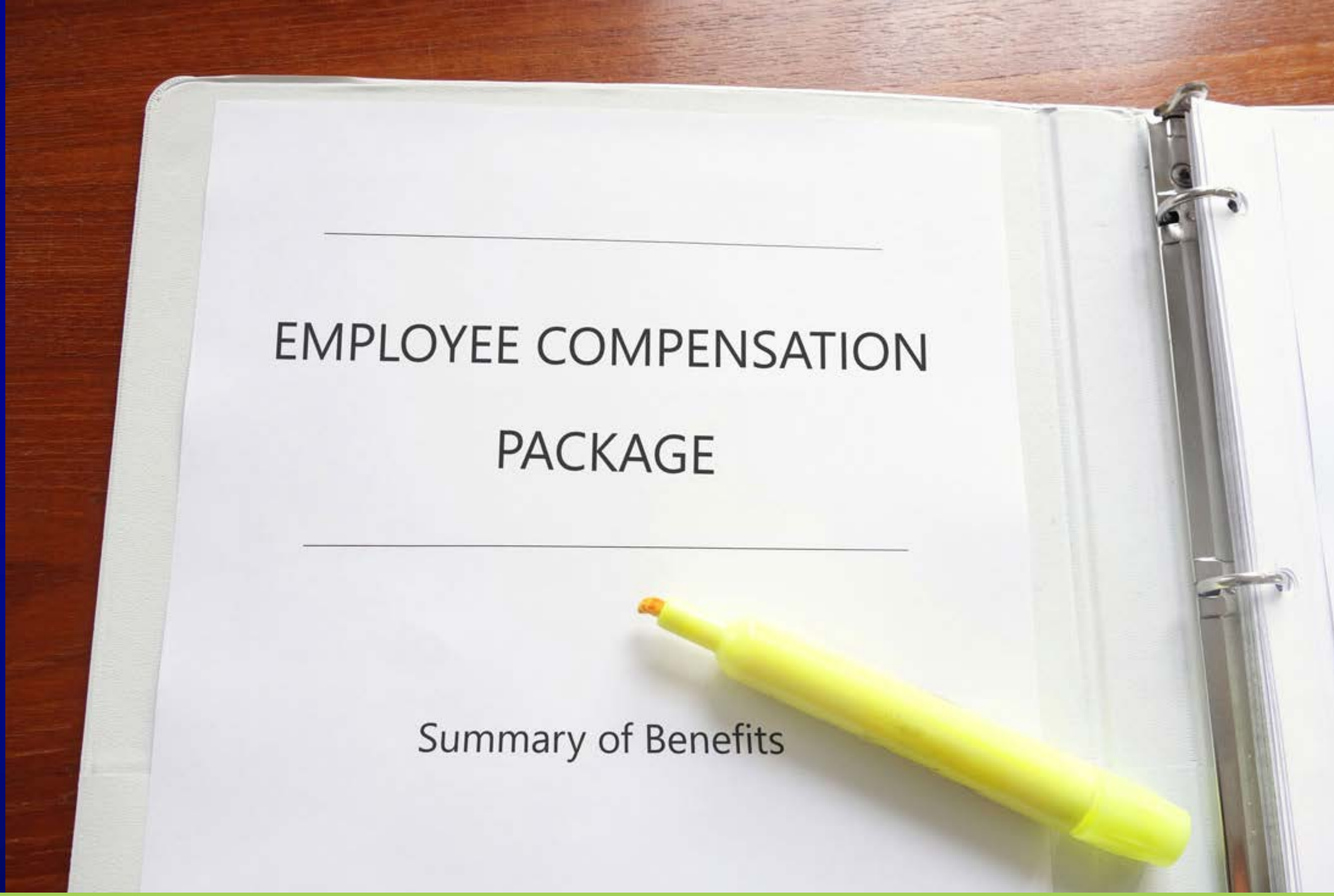
Remember to talk about great managers being one of your bank’s leading benefits! Hopefully it’s true!

Holding Back Your Best Employees…
for Selfish Reasons

Keeping your best employees right where they're at in the bank, while perhaps best for you the manager, may not be best for the employee who desires new challenges and growth on the job. Some eventually could begin to lose motivation, leading to drops in productivity. Perhaps they begin to feel like they don't matter. If you're not investing in them, they likely won't be invested in you or the bank! Even if they don't leave, they might just check out mentally.

To combat this, it is important to recognize that everyone in the bank is on a learning curve in some way, shape or form, which means every role probably has a limited shelf life. At some point, the job can become "old" and even boring. Learning and development is good for the mind and spirit, which is worth remembering…even if you or they know everything already!





Compensation and Benefits Survey

We are pleased to announce the return of the USource compensation and benefits survey in 2019. We will be partnering with Crowe LLC, a leader in financial institution compensation surveys, to provide a survey covering salary and bonus benchmarks as well as information on benefit programs, incentives, director compensation, employee turnover rate and more. **USOURCE MEMBERS THAT PARTICIPATE WILL GET A REPORT FOR FREE!** More details to follow.....

Also, please remember that you can request job-specific PayScale compensation reports (two per year) so please submit any requests by January 2019.

And If You're Thinking Ahead…
Best Places to Retire

WalletHub, an online personal finance site, researched the Best & Worst Places to Retire by comparing 46 metrics across more than 180 cities, including cost of healthcare, affordability, things to do and quality of life.

Four key dimensions were measured: affordability (taxpayer-friendliness and adjusted cost of living); available recreational activities; quality of life (including age-friendly community and weather) and healthcare. Here is the list and while warm-weather locations dominate, please notice that 4 of the states (in bold) where UBB offers services, are represented:

1. Orlando, FL
2. Scottsdale, AZ
3. Tampa, FL
4. Denver, CO
5. Fort Lauderdale, FL
6. Charleston, SC
7. Miami, FL
8. Austin, TX
9. Cape Coral, FL
10. Tempe, AZ
11. **Minneapolis, MN**
12. Atlanta, GA
13. **Cincinnati, OH**
14. Salt Lake City, UT
15. Pittsburgh, PA
16. **Sioux Falls, SD**
17. West Valley City, UT
18. Las Vegas, NV
19. New Orleans, LA
20. Pembroke Pines, FL
21. San Diego, CA
22. **Casper, WY**
23. St. Petersburg, FL
24. San Francisco, CA
25. Reno, NV

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