

The ViewsLetter

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Attracting or Retaining Valuable Employees

With today's tight labor market, employers are looking for ways to recruit talent and retain valuable employees. Work/life benefits can assist organizations in achieving these goals. Without these benefits, organizations may lose their exemplary employees to the competition or to unscheduled absences. This can be very costly. Ernst & Young determined that when they lose one of their professionals, the loss costs their firm 150% of that employee's annual salary. A 1999 CCH Incorporated study revealed that at least one fifth of unscheduled absences were due to family issues, and the cost of such absences equaled an average of \$602 per employee annually.

How can organizations such as Ernst & Young avoid these losses? Work/life benefits are tools organizations are using to attract and retain talented employees. There are benefits, such as flexible schedules, which afford employees the ability to

maintain a balance between work life and home life. The following are several programs that can be instituted to assist employees in maintaining this balance:

Flexible scheduling: With varying family types, such as single-parent families or families with both parents working, people are looking for more flexible ways to schedule their work week. Today employees want to know that, if necessary, they have flexibility in their work schedule to take care of their needs outside of the workplace. Organizations are recognizing these needs and are offering various types of flexible schedules:

- **Compressed schedule:** *Employees may work the same amount of hours in fewer days during the work week (ex. 12 hour days, 3 days per week). This enables the employee to devote more time to personal needs outside of the office.*



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About the ViewsLetter

We welcome you to the second quarterly issue in Volume 3 of the McGraw Wentworth ViewsLetter.

We have established the ViewsLetter as an integral part of our commitment to keep you informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

The Viewsletter is also another service that we offer that makes us a leader in the group benefits brokerage and consulting industry.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us at www.mcgrawwentworth.com.

Valuable Employees, cont.

- **Reduced schedule:** *The employee works fewer hours but maintains the same level of benefits as would have been available under the full time schedule. This allows the employee to spend time on personal needs without worrying about how to maintain benefits for the family.*



available for their family's and their own personal needs.

Organizations such as PNC Bank Corp. of Pittsburgh have had success with flexible scheduling. Recently, PNC Bank Corp. instituted the reduced work schedule as a pilot program and found that the employees

working under a reduced schedule actually were the most productive employees in the company. Approximately one quarter of those employees were promoted, and 100% of those participating in the flexible scheduling program achieved satisfaction with the work/life balance.

Family Assistance Programs: Finding a way to care for family members, to have an active role in their personal lives and still have a successful work life are major factors leading to stress. Organizations are now developing ways to assist employees in meeting their needs outside of the workplace. Family assistance programs

can be a successful recruiting point for organizations to hire talented people. There are several types of family assistance:

- **Childcare assistance:** *Offering on-site childcare, although costly, is one way employers can offer childcare assistance. Childcare referral programs are a less expensive alternative to assist employees in obtaining quality childcare. Offering dependent care reimbursement accounts is another way employers can assist their employees by making childcare more affordable.*
- **Elder care assistance:** *Today's workforce is not only dealing with the need to find good care for their children but also for their parents. People are living longer today, and therefore there is a growing need for employees to obtain elder care for their parents. Organizations are recognizing this need and are offering options similar to those they provide for childcare assistance.*
- **Lactation programs:** *Women continue to be a growing force in*

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YOUR QUESTIONS

Q. What are the foreign language requirements for our summary plan description (SPD)?

A. ERISA's SPD requirements for non-English speaking participants apply when:

- A plan covers fewer than 100 participants at the beginning of a plan year, and at least 25 percent of those participants speak the same, non-English language.
- A plan covers 100 or more participants at the beginning of a plan year where the lesser of 500 or more participants or 10 percent or more of the participants are literate only in the same non-English language.

In the above scenarios ERISA requires the plan administrator to provide these participants with an SPD in English, which prominently includes a notice in their own language. The notice should offer them assistance and instructions as to how they can obtain the assistance. The assistance provided is not required to be in writing.

Valuable Employees, cont.

working America and more and more of these women are choosing to return to work after having children. Therefore, there are new needs within the workplace. One new trend is to offer lactation programs. Employers can make space available for

nursing mothers to tend to their needs, or they can provide access to lactation specialists and other healthcare professionals to answer their questions and concerns, making the transition back to work less stressful

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Technical Corner

Single Mailing of COBRA Notices:

Recently, the Department of Labor clarified its stance in regards to COBRA and the mailing of single COBRA notices.

As regulated by COBRA in 1985, when an employee and his or her spouse become covered under the group health plan, the employer is required to provide an initial COBRA notice informing them of their COBRA

rights. When the covered employee, a covered spouse or covered dependent children (qualified beneficiaries) loses coverage under the group health plan, COBRA requires that an election notice be provided to notify them of their right to elect COBRA coverage as a result of the qualifying event.

The question is what constitutes a compliant mailing. The Department of Labor's position regarding the mailing of notices is as follows:

Initial Notices: If the last known address of the spouse is the same as the covered employee's, the employer or plan

administrator is considered to have complied in good faith by providing the initial notice through a single first class mailing addressed to both the covered employee and the covered spouse.



Election Notices:

Each qualified beneficiary has the right to receive a written election notice at the time of a qualifying event. When more than one qualified beneficiary resides at the same address, one first class

mailing is considered an act of good faith compliance. The single mailing must include one of the following:

- *A separate election notice for each qualified beneficiary with the mailing addressed to each qualified beneficiary*
- *A single notice clearly identifying each individual qualified beneficiary and his or her individual right to elect COBRA*

The above are outlines of the Department of Labor's advice, but you are not limited to the methods listed. It is important that COBRA notices address each and every covered life and qualified beneficiary at the very least.

DID YOU KNOW?

Two out of three working-age Americans (approximately 155 million) have employer-sponsored health care coverage.

More than half of working-age adults prefer their employer remain the main source of health coverage as opposed to having coverage through the government or individual purchase.

Approximately one-third of adults enrolled in employer-sponsored health plans pay more than \$1,000 per year in premium costs, with over 20% paying more than \$1,500.

One-third of low wage workers are having trouble paying their share of the premium costs.

One in three full-time workers with incomes less than \$35,000 per year are uninsured, and 15% of all full-time American workers are uninsured.

Source: The Commonwealth Fund 1999 National Survey of Workers' Health Insurance published by Managed Care Practice (Jan/Feb 2000)

Valuable Employees, cont.

and easier.

- **Adoption benefits:** *Adoptive parents have needs just as expectant parents do. They will need time to secure the adoption, meet with their attorney, complete paperwork, and bring the child into the home and have time to adjust.*
- **Financial planning:** *People are recognizing the importance in planning for the future. Organizations are beginning to assist their employees with the financial planning process to help make the process a little less overwhelming.*

On site personal care: With employees working all hours of the day and night, it is difficult for them to be able to leave the office site and take care of personal needs. Employers are now offering personal services such as ATM machines, bank branches, and dry cleaning services all within their building to allow employees the time to take care of their personal needs. The one-stop shop approach helps ease the burden of being homemaker and worker all at the same time.

Employers know that in order to

remain competitive they need to offer work/life benefits to help employees balance work and home life. Work/life benefits help to eliminate the opportunity for employees to



make excuses to take off. By offering work/life benefits, organizations can reduce absenteeism, increase productivity and maintain a competitive edge. **MW**

State of the Industry

The verdict is in. It appears as though the rate increases have just begun. According to a recent Towers Perrin survey, the average costs for employee and retiree healthcare is expected to increase approximately 12% this year - a significant increase compared to last year's 7% rate increase. Healthcare is not the only benefit be-

ing hit with rate hikes. The dental benefit increase appears to be in the neighborhood of 6% (unchanged since last year). These increases are rising at a more rapid pace than inflation. Why?

- **Strong demand:** *Consumers have access to much more information today due to the information superhighway; therefore, they are able to be more consumer savvy. In addition, with the strong economy, consumers tend to be willing to spend more money.*
- **Increase in Prescription Drug Costs:** *Direct-to-consumer marketing and an increase in the elderly population are factors contributing to increases in prescription drug costs.*
- **Increased Utilization:** *Because of advances in technology and consumers having access to the information, demand and use increase causing an upsurge in costs.*
- **Industry Consolidation:** *The increase in mergers and acquisitions activity is leading to a decrease in competition for many health care insurers; therefore, leading to an increase in rates.*

The increase in costs does not appear to be slowing down, and therefore employees will continue to share in the burden of the increase. According to the Towers Perrin survey, 21% of the cost of employee coverage will be the employee's responsibility. To keep employees happy and to offset the projected increases, benefits managers may want to devise a plan to deal not only with the impact of today's cost increases but also one that addresses the projected increases in the years ahead. **MW**

The Viewletter

Our newsletters are written and produced by the McGraw Wentworth staff and are intended to inform our clients on general information relating to employee benefit plans. They are not intended to provide either legal or tax advice. Consult your legal counsel or tax advisor in matters that directly affect your benefit plans.

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