It Benefits You

Your Employee Benefits Newsletter

June 2024

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McGriff Brings You Mineral!

As we step into June, with its blooming flowers and longer days, McGriff continues to bring you updates and insights to help you make informed decisions for your employee benefits strategy. This month, we cover new limits for health savings accounts and explore innovative wellness approaches. We also present important considerations when choosing a benefits administration platform and strategic tips for improving retirement plans.

Let the vibrancy and growth of June inspire you to cultivate a flourishing benefits program that both nurtures employees and drives organizational success throughout the year.

Ben Admin Technology Implementation: Best Practices

June 20 | 2:00 p.m. EDT | 1.0 PDC SHRM/HRCI

The goal of Benefits Administration (Ben Admin) Technology is to introduce efficiency and accuracy into the process of administering benefits for HR professionals and their employees. But even the best platforms, when implemented incorrectly, will fail to create efficiency - and result in more errors, work, and inconvenience for everyone involved.

However, there are best practices that lead to successful configuration and implementation of ben admin platforms when clients are transitioning from one to another. Join this session to learn how to make your implementation process as seamless and successful as possible.

Register

Upcoming Compliance Deadlines

July 1
1

First Stage of Salary Increases for White-Collar and Highly Compensated Employees

The Department of Labor (DOL) released its final rule earlier this year to raise salary requirements for employees in white-collar occupations and highly compensated employees to qualify for an overtime exemption. The new minimum salary requirements under the Fair Labor Standards Acts will be raised in two stages, the first effective July 1. Click here to review answers to frequently asked questions about the DOL's final overtime rule.

July
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PCORI Fee Deadline

If an employer sponsors a self-insured health plan, including a level-funded plan or an employer-sponsored HRA, the ACA requires the employer to submit the annual Participant-Centered Outcomes Research Institute (PCORI) Trust Fund Fee. Plan sponsors must report and pay the PCORI fee using IRS Form 720.

July
31

Form 5500 Filing Deadline (Calendar Year Plans)

Generally, a Form 5500 must be filed no later than the last day of the seventh month after the end of the plan year for ERISA pension and welfare benefit plans. For calendar-year plans, the deadline is July 31. With few exceptions, an employer must file a 5500 if any of its ERISA benefit plans had 100 or more covered participants on the first day of the plan year.

PCORI Fees: Proper Counting Method May Help Self-Funded Plans Save Money

The due date to file and pay the 2023 Patient-Centered Outcomes and Research Institute (PCORI) Trust Fund fee is July 31, 2024. Now is the time for employers to determine the best way to calculate the average lives of your plan and ensure the lowest liability for the plan.

Several safe harbor methods are acceptable for calculating average plan lives, although they differ between fully insured and self-funded plans. Since the employer maintains the self-funded plan as the plan sponsor, the employer must file the PCORI Fee on its own behalf. Employers have paid hundreds or thousands of dollars in fees above their minimum liability because they didn't take advantage of all available methods. In this article, we will review each method and hopefully help employers avoid paying more than their fair share of this Affordable Care Act (ACA) fee.

The PCORI fee for plan years ending in 2023 is due by July 31, 2024 and must be filed with IRS Form 720. The fee is $3 per member per year (PMPY) for plan years ending on or before Sept. 30, 2023 and $3.22 PMPY for plan years ending on or after Oct. 1, 2023. Employers may access Form 720 and Form 720 Instructions on the IRS website (www.irs.gov/forms-pubs/about-form-720) under the "Current Revision" section. As of mid-May, the latest revision to both forms was in March 2024 and does not contain the updated $3.22 PMPY fee for plan years ending on or after Oct.1, 2023. The IRS should update these forms no later than the end of June 2024.

When calculating the PCORI fee, the goal is to find and leverage the counting method that yields the lowest average count of lives (members) for the applicable plan year. By comparing the multiple available methods and using the correct one, employers will ensure they are utilizing the lowest average life count, thus calculating the lowest fee liability. For self-funded plans, there are four available safe harbor methods: Actual Count Method, Snapshot Count Method, Snapshot Factor Method and Form 5500 Method.

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The Actual Count Method uses the total lives covered for each day of the plan year and divides that total by the number of days in the policy year. Rather than report plan enrollment by each day of the year, most carriers or reporting entities report enrollment totals at the beginning or end of the months within the plan year. These reports may be used as a surrogate to determine if the Actual Count Method may generate the lowest average. However, reports with actual daily counts are still required to make a final determination.

The Snapshot methods are based on the sum of lives covered on a date during the first, second or third month of each quarter of the plan year. This allows for an appropriate selection based on whether the plan enrollment has grown or shrunk during the plan year. For example, if enrollment has increased during the plan year, choosing the first or second month of each quarter is likely to generate the lowest average. While the nomenclature is similar, the two snapshot methods are quite different and often generate significantly different average life calculations:

- The Snapshot Count Method utilizes the actual count of lives within the selected months of each quarter.
- The Snapshot Factor Method uses actual counts of subscribers with self-only coverage but multiplies the count of subscribers with dependent coverage by a factor of 2.35. Thus, if the average number of lives for the subscribers with dependent coverage is greater than 2.35, the Snapshot Factor Method will create a lower liability than the Snapshot Count Method.

Rounding out the four allowed methods is the Form 5500 method. Under this method, the plan sponsor may determine the average number of lives covered under the plan based on the number of participants reported on the Form 5500 for the applicable plan year. Since the Form 5500 for the plan year must be available for use as a determining method, plan sponsors who have not filed or have filed an extension for filing the Form 5500 will not be able to use this method.

When calculating the PCORI fee, please remember that the counts are based on covered lives under major medical coverage. Major medical coverage can be defined as coverage subject to reasonable enrollee cost sharing for a broad range of services and treatments, including diagnostic and preventive services, as well as medical and surgical conditions. For example, PCORI guidance excludes lives covered under limited scope coverage, such as hospital indemnity coverage, standalone dental or vision plans, and most HRAs, HSAs and FSAs. PCORI guidance also specifically extends this exclusion to employee assistance, disease management, and wellness program enrollment.

As medical and pharmacy costs continue to rise, it's more important than ever to trim health care expenses at every opportunity. With the PCORI fee due in a matter of weeks, please take this opportunity to verify the lowest cost method. If you have questions, encounter issues, or would simply like someone to review your calculations, please reach out to your McGriff Employee Benefits consultant and gain some peace of mind.

Ken Bowen, PAHN
McGriff Actuarial & Underwriting, Executive Underwriting Manager

Rethinking the 'Pillars of Health' Paradigm

One of the most popular and unique video games of all time and one I remember well is the social simulation game called "The Sims." Rather than complex and exciting adventures, the game allows players to create and care for virtual people called "Sims" and tend to their physical, social, recreational, and environmental needs.

Players customize their Sims' appearance and personality, careers, home chores, relationships, physical activity, etc.

If a character's health suffered due to something like poor hygiene or uncleanliness around the home, you could restore them to health with a few clicks. The same was true for their physical and relational health. A swim in the pool or a chat with a friend would boost the right chemicals in the brain and all was well, until you became bored with them and decided to create some drama or start over.

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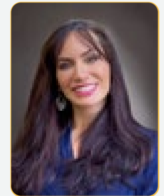
It would be nice if our well-being in the real world was this simple to correct. We often see wellness models use a “pillar of health” framework to identify and address the various aspects of our well-being. The number of pillars can range from five to 15 and generally include categories such as physical, social, mental, financial, emotional, and spiritual health.

This framework can help us easily identify the various parts of our overall well-being while serving as a helpful visual reminder that well-being is multi-factorial. What we need to avoid though is seeing these pillars as discrete categories. Rather, we should view them as interconnected and interdependent. Instead of pillars that are one-dimensional, we should think of them more like squares on a Rubik’s Cube. It would take quite a bit of work to align all of the categories, and all it would take is a few twists and turns before every side of the cube is affected.

For example, if someone is experiencing a financial hardship, the impacts are not limited to their financial health pillar. They could also be losing sleep, unable to afford healthy food or medical care, and experiencing stress and depression. Or someone could be effectively managing nearly every area of their life except their physical wellness. But that could then lead to feelings of guilt, shame, anxiety, and isolation, which would have a negative impact on their mental, emotional, and social health.

The important thing to remember is that, as human beings, none of us will perfectly manage all of these pillars and categories. While rotating the tiles can change multiple faces, movement in the right direction will help put everything in place. It might not be as simple as a few mouse clicks, but by offering multiple pathways for different aspects of well-being, you can help generate positive momentum and remove barriers to health.

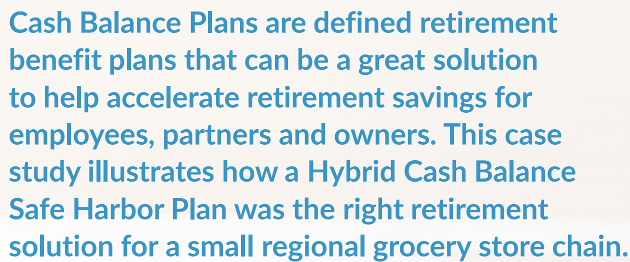


Katie O'Neill, DC, BS
McGriff Clinical Wellness Practice Leader

HSA/HDHP Limits Will Increase for 2025

The following chart shows the HSA and HDHP limits for 2025 as compared to 2024. It also includes the catch-up contribution limit that applies to HSA-eligible individuals age 55 and older, which is not adjusted for inflation and stays the same from year to year.

Type of Limit	2024	2025	Change
HSA Contribution Limit			
Self-only	$4,150	$4,300	**Up $150**
Family	$8,300	$8,550	**Up $250**
HSA Catch-up Contributions (Not subject to adjustment for inflation)			
Aged 55 and older	$1,000	$1,000	No change
HDHP Minimum Deductible			
Self-only	$1,600	$1,650	**Up $50**
Family	$3,200	$3,300	**Up $100**
HDHP Maximum Out-of-Pocket Expense Limit (Deductibles, copayments and other amounts, but not premiums)			
Self-only	$8,050	$8,300	**Up $250**
Family	$16,100	$16,600	**Up $500**



Cash Balance Plans are defined retirement benefit plans that can be a great solution to help accelerate retirement savings for employees, partners and owners. This case study illustrates how a Hybrid Cash Balance Safe Harbor Plan was the right retirement solution for a small regional grocery store chain.

Case Study: Cash Balance Plan

Background

The grocery store chain is a family-owned business run by two sets of brothers in their 50s. The business is successful and served the community for over two decades with multiple locations, a distribution center, processing plant, and a loyal customer base. As the owners approach retirement age, they realize they've neglected to save for retirement despite having a 401(k)-profit sharing plan. They needed a comprehensive retirement plan that would benefit both their employees and allow them to achieve retirement readiness while also attracting and retaining key personnel.

Challenges

- Employee Retention and Attraction: The grocery store chain faces competition in attracting and retaining skilled employees in a competitive job market.
- Owners' Retirement: The brothers plan to retire in 10 to 15 years but, want to make up for 25 years of missed savings to do so comfortably.
- Next Generation Planning: The right retirement plan should provide a benefit that will allow the brothers' children, who will assume ownership when their fathers retire to avoid the same issues in the future.

Process

The client hired McGriff Consulting to evaluate their existing retirement benefits offering, design, and effectiveness.

Our consultants met with the owners and their retirement plan committee to review the budget and goals for a comprehensive retirement benefits package. We analyzed the performance of their current plans, assessed employee demographics, and conducted participant surveys. Then provided a number of options that would meet their needs.

Solution

After reviewing our proposals and consulting with McGriff Retirement Practice, the grocery store chain decided a Hybrid Cash Balance (defined benefit) 401(k) Safe Harbor (defined contribution) Plan was the best solution to meet the needs of their employees and owners.

Implementation

1. *Design of Hybrid Cash Balance 401(k) Safe Harbor Plan:* Collaborate with financial advisors and retirement plan committee to design a tailored solution that combines the features of a defined benefit component (cash balance plan) with a defined contribution component (401(k) safe harbor plan).
2. *Customized Contribution Structure:* Establish contribution formulas that incentive employee participation and loyalty while allowing the owners to maximize their retirement and tax savings. Contributions included profit-sharing, safe harbor matching contributions, and cash balance allocations. The design was structured to allocate a larger part of the benefit to meet employee needs in the 401(k) safe harbor plan with the majority of the cash balance plan allocation benefiting ownership.
3. *Legal and Compliance Considerations:* Ensure compliance with IRS regulations and ERISA guidelines throughout the implementation process. Seek legal counsel to draft plan documents and ensure adherence to fiduciary responsibilities.
4. *Communication and Education:* Conduct employee meetings and workshops with plan advisors to educate staff about the benefits of the new retirement plan, including employer contributions, investment options, and retirement readiness.
5. *Ongoing Plan Administration:* Provide ongoing plan valuation and actuarial services to ensure the plan stays in compliance. Adjust overtime to continually meet the needs of the company as they grow and evolve.

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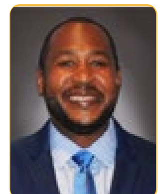
Illustration

The graphic below shows the allocation model the client decided on for their 401(k) safe harbor profit sharing - cash balance plan.

Division	Person	Age	401(k) Deferrals	Profits Sharing & ER Match	Cash Balance Contribution	Total Allocation	Estimated Tax Savings
1	Owner 1	58	$27,000	$43,000	$215,000	$285,000	$119,700
1	Owner 2	57	$27,000	$41,500	$215,000	$283,500	$119,070
1	Owner 3	54	$27,000	$36,000	$167,300	$230,300	$96,726
1	Owner 4	54	$27,000	$36,000	$167,300	$230,300	$96,726
1	Owner 5	50	$27,000	$32,800	$112,400	$172,200	$72,324
2	Owner Child	31	$20,500	$850	$11,000	$32,350	
2	Owner Child	27	$12,100	$850	$3,500	$16,450	
2	Owner Child	24	$6,600	$400	$0	$7,000	
2	Owner Child	23	$9,500	$400	$0	$9,900	
3	Non HCEs		$58,460	$199,600	$105,090	$363,150	

Div 1	$135,000	$189,300	$877,000	$1,201,300
Div 2	$48,700	$2,500	$14,500	$65,700
Div 3	$58,460	$199,600	$105,090	$363,150
TOTAL	**$242,160**	**$391,400**	**$996,590**	**$1,630,150**

Division	% of Profit Sharing	% Cash Balance	% Total Allocation
Div 1	48%	88%	74%
Div 2	1%	1%	4%
Div 3	51%	11%	22%



Charles Stinson
McGriff Retirement Consultant

McGriff Brings You Mineral!

June 25 | 12:00 p.m. EDT

McGriff is excited to provide our Employee Benefits clients with MINERAL – a robust web-based HR and compliance resource. Through your McGriff relationship, you have access to **Mineral Live**, a team of HR experts standing by to answer your questions or provide advice on virtually every HR or compliance-related issue; **Mineral Comply**, an award-winning online resource center for all of your workforce issues, including a Living Handbook Builder; and **Mineral Learn**, an incredible online training platform with more than 250 web-based courses for your employee training needs.

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