Employee Benefits Report

INSURANCE AND FINANCIAL SERVICES

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Housekeeping for Retirement Plans

As with nearly everything else, retirement plans require periodic maintenance to keep running smoothly. Here are some suggestions to ensure your plan complies with all laws and regulations and meets the goals of your benefits program.

1 Keep your plan up-to-date with the law. On a regular basis, ask your benefits professional "when and what" to change in your plan. Those who specialize in retirement programs may provide auditing and plan review services.

2 Avoid the following common mistakes:
- not following the terms of the plan document
- not covering the proper employees
- not giving employees required information
- not depositing employee deferrals or employer contributions in a timely manner, and
- not limiting employee deferrals and employer contributions to the proper limits.

3 Periodically review your plan. Errors in a plan brought on by changes in your workforce and its salary deferral patterns are easier and

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This Just In…

A new healthcare research organization, called the Health Care Cost Institute (HCCI), will provide access to anonymous cost and utilization data from private and government insurers. Professor Martin Gaynor of Carnegie Mellon University, who leads the HCCI, said "…for the first time, there will be comprehensive data on the privately insured who make up the majority of health consumers in the United States."

HCCI currently has agreements to access data from plans operated by Aetna, Humana, Kaiser Permanente and UnitedHealthcare, as well as from Medicare fee-for-service and Medicare Advantage plans. The data represent more than $1 trillion

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cheaper to fix when they are small and have not been allowed to continue over a long period of time. If you have a SIMPLE IRA, SEP or similar plan, consider a check-up now. Tools include checklists for operating these plans — see IRS Publications 4284, 4285 and 4286 at www.irs.gov.

4 Get an independent reviewer to check your plan. An independent reviewer may see something that others have overlooked. This could save you and your employees money, and may improve benefits.

5 Monitor the people who work with your plan. Make sure that those who operate your plan are getting the correct data. Monitor the plan investments. Make sure any fees are appropriate. Make sure plan contributions and distributions are occurring properly and in a timely manner.

6 Report to the government. Pension and welfare benefit plans must generally file the Form 5500, Annual Return/Report of Employee Benefit Plan, every year to report their financial condition, investments and operations. Plans must generally file the return on the last day of the seventh month after their plan year ends. (If that due date falls on a Saturday, Sunday or federal holiday, then it may be filed on the next business day.)

Plans that must file a Form 5500 or Form 5500 EZ include (but are not limited to) profit-sharing plans, stock bonus plans, money purchase plans, 401(k) plans, annuity arrangements under Code section 403(b)(1), custodial accounts established under Code section 403(b)(7) for regulated investment company stock, and individual retirement accounts (IRAs) established by an employer under Code section 408(c).

7 Correct mistakes now. The Internal Revenue Service's Self Correction Program (SCP) gives plan sponsors financial incentives for finding and correcting mistakes earlier rather than later. In fact, many mistakes can be corrected easily, without penalty and without notifying the IRS; the plan and its participants keep tax benefits.

You can also ask for IRS assurance about correcting mistakes through the VCP (Voluntary Compliance Program), which works for errors not eligible for self-correction. Errors are corrected and the tax benefits of the plan are preserved for plan participants and the plan sponsor with IRS help. Errors corrected under SCP or VCP are not treated as errors if the IRS audits your plan.

in spending from 2000 to present; HCCI expects updates twice a year. Researchers at the nonprofit, nonpartisan institute hope to use the data to improve understanding of healthcare costs and utilization and to help policymakers develop effective solutions to the long-term problems facing the healthcare system.

HCCI's governing board will work to broaden the list of participating health plans and add more data from government payers, including Medicaid. Beginning in 2012, HCCI plans to publish its own "scorecards" and supporting analysis on aggregate trends of healthcare costs and utilization.

8 Ask employees for their opinions. Benefits should enhance recruitment, retention and job satisfaction. If the plan isn't working for your employees, it's not working for your organization. To get input, you can conduct regular, formal surveys along with making a point of asking individual employees what they think whenever they make a plan change or ask a question about their benefits.

The most effective surveys are brief, simply worded and seek specific information. When designing your survey, ask for the information that will be most valuable to you. For example, you could ask employees if their plan offers enough, too many or too few investment options. Or ask non-participants why they opted not to participate, and what would make them consider participating.

9 Keep your communications up to date. In addition to providing current information on fund options, deferral limits, etc., consider the tone of your publications as well. Do they reflect current realities? Some plan materials promote a 401(k) or other defined contribution plan as a supplement to a defined benefit plan. However, for most employees, a defined contribution plan is the only employer-sponsored option they have. Even for those who make maximum deferrals, the typical 401(k) will likely not be enough to fund a comfortable retirement.

10 Keep informed on the latest retirement plan news. Free and reliable sources of retirement benefit news and information include Retirement News for Employers, a periodic newsletter from IRS Employee Plans; the 401(k) Help Center (www.401khelpcenter.com); and BenefitsLink.com.

Wellness Programs: Why, What, Who and How

As healthcare costs continue to rise faster than inflation, wellness programs have gotten a lot of attention lately. What exactly is a wellness program, and how do you start one?

Why wellness? First off, lifestyle choices contribute to many of the most common—and costly—chronic conditions:

- Tobacco use remains the leading cause of preventable death in the United States, causing 443,000 deaths each year. Each day 1,200 current and former smokers die prematurely due to tobacco-related diseases.
- Diabetes—linked to excess weight and inactivity—affects 8.3 percent of the U.S. population. People diagnosed with diabetes have average medical expenditures 2.3 times higher than comparable individuals without diabetes. The American Diabetes Association estimates 7 million people are living with undiagnosed diabetes.
- Cardiovascular diseases, including heart disease and stroke, account for more than one-third of all U.S. deaths. Leading a healthy lifestyle — not using tobacco, being physically active, maintaining a healthy weight, and making healthy food choices — greatly reduces risk of heart disease or stroke.
- High blood pressure and high cholesterol also play a significant role in cardiovascular health. For example, a 12–13 point reduction in average systolic blood pressure over four years can reduce heart disease risk by 21%, stroke risk by 37%, and risk of cardiovascular death by 25%.
- Employees want wellness programs. Nearly half (48.2%) of employees enroll in wellness programs when their employers offer them, found the 2011/2012 Benefits USA survey.

What exactly is a wellness program?

Sponsored by an employer, a wellness program aims to improve employee health by encouraging or rewarding healthier behaviors, creating disincentives for unhealthy behaviors or by helping individuals better manage existing health conditions. In the past, most wellness programs focused on physical fitness. Today, the focus has broadened to include topics such as nutrition, mental health and chronic disease prevention, as well as the workplace environment.

Depending on your employee population, needs, budget and goals, your program can be as simple as an employee weight loss contest run by employees, to a professionally designed program involving employee health assessments, individually tailored programs and regular follow-up by nurses or other health professionals. Regardless of the scope of your program, it needs to have concrete, achievable goals.

Who should be involved?

Getting employee buy-in from the outset can help ensure your wellness efforts meet employee needs and interests — otherwise you risk wasting money and time. Many companies establish an employee wellness committee to provide guidance on all phases of a wellness program and provide ongoing support for program managers.

Consider recruiting people who have responsibility for some aspect of employee health or well-being already (e.g., human resources, employee benefits, occupational health and safety, the employee cafeteria, employee unions), as well as people responsible for environmental and policy changes (e.g., facilities and operations, legal department).

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Wellness committees also enable you to gain direct employee input on your program. Include a diverse group of employees from all levels of the organization, cultural and ethnic backgrounds, ages and genders. If your organization is small, consider linking with other small businesses, government agencies or local nonprofit organizations to form a health promotion council.

How do we start?

Conducting a needs assessment can ensure your organization ends up with a wellness program that reflects employee needs and aligns with company objectives. You can conduct the assessment in-house or hire a health benefit or health promotion consultant. Needs assessments can measure and identify:

- Baseline data necessary for evaluation purposes
- Management and program goals and objectives
- The feasibility of implementing a wellness program
- Support for wellness at various levels of the organization
- Employee needs and interests
- How company policies support or present obstacles to healthy lifestyles
- Features of the workplace environment that support or present obstacles to healthy lifestyles
- Cultural aspects of the organization that could affect program strategies
- Internal and external resources available for program planning and implementation
- Current employee lifestyle behaviors
- Medical care costs
- Productivity costs
- Priorities for financial and other resources
- Needs for practices that address specific diseases and conditions
- Needs for practices that enable persons with disabilities or special needs to participate in health promotion programs.

If you need assistance in setting up a wellness program for your organization, please contact us.

Telecommuting as a Benefit

With employees working harder than ever before, many say it's becoming more difficult to find a balance between work and home life. If you want a low-cost way to improve job satisfaction and increase productivity, consider developing a telecommuting program.

Telecommuting: Meanings Vary

"Telecommuting" (also called "telework") means any arrangement where an employee works at home or another location removed from the employer's site. It can take a variety of forms, depending on the organization and employee's position. Some arrangements allow employees flexibility of schedule as well as location. Some employees work full-time from home, while others work at home part-time and in the office part-time. Some employers have formal arrangements with telecommuting contracts or agreements, while others have ad hoc arrangements.

Benefits of Telecommuting

However your organization structures it, telecommuting offers advantages for employees and employers alike. In a survey of telecommuters conducted in May 2011 by Staples Advantage, the business-to-business division of the office supply superstore, the overwhelming majority — 86

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percent — said they were more productive in their home office. Telecommuters also reported being:

- Happier and healthier — When asked to draw comparisons, telecommuters say their stress levels dropped 25 percent on average since working from home. Seventy-three percent even say they eat healthier when working from home.
- More loyal — Without the trek to the office — on average, a 75-mile round-trip for respondents — 76 percent of telecommuters are more willing to put in extra time on work and say they are more loyal to their company since telecommuting.
- Better balanced — More than 80 percent say they now maintain a better work/home life balance.

Other studies support these findings. In 2007, researchers at Pennsylvania State University reviewed nearly 50 studies on flexible scheduling, which spanned 20 years and involved nearly 13,000 employees. Dr. Ravi Gajendra, one of the co-authors, said, "Our results show that telecommuting has an overall beneficial effect because the arrangement provides employees with more control over how they do their work."

Employers not only enjoy additional productivity and happier employees, they can also reduce costs with a well-planned telecommuting program. With more employees off-site, they can reduce their real estate needs and energy consumption. It has environmental benefits, too — when employees eliminate their commute they save gas and reduce pollutants.

As with nearly any benefit, telecommuting can be abused. In a survey by CareerBuilder, 17 percent of teleworkers admitted (anonymously, of course) to doing an hour or less of work during work hours. They admitted to allowing the following distractions to take their time:

- Household chores (31%)
- TV (26%)
- Pets (23%)
- Errands (19%)
- Internet (18%)
- Children (15%)

Other studies have found that employees who work away from the office for three or more days of the week reported their relationships with co-workers worsened. However, their managers reported that their performance did not suffer. Telecommuters can feel disconnected when they don't have face time with their co-workers. Scheduling regular meetings to check-in—whether in-person, Skype or video conferencing—can help telecommuters stay in the loop.

The following pointers can help make telecommuting positive for both your organization and your employees:

1. Keep your expectations clear. Telecommuters should have detailed job descriptions and specific work goals.
2. Evaluate performance regularly.
3. Don't show favoritism when allowing employees to telecommute. Use objective criteria, such as job duties, to determine who can or cannot telecommute and when.
4. Consider overtime liability. If job duties cause an employee to be classified as non-exempt under the Fair Labor Standards Act (FLSA), you must pay him/her for all hours worked, including overtime for any hours over 40 in a single workweek. To avoid liability for back pay and fines, establish a mechanism to track their actual work hours.
5. Consider safety. Employers are liable for employees' work-related injuries, even if they occur in the employee's own home. You will want to ensure that employees have a safe work set-up. If your employee works in another state, make sure you have the necessary workers' compensation coverage. Many employers also opt to carry employers liability insurance in addition to workers' compensation insurance to provide additional coverage for lawsuits filed by employees or their families for injuries.
6. Discuss potential state/municipal tax issues with your accountant. An employee who works out of state might have to pay state income taxes to the employer's state, his/her state of residence or both, depending on state laws and the individual situation.

For information on other life/work benefits, please contact us.

Retirement Account Limits for 2012

The Internal Revenue Service has announced dollar limitations for pension plans and other retirement accounts for Tax Year 2012. In general, many of the pension plan limitations will change because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged. Highlights include:

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan increases from $16,500 to $17,000.
- The catch-up contribution limit for those aged 50 and over remains unchanged at $5,500.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between $58,000 and $68,000, up from $56,000 and $66,000 in 2011. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is $92,000 to $112,000, up from $90,000 to $110,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between $173,000 and $183,000, up from $169,000 and $179,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is $173,000 to $183,000 for married couples filing jointly, up from $169,000 to $179,000 in 2011. For singles and heads of household, the income phase-out range is $110,000 to $125,000, up from $107,000 to $122,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains $0 to $10,000.
- The AGI limit for the saver's credit (the retirement savings contributions credit) for low-and moderate-income workers is $57,500 for married couples filing jointly, up from $56,500 in 2011; $43,125 for heads of household, up from $42,375; and $28,750 for married individuals filing separately and for singles, up from $28,250.

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