

Benefits 101:

*Strategic Alignment to the
Company Mission/Vision*

JULY, 2016

Strategic Alignment with Company Mission/Vision

- ▶ Discuss a guide of how to fit in an organization
 - ▶ Role and responsibility of how to fit
 - ▶ Where and who is affected
 - ▶ Success with management and employees

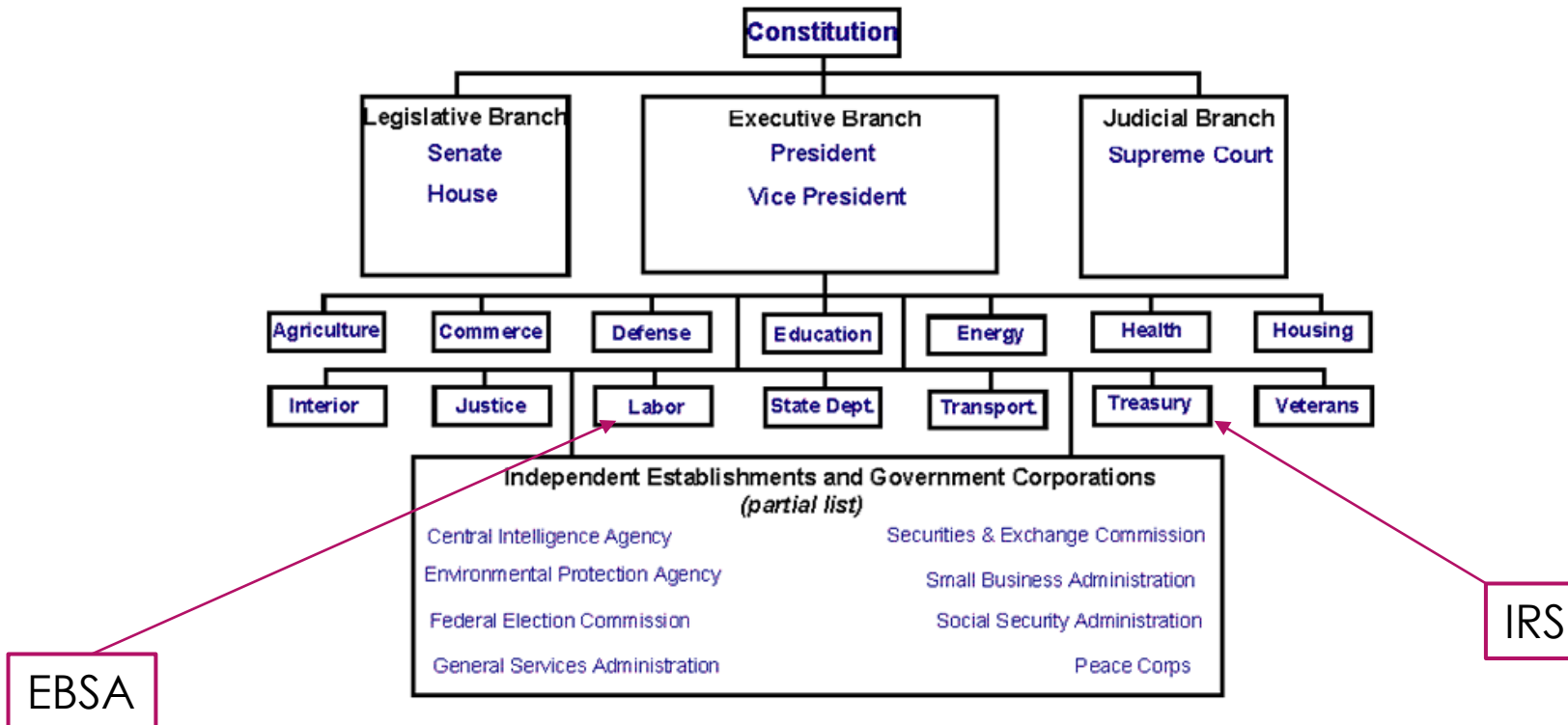
Agenda

- ▶ History
- ▶ Types of Plans
- ▶ Design Features
- ▶ Cost of the plans
- ▶ Administration of the plans
- ▶ Be a detective



History

Example Hierarchy



Who or what owns/drives the rules?

▶ Acts

- ▶ **Employee Retirement Security Act – started with pension and now all types of plans**
 - ▶ **Why care whether or not we are covered by ERISA?**
 - ▶ Preempts state law
 - ▶ Limits damages to unpaid benefits and does not provide for jury trials
 - ▶ Tax savings for both the employee and the employer
 - ▶ Affordable Care Act
 - ▶ American with Disabilities Act
 - ▶ Family and Medical Leave Act
 - ▶ Health Insurance Portability and Protection Act
 - ▶ Tax Reform Act
 - ▶ Others...

Groups Interpret

- ▶ **Groups**
 - ▶ Security and Exchange Commission
 - ▶ GAAP/Accounting
 - ▶ Department of Labor
 - ▶ Internal Revenue Service
 - ▶ Employee Benefits Security Administration
 - ▶ Health and Human Services
- ▶ **Court cases/white papers/practice**
- ▶ **Even more...**

Goal

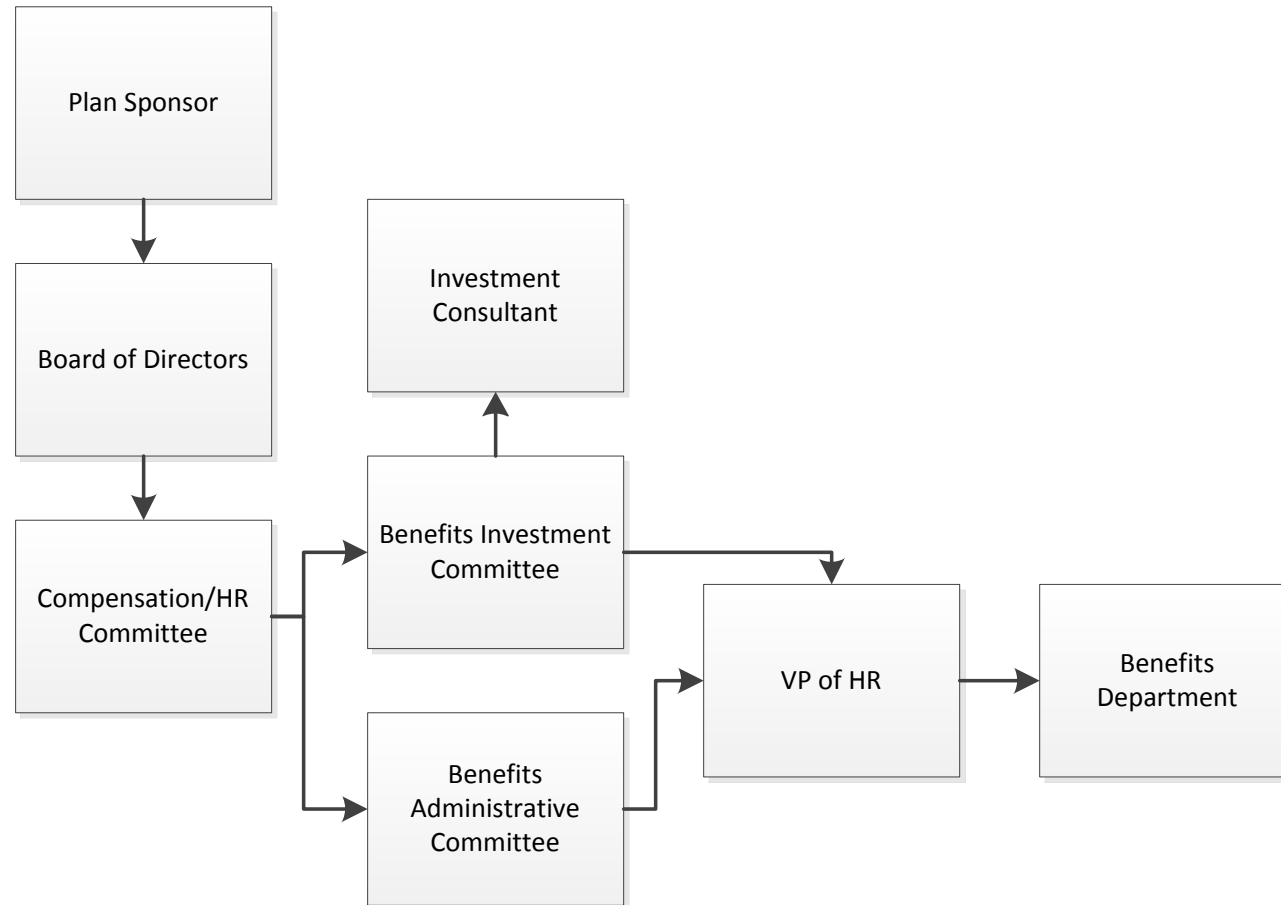
- ▶ Become or stay compliant
- ▶ Be competitive
- ▶ Create cost and process efficiencies
- ▶ Obtain employee appreciation/retention balanced with management direction
- ▶ Other?

Types of plans

Types of Plans

- ▶ **Qualified Plan**
 - ▶ Defined Contribution
 - ▶ Defined Benefits
 - ▶ Trust
- ▶ **Health and Life**
 - ▶ Everything Else
 - ▶ Health/Dental/Vision/Life/EAP/Flex Spending/Healthcare Spending/Etc.
 - ▶ Fully Insured/Self Insured
 - ▶ May or may not have a trust
- ▶ **Non-Qualified Plans (not discussing)**
 - ▶ K or Pension 'Make Up'
 - ▶ Supplemental
- ▶ **Policies and procedures supplement/change/affect**

Decisions



Design Features

Design Options

- ▶ Many options available – Some they see and some they don't!!
- ▶ One **plan per type** or multiple
- ▶ What **pay** to include/exclude
- ▶ How to develop **employee contribution** strategy
 - ▶ Should the plan be pretax or after tax?
- ▶ Should you **carve out** some of the features
 - ▶ SurgeryPlus, Telemedicine, Voluntary programs, stop loss
- ▶ How to address **different groups**
 - ▶ Union, Part time
 - ▶ ACA contract
- ▶ **Can you physically and efficiently administer** the program and **can you explain it** so that it is used and understood by all

What documents support a plan

- ▶ Plan Document – most important
- ▶ Summary Plan Description
- ▶ Summary Material Modification
 - ▶ Annual Enrollment
 - ▶ Pretax typically
 - ▶ Required by IRS
- ▶ Various annual notices
- ▶ Contracts and agreements
- ▶ Potentially HR policies – not plans
- ▶ Other such as merger agreement and more...

The Benefits Expert

- ▶ What is legal
- ▶ How do you define and interpret the plan document and associated updates
- ▶ How do you pay for it
- ▶ What is the process
- ▶ Who do you affect internally and externally
- ▶ How to communicate it...

Change is imminent

- ▶ Collaboration is the key
 - ▶ Laws/courts/white papers
 - ▶ Vendor systems
 - ▶ Payroll
 - ▶ HR/Compensation
 - ▶ HRIS/IT
 - ▶ Accounting/Finance/Treasury
 - ▶ Budgeting/Burden/Fringe
 - ▶ How are the locations affected?
 - ▶ C-suite/Company direction/Merger
 - ▶ Employees!

Bethanyisms

- ▶ Almost anything is discoverable in this day and age
- ▶ Never re-write what is already written
 - ▶ Always have someone review what you write
- ▶ Direct participants to a recorded line where possible – no hand holding
- ▶ Email is not your friend so talk first
- ▶ Make sure you have an ERISA attorney for support
- ▶ Read everything you can for information
 - ▶ Remember that the news media is a for profit entity
- ▶ Investment consultant should not be paid by basis points
- ▶ Question everything!

Cost

Cost...

- ▶ Cost, cost and more cost...
 - ▶ Project an annual spend for benefits
 - ▶ Know how the company allocates cost
 - ▶ Fringe/burden
 - ▶ Accrual vs cash
 - ▶ How does that affect the Benefits budget
 - ▶ General assets, revenue sharing, employee contributions, etc.
 - ▶ How to calculate the cost
 - ▶ Total expense – trust and self insured
 - ▶ Per employee
 - ▶ Fully insured
 - ▶ Administration
 - ▶ Communicating cost
 - ▶ Employee – total
 - ▶ Management - total

Calculation of cost

▶ **WE** should know the detail of what creates/offsets the cost

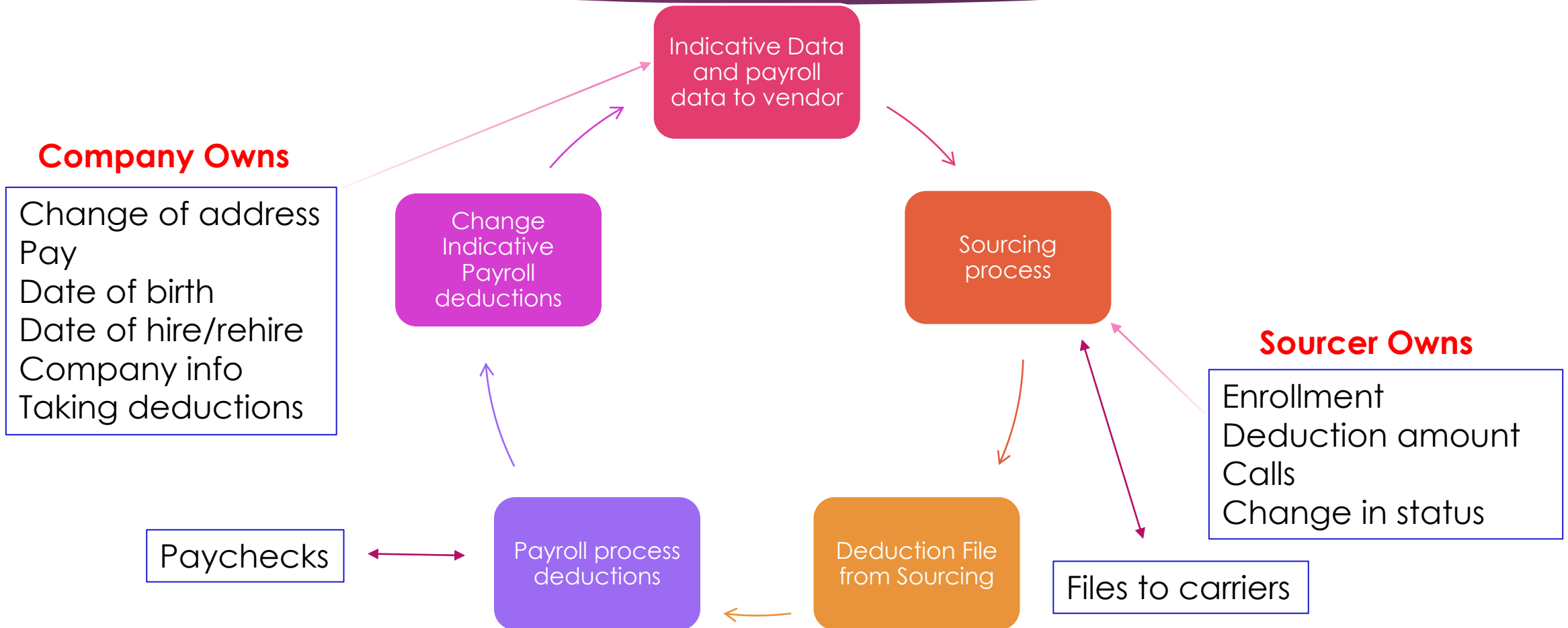
- ▶ **Question the results**
- ▶ **Is it logical/does it make sense**
- ▶ **Is there a way to change or must we change the program (ie communication)**
- ▶ How many employees, spouses, children
 - ▶ Who is spending the money
- ▶ What are the ages?
- ▶ Type of work environment
- ▶ What is the history?
 - ▶ Claims
 - ▶ Deaths/Disability
 - ▶ New hire? Rehire? Termination?
 - ▶ Changes during the year?

Benefits Spend

- ▶ Budget – percentage of salaries
 - ▶ Plan expense (don't forget about HIPAA)
 - ▶ Legal
 - ▶ Consulting
 - ▶ Communication
 - ▶ Acquisition/Divestiture
 - ▶ Plan change
 - ▶ Annual enrollment
 - ▶ Fees
- ▶ Accounting – accruals AND cash/smoothing
- ▶ Payroll – deductions flow through to accounting - may not balance to a trust
- ▶ Benefits – cash out the door - may be offset by some items not reflected in accounting

Administration

Process



Shared HR Related Topics

- ▶ Salaried vs Hourly time and time tracking
- ▶ Compensation and/or pay Categories and process
- ▶ Union or not
- ▶ Part time vs Full time
- ▶ ACA redefines contract, temp. 1099, etc.
- ▶ Leave pay – Salary continuation or PTO or Short term disability
- ▶ Leave types (Vacation, bereavement, jury duty, etc.)
- ▶ Family and Medical Leave Act
- ▶ What else?



You are a Detective

Basics

- ▶ Investigate where you are – then, where do you want to be?
- ▶ Treat all equally
 - ▶ Don't make exceptions unless you are ready to do it every time for everyone
 - ▶ Can always discriminate in favor of the **non-highly** comp (\$120,000 for 2016),
- ▶ Get help (is it in your expertise?)
 - ▶ RFP/consultant/broker/peers/reference documents/etc.
- ▶ Collaborate with all departments internally and externally
- ▶ Communicate until you think it is enough – then do more!

Being a detective

- ▶ **The Detective knows exactly how the plan is designed and operates**
 - ▶ **Fiduciary – work on behalf of the participant**
 - ▶ **Do not work in a silo!**
 - ▶ **How does a change affect administration, payroll, accounting, file feeds, plan documentation, communication to employees and management, etc.**
 - ▶ **Can we keep it legal**
 - ▶ **Do we have to update the plan, process, notify another department**
 - ▶ **What is the timing for internal and external resources to coordinate**
 - ▶ **Who do we need on the team to be successful**



CFO says to
cover procedure
that is not in
medical

Check reversed
in payroll. Extra
deduction?

Enrolled in life,
never paid, and
dies...



This is just a
contract issue...

Plan change
mid-year. New
enrollment?

I got a divorce and the court says I have to cover my spouse

My address didn't change at medical vendor

I am the spouse and need to know what my husband is enrolled for

I changed my coverage and no deductions are right on my paycheck

I had a new baby 35 days ago and need to add my new child

I just didn't remember the annual enrollment period and I now need to add my kids or my spouse will kill me

I am calling the state insurance board!

New Mexico requires
refund of immunization
costs to do business in
state



Settled WC medical by
paying lump sum

Problem with admin in
plan, use internal audit to
correct

Outsource means you
will cut staff

These will save you
money!



Generic and mail order
cheaper

High deductible plan
is cheaper

Voluntary benefits
are no cost to co



IRS wants information on plan you
obtained in merger
Problem: wants info prior to merger
date - who owns?

All you need
is an amendment

RIF means
lower medical costs



Being a detective

- ▶ When someone
 - ▶ suggests a solution,
 - ▶ a law changes,
 - ▶ a new feature is offered,
- ▶ Quickly assess
 - ▶ Process, plan and legal affect
 - ▶ Is the cost real? Is the savings real?
- ▶ Be logical, realistic and ask questions – you are the detective!
 - ▶ Is it the employee, spouse or child that this is trying to address?
 - ▶ Are we trying to accomplish cost or savings?
 - ▶ Is ease of process part of the equation?
 - ▶ How will participants be affected?
 - ▶ More...But once you accomplish all this....

CASE CLOSED