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INDUSTRY SPOTLIGHT: DESIGNING HOLISTIC WORK/LIFE BENEFITS AROUND YOUR EMPLOYEE POPULATION

The days of one-size-fits all employee benefit packages are becoming a thing of the past. An aging population and societal changes that have redefined the makeup of the “typical” American family are making it necessary for employers to offer a diverse choice of benefits to recruit and retain talented employees. Young employees are staying single longer and older employees are working more years. As expected, the needs of these two distinct populations also vary from that of young families or baby boomers.

This is supported by the Fifth Annual MetLife Study of Employee Benefits Trends, which found distinct differences amongst singles, young families, baby boomers, and pre-retirees. Beyond the traditional health and dental insurance and retirement plans, benefits such as work/life balance programs, 401(k) investment education, and general financial planning are becoming more valued. For example, financial planning was ranked as being either an “extremely important” or “very important” benefit by 29% of employers in 2004, but by 2006, that number grew to 37%.

It is important, however, for employers to understand the demographics of their own employee population. Although financial planning was considered by employers to be an increasingly important benefit, the study indicated that young families and employees under age 35 were the most likely to use such a benefit if offered. On the other hand, aging workers place a greater value on benefits that assist them with work/life balance, such as flexible work hours and the ability to telecommute.

A holistic approach to benefits that addresses various aspects of the employee’s life, including work/life balance and finances, is becoming increasingly important for employers who wish to attract and retain the best employees. In order to be most effective in offering such benefits, employers should seek to understand the demographics of their employee population and the unique wants and needs of employees at different life stages.

Source: Fifth Annual MetLife Study of Employee Benefits Trends: Findings from the National Survey of Employers and Employees, 2007.

TRENDS IN COMPANY MATCH CONTRIBUTIONS

A company match is an important incentive for attracting qualified employees,

increasing participation levels, and most importantly, helping employees achieve a necessary asset level for retirement. Some recent statistics reveal:

- » Most companies, 77.9%, offer a matching contribution for their employees according to the 2004 DC Survey on PLANSPONSOR.com. With the value that employees place on benefits, your retirement plan can become one of your most important recruitment tools for attracting high-quality employees.
- » Plan participation may increase. According to the Pension Research Council, plans with no match average about 64% participation, whereas those that offer a match tend to see an increase in participation of 5% to 14%, depending on the match formula.
- » The most common match rate is \$.50 per \$1.00, which is used by 45.8% of plans. The most common match limit is up to the first 6% of participant contributions, which is used by 29.6% of plans according to the PSCA’s 48th Annual Survey of Profit Sharing and 401(k) Plans.
- » The eligibility for a company match tends to be one of two options, with 35.8% of plans having immediate eligibility, and 36.2% of plans having



a one-year eligibility, according to the PSCA, 401(k) and Profit Sharing Plan Eligibility Survey 2005.

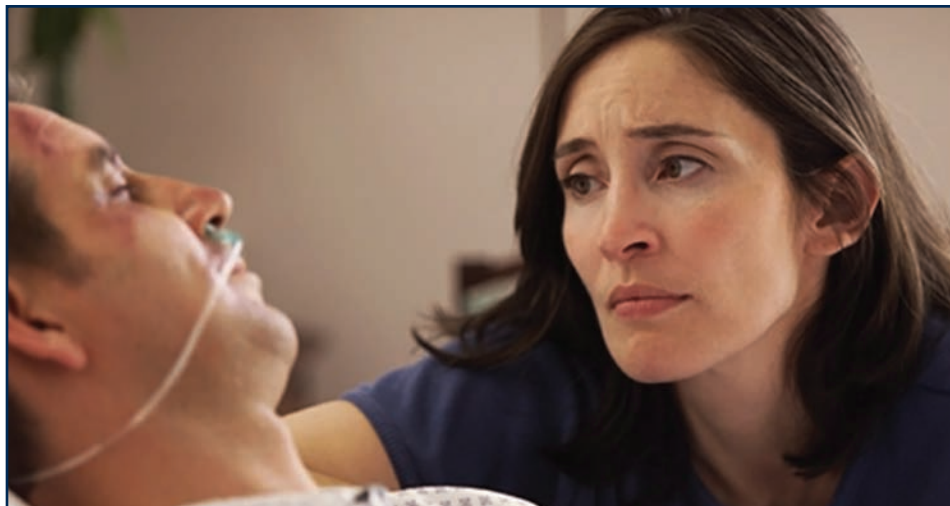
If you have questions about adding or enhancing a company match, please contact your plan consultant.

CONSIDERING SUPPLEMENTAL INDIVIDUAL INCOME PROTECTION PLANS

Looking to change your benefit plan design to both keep your costs down and recruit/retain employees? You may wish to consider this possibility: Instead of changing your Group Long-Term Disability (LTD) plan to accommodate highly-compensated key employees, consider working with your agent to add a Supplemental Individual Income Protection (SIIP) plan for all employees.

Why? As these plans are available on a Guarantee Issue basis, most employees can participate--and you can segment your population so you're only paying for the employees that you want to. The remainder of your employee population may purchase this on a voluntary basis.

Want to see how this works? A semiconductor manufacturer had a Group LTD plan covering 60% of earnings (defined as salary only) to a maximum benefit cap of \$7,500 per month. At this level of income protection, it was determined that the plan was not adequate because there were 15 executives making more than \$150,000 in salary--and most of the employees were also awarded some kind of bonus incentive throughout the year. The simple solution was to raise the benefit cap to \$10,000 per month and "redefine" earnings to include bonuses. The increase in Group LTD premium was reasonable, but the employer was looking for an alternative, as the medical coverage was also being modified at the same time.



This company's agent suggested that the employer keep the Group LTD plan design as-is, and install a SIIP plan that would cover the exposed income of all employees. A further recommendation was for the employer to cover the cost for the 15 executives (which was approximately the same outlay as if they were to pay for the change in the Group LTD redesign), and allow other employees to pick up their own policies on a voluntary basis. This was also considered to be an attractive design because employees were interested in protecting income through an individual policy that they would own--without going through rigorous medical testing.

BENEFITS COMPLIANCE FAQ

Question: Can a terminated employee have COBRA premiums deducted from a final paycheck on a pre-tax basis?

Answer: Yes, the employee may be able to have some of his COBRA premiums deducted from his final paycheck, if the employer's policies and documents allow.

Additionally, if the employer sponsors a Section 125 Plan (and the plan document allows), the COBRA premiums may be run

through the 125 Plan, and thus deducted pre-tax from the last paycheck.

It is very important to note that the COBRA premiums can only be deducted for coverage within the same plan year, and not for the entire eligible COBRA period (i.e., 18 months). If premiums were deducted on a pre-tax basis for a different plan year, the Section 125 deferred compensation rules would be violated, the deduction disallowed and penalties may be assessed. (Prop. Treas. Reg. 1.125-2, Q/A 5).

As with all policies, this one must be documented in the employer's handbook, plan documents, personnel policies and COBRA communications; and must be offered consistently to all terminated employees and COBRA-qualified beneficiaries. If the policy is not currently in force, most documents may be amended to include such policy.