



ROUTINE PAYROLL AUDIT PROGRAM – COMMON ERRORS

The Trustees of the Washington Teamsters Welfare Trust (Trust) are charged with the fiduciary duty to ensure that contributions are paid to the Trust correctly and in a timely manner, as called for under the Agreement and Declaration of Trust, the Trust Operating Guidelines and the applicable Collective Bargaining Agreement (CBA). If you would like a copy of the Agreement and Declaration of Trust or the Trust Operating Guidelines, these documents are available to participating employers at www.nwadmin.com/clients or you may send a request via email to wateamsters@nwadmin.com. In that regard, the Trust maintains a Routine Payroll Audit Program (Program).

Under the Program, each Participating Employer under the Trust is audited, on a random basis, once every four years if joint billed with the Western Conference of Teamsters Pension Trust, or otherwise at least once every six years. A “special” audit program is also maintained for the auditing of individual employers where special circumstances warrant, such as new and withdrawn employers. Upon completion of the audit, the Participating Employer is billed for any delinquent contributions, plus interest. The Employer will have thirty (30) days to submit payment in full or submit a written letter if they dispute the audit findings.

This letter requires no action on your part. It is intended to assist you to ensure compliant contribution reporting and describes some of the common contribution reporting errors and problems that have been observed. These problems generally arise because contributions are not made in accordance with the Agreement and Declaration of Trust, Operating Guidelines or the applicable Collective Bargaining Agreement (CBA).

Some examples are:

- a) **Eligibility Threshold** - Contributions must be made for each employee as indicated in the CBA. The CBA will indicate an eligibility threshold requiring the Employer to remit a contribution on behalf of employees when they meet the threshold. Per the Trust Operating Guidelines the eligibility threshold shall not be less than forty (40) or more than eighty (80) hours in a month. Many employers incur significant payroll audit liabilities for their failure to make contributions for each employee that works these monthly hours.
- b) **Compensable Hours** - The Trust requires contributions on all compensable hours. For computing hours compensated or directly paid for, for purposes of triggering a contribution payment, sick, vacation, holiday, overtime and severance hours, such as vacation or sick hour payouts on termination, are generally included unless specifically stipulated otherwise in the CBA. Note: The Trust will accept a CBA which excludes accrued compensation paid to an employee upon termination if bargained. Please see the Trust Operating Guidelines for more information.

- c) **Contributions Due on all of Bargaining Unit** - Contributions must be made on behalf of all persons performing work in the classifications or categories covered in the CBA. This is commonly referred to as bargaining unit work. This includes contributions for all employees that perform bargaining unit work including **part-time, casual, seasonal or extra persons including any temporary agency personnel**, so long as they meet the requirements that trigger a contribution, i.e. eligibility threshold of 40 to 80 hours per month. An employer may not selectively contribute based on the employees' union/non-union status under federal law. (See Sections 157 and 158 of the Labor Management Relations Act.) The only exception is if there is a specific exclusion or the employee is subject to a waiting period specifically applicable to health and welfare in the CBA. Note: The Trust will accept a CBA that excludes casual, temporary and seasonal employees if bargained. However, the Trust will not accept an agreement which excludes Trust participation for regular-part time employees. Please see the Trust Operating Guidelines for more information.
- d) **New Employees** - Unless there is a specific exclusion or there is a contribution waiting period specific to health and welfare in CBA, contributions are due for new employees from the first hour worked including those worked during a probationary period.
- e) **Waiting Periods** - When a waiting period is included in the CBA for health and welfare contributions, contributions are due **beginning with hours worked in the month in which the waiting period is met**, unless specifically stipulated otherwise in the CBA. For example, if the waiting period is met on April 20th and the eligibility threshold (i.e. 40 to 80 hours) is met, a contribution is due for April hours.
- f) **Periods of Disability** - Contributions are still due and owing on behalf of a person on disability if they meet the requirements that trigger a contribution (i.e. 40 to 80 hours), such as due to partial months worked, sick, vacation, etc. as previously noted. When the employee does not meet the eligibility threshold due to disability, the Medical Plan has a disability extension of coverage for three months at no cost to the employee or employer (or up to 12-months if Disability Waiver contributions are included in the CBA). The employee must file the appropriate paperwork with the Administrative Office. However, an employee's eligibility for Disability Waivers does not release the employer from making appropriate contributions as noted above for those employees who meet the eligibility threshold stated in the CBA.
- g) **No Opt-out Policy** - No individual within the bargaining unit may opt-out of coverage under the Trust, including those who may have employment agreements to the contrary or health coverage from another health plan. The no opt-out policy also applies to husbands and wives who may work for the same employer and to any of the employees' dependents (spouses or children). **The only exception is when an employee refuses to authorize payroll deduction for health and welfare contributions.** The employer must submit the Declination of Payroll Deduction Form and receive approval from the Administrative Office. When this occurs the

employee does not have coverage, but employer is obligated to continue its portion of the monthly contribution to the Trust on behalf of the employee, without regard to employee's deduction decision.

- h) **Non-bargaining Unit Participation** - You may contribute on behalf of non-bargaining employees pursuant to a Special Agreement with the Trust. Under a Special Agreement all such employees must participate, i.e., clerical, supervisory, management, etc., unless for example, the clerical employees are covered under a separate bargaining agreement. The employer must receive approval from the Trust as provided in the Trust Operating Guidelines and execute a Special Agreement for the non-bargaining unit employees. Non-compliance will result in refusal to accept contributions made on behalf of all non-collectively bargained employees.
- i) **Contribution Rate** - Collective Bargaining Agreements cannot provide for a monthly contribution rate lower than the Plan's monthly contribution rate set by the Trustees. The Trustees review contribution rates annually and rates typically change effective with January contributions (based on December work month). The Trust will only accept the total monthly contributions directly from the Employer. No employee contributions are accepted. Employers may collect employee contributions pursuant to the CBA.
- j) **Contributions Made to the Trust may be Exempt from Taxation** (employee or employer) - This should not be construed as tax advice - please consult with your tax advisor.

It is hoped that this letter will encourage you to examine your own contribution reporting history in light of your Collective Bargaining Agreement calling for contributions to this Trust and the contribution provisions of the Agreement and Declaration of Trust and Operating Guidelines. If your past contributions have not been made correctly, you are encouraged to perform a self-audit of your payroll records. If your self-audit results in additional contributions due to the Trust, your self-audit results and payment should then be forwarded for review by the Payroll Audit department at Northwest Administrators, Inc. (see contact information at the end of this letter). Although an Employer will still be assessed for any contributions owing, and interest, it is better to identify and take care of any problems now, rather than waiting for a Trust audit, as any resulting liabilities will be less the sooner, they are detected.

As you know, the Plans made available through this Trust were established to provide health and welfare benefits to the participants, your employees, and their dependents and every effort must be made to safeguard and protect their entitlement to these benefits. Your cooperation in this phase of the administration of the Trust, as in other areas, is greatly appreciated.

Please note: This document only pertains to the Washington Teamsters Welfare Trust. **Other Trust Funds, including the Retiree's Welfare Trust and Western Conference of**

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Teamsters Pension Trust have their own participation guidelines and payroll audit programs. Please contact those Trusts directly for more information

If you have any questions with regard to the above, or with regard to the Program, please feel free to contact this office at:

Northwest Administrators, Inc.
Payroll Audit Dept.
2323 Eastlake Ave E
Seattle, WA 98102

wateamsters@nwadmin.com

This letter should be added to your file with your Collective Bargaining Agreement.