



NEWSLETTER

Differentiated HR functions, insourced cost effectively for mid-size to smaller companies.

CFO's, CEO's Listen Up!

by Ruth K. Liebermann

In today's world of increased unemployment, salary reductions, furloughs and other bad news, there are items of good news including savings and maintaining good health that you as an employer can work on and institute with your employees.

401K's, Defined Contributions Plans

No question, it is disconcerting to see what the past year has done to retirement savings. Couple this with the depressed housing market, general employment concerns and the uncertain future of social security benefits - it causes many of us to wonder how long we will need to continue working.

The depressed stock market may represent an opportunity for employees who can see their way past this current crisis, continue contributing to retirement savings and thereby take advantage of these market lows.

First, some relevant facts about savings and retirement:

FACTS

- More than 40% of private sector workers were active participants in "traditional" defined benefit pensions in 1975, compared with less than 17% today (this number will continue to decrease as companies freeze and terminate their defined benefit plans and substitute defined contribution plans instead).¹
- Defined contribution plan participation – just under 16% of private sector workers were active participants in 1975 compared with nearly 42% today (this number will continue to increase when more employers have these plans as their sole employer-sponsored retirement vehicle).¹
- The U.S. Congressional Budget Office estimates \$2 trillion in retirement savings plan losses since the onset of the economic crisis.²

- Social Security benefits are the only source of retirement income for 25% of current retirees and the primary source for nearly 75%.¹ For more than 50% of all retirees, Medicare and Medicaid are the only meaningful health and long-term care protection they have during retirement (this number will only increase for baby-boomers since fewer and fewer employers offer any type of retiree health coverage).¹
- All of these facts and statistics point to the need for all of us to focus even more attention on savings in general - retirement planning and savings in particular.

Some basic RECOMMENDATIONS to consider:

- Due to the current depressed market, companies should seize the opportunity to continue to support and encourage 401K contributions, since upside potential can be more dramatic at these lower stock market levels.
- If Employer has a "match" on their 401K Plan, promote good and ongoing communication encouraging employees to, at a minimum, contribute up to the maximum contribution level matched. As enlightened benefits experts advise – the match is "free money" above and beyond what your Employee contributions earn. Employees are shortsighted and may ignore taking full advantage of the company's match.
- If Employees can contribute more to their 401K's, encourage them to target saving 10-15% of their pay.
- As an Employer within your plan, consider both "default" of automatic enrollment + automatic escalation of

¹Source: "The Future of Retirement Plans" by Dallas Salisbury, Employee Benefits Research Institute (EBRI.org). Wall Street Journal, April 2, 2009, pg. A10.

²Source: "Tough Responsibilities in a Tough Era" by Russ Banham, Wall Street Journal, April 2, 2009, pg. A9.

participants' 401(K) contributions (with successive earning increases, encourage participants to increase contribution level by 1%).

- Recent history with typical voluntary 401K plan enrollment indicates average participation of 50 - 60% of eligible employees, whereas "auto-enrollment" tends to see average of over 80% net of eligible employees participating.

The economy's general recovery is likely to take awhile, it is important that all of us do everything we can to encourage financial responsibility and thrift. If "Flat is the new Up", then with a changing orientation away from consumption and debt "Thrift is the new Black" – let's recognize it and use it to our best long-term advantage.

"As employers, take optimum advantage..."

Initiatives in Wellness; Consumer-Driven Health Care

Recognizing the challenge increasing benefits costs represent for most employers, companies are attempting to be more proactive about health and wellness for their employee populations. In some cases, the efforts are focused on stretching Employers / Employees Health Care dollars, in other cases it may take the form of more proactive intervention to contain health risks (short and longer term).

Some examples are:

- Encouraging employees to buy prescription drugs via mailorder vs. going directly to the drugstore, which could potentially increase their end cost.
- Thru a 3rd party, preferably your Health Plan provider, contact smokers quarterly and offer cessation support.
- Company supported mammograms / yearly for women 40 & over (the reality of early detection / cure of Stage 1 cancer vs. the debilitating effects & cost of treating Stage 4 cancer).
- Conducting a self-audit of benefit subscribers to identify unqualified dependents and transfer them off Company plans.
- Promote a healthy company culture. If your health plan has a feature which reimburses employees for participation in a health club, promote this among your employees.

- For fun, find an event where your employee population can "mirror" a well known sports event in its fitness initiatives (e.g. the Tour de France; the Boston Marathon, etc.) – chart prominently in the office how many bike miles or walking miles your employee population is logging relative to these well known events. Sponsor with t-shirts, a running / walking team to the annual Boston Corporate Challenge.
- Data mining – health plans can do more for their client organizations to analyze health and prescription claims and make recommendations about such adjustments as:
 - i. Providing no-cost or low-cost health equipment or supplies to manage chronic conditions;
 - ii. Lower cost-sharing for employees on drug therapy to treat chronic conditions to encourage disciplined use of prescribed therapies;
 - iii. Offer incentives for employees to visit health providers with history of positive outcomes for specific conditions.
- Look into Health Savings Accounts (HSA's) combined with high deductible plans. Employers might consider introducing consumer-driven health plans such as HSA's, using the savings received from moving away from traditional indemnity plans to help fund deductibles on behalf of all employees. With a HSA building value in each employee's individual account, it is clearly in the employee's interest to pay close attention to the efficient use of those funds for necessary care.

Ask your benefits broker what programs your company ought to be considering to stretch health care dollars spent.

In the current economic environment, employees, more than ever, recognize the value of their employer's benefit plans. As employers, take optimum advantage of your employees' awareness by increasing your communications about the importance of long term savings, and identify ways to further encourage a culture of health and wellness with targeted programs that can stretch your health care dollars.

With these initiatives and other human resource related efforts, consider HR Insourcing as a cost-effective means of supporting all your HR needs



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