McGriff
EMPLOYEE BENEFIT SOLUTIONS

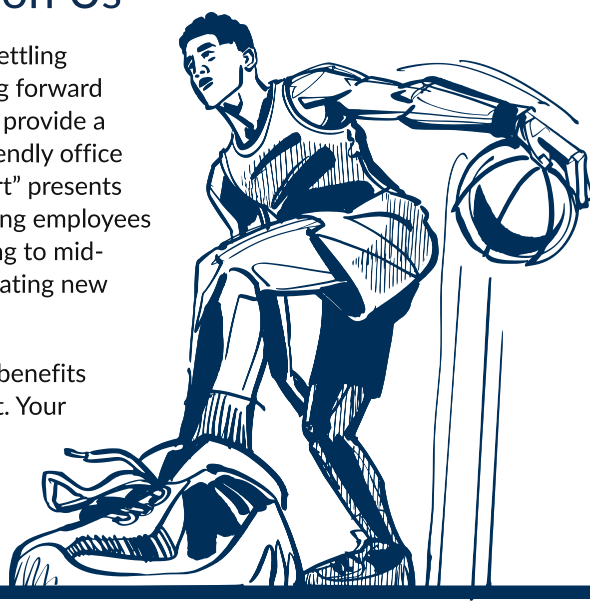
It Benefits You

Your Employee Benefits Newsletter

March 2024

In This Issue:

March Madness is Upon Us



Many employers are setting new goals, settling into a new benefits plan year, and looking forward to the end of a long winter. While sports provide a great opportunity to engage in a little friendly office competition, the employer benefits "court" presents its fair share of obstacles – such as keeping employees engaged in wellness programs, responding to mid-year benefits change requests, and navigating new compliance responsibilities.

At McGriff, we know that an employer's benefits strategy is as unique as an NCAA bracket. Your trusted McGriff benefits consultants and account teams are here to answer questions and provide guidance so you can easily score your benefit plan goals!

March 21 | 2:00 pm EST | 1.0 HRCI/SHRM PDC Pending

Get ready to construct the pillars of compliance and fortify your employee benefit plans! You're invited to join attorneys from the McGriff Employee Benefits Compliance Team as we help you build a strong foundation and ensure solid construction of your employee benefit plans.

Our experts will equip you with the tools and knowledge to handle upcoming compliance deadlines, legislative changes and regulatory guidance.

Register

Upcoming Compliance Deadlines

April
1

IRS Transmittal of Forms 1094-B/1095-B and 1094-C/1095-C (Electronic Filing)

An ALE must file Forms 1094-C/1095-C with the IRS. A self-funded employer with fewer than 50 full-time employees will file Forms 1094-B/1095-B. The IRS has now lowered the 250-return threshold for mandatory electronic reporting to 10 returns. This means almost every employer is now required to complete their ACA reporting electronically. Filers can request an automatic 30-day extension to file the forms with the IRS by submitting Form 8809, Application for Extension to File Information Returns, on or before the due date.

June
1

Reporting on Pharmacy Benefits and Drug Costs

Plan sponsors must report information about prescription drugs and health care spending to the Centers for Medicare & Medicaid Services (CMS) each year. Data for the 2023 reference (calendar) year is due by June 1, 2024. This reporting is required for fully insured and self-funded group health plans of all sizes. The McGriff Compliance Team's updated reference guide provides employers with practical steps to help them comply with reporting obligations. It also includes a Vendor Assistance Verification email template with questions employers should ask vendors in determining what they're doing to assist.

A Return to Prioritizing Retirement Benefits

The McGriff Retirement Benefit Survey, a follow-up to our 2023 National Benefit Trend Survey, provides a comprehensive view of retirement plan trends across a diverse landscape of industries and company sizes.

It provides valuable insight into how employers are navigating the complexities of employee benefits in a rapidly evolving landscape. The survey also takes a deep dive into the value their retirement plans provide, their commitment to allocating resources, types of plans sponsored, and design features.

The survey questions focused on retirement benefits as they relate to:

- Employer and employee views on the types of plans offered
- Effectiveness of the retirement benefits being utilized
- Short-term goals for plan improvement
- How their retirement plan fits into the organization's benefit package
- Satisfaction with cost and effectiveness
- The importance of employee retirement readiness

With a labor shortage, longer lifespans, and rising inflation, employers are looking for methods to boost morale among existing employees, attract quality talent, and retain key personnel. The survey results suggest employers are enhancing their retirement benefits packages to help meet those objectives.

An increasing number of employers are seeking to improve retirement readiness and satisfaction with benefit packages for their employees by implementing features and types of plans that lessen the burden on employees to actively manage their retirement plan savings.

When it comes to plan types and designs, survey results are in line with trends we've seen in recent years. Most survey respondents (96%) sponsor a defined contribution plan in the form of either a 401(k) or 403(b). Of those, 88% offer at least a 3% matching contribution, 58% match at safe harbor contribution levels, and 18% plan on increasing the benefits their retirement plan packages offer.

This shows a positive shift toward a willingness among employers to provide more money and take more responsibility when it comes to helping employees reach retirement readiness. These statistics, along with the underlying data on plan participation rates, goals for employee benefit offerings, and employer views on the importance of retirement plans in meeting company objectives, indicate a trend toward more paternalistic approaches, especially as it relates to financial support for retirement plans, types of plans made available, and employer engagement. The responses to the defined benefit plan portion of the survey further supports these views.

Twenty-two percent (22%) of survey respondents offer a traditional pension plan in conjunction with their defined contribution plan. Of those, 71% are open to new hires and providing ongoing benefit accruals for all participants; 24% are on a soft freeze (closed to new hires, but still accruing benefits for active plan participants). Only 5% are

(Continued...)

considering offloading risk due to funding concerns, and none of the survey respondents have plans to terminate their pension plans in the near future.

These results contradict the sentiment of the past few decades where most employers no longer found value in sponsoring a defined benefit plan. Our survey results show that employers are rediscovering that defined benefit plans are still the most effective and best return on investment when it comes to providing a retirement benefit that attracts and retains employees while helping achieve retirement readiness.

With the retirement gap in America reaching an estimated $28 trillion[1], changes to ERISA (Employee Retirement Income Security Act) law over the past 10 to 15 years designed to have defined contribution retirement plans emulate pension plans in the following ways:

- Auto enrollment and auto escalation
- Raised contribution limits
- Safe harbor provisions
- Qualified Default Investment Alternatives (QDIAs)
- Increased fiduciary roles and responsibilities

Employers are starting to see the need (some would even say they're being forced) to take on a more paternalistic do-it-for-me approach when it comes to the management of participant accounts in their company-sponsored retirement plans. As plan sponsors do their due diligence when it comes to staying compliant while creating attractive benefit packages, they're starting to realize the value that defined benefit plans offer.

When it comes to participants needing a do-it-for-me approach for retirement savings, defined benefit plans have long been the most effective solution for employers to help their workforce reach a healthy retirement. By design, defined benefit plans shift the responsibility of saving and investing properly from the employee to the employer. Something that is much needed considering the shift from defined benefit plans to defined contribution plans as the preferred savings option among employers has resulted in only 55%[2] of working age households having any retirement savings. Less than 8%[2] of these households have enough savings to retire comfortably.

When it comes to saving enough for retirement, it's safe to say that placing such a large piece of that responsibility in the hands of the average American hasn't been successful. It's encouraging to see employers realizing the need to assume more of the responsibility for helping their employees reach retirement readiness, based on our survey's results.

As more companies look for ways to increase workplace satisfaction, attract and retain key talent, and get the most return on their investment from their benefit offerings, this trend of taking a larger role in employees' retirement readiness should continue to grow. With more data and attention to trends, employers will continue to realize that defined benefit plans (traditional pension and cash balance pension plans) are the most effective play types for helping employees reach retirement readiness. That will lead to a resurgence in traditional pensions and the continued growth of cash balance plans.

The trend of the 1990s when 35%[3] of companies sponsored traditional pension plans won't be back again anytime soon. The low 15%3 level of today will be a thing of the past as the number of new plans continues to rise. Furthermore, cash balance plans will continue as the fastest growing new plan type (336% growth rate from 2011-2021)[4] in the coming years, especially as their popularity continues to move up market to larger organizations.

Sources:

1 https://c ngs-gap-a-tale-of-two-numbers/

2 https://www.ebri.org/docs/default-source/rcs/2023-rcs/2023-rcs-short-report.pdf

3 https://www.forbes.com/advisor/retirement/what-is-a-pension/

4 https://www.plansponsor.com/data-shows-popularity-cash-balance-plans/"

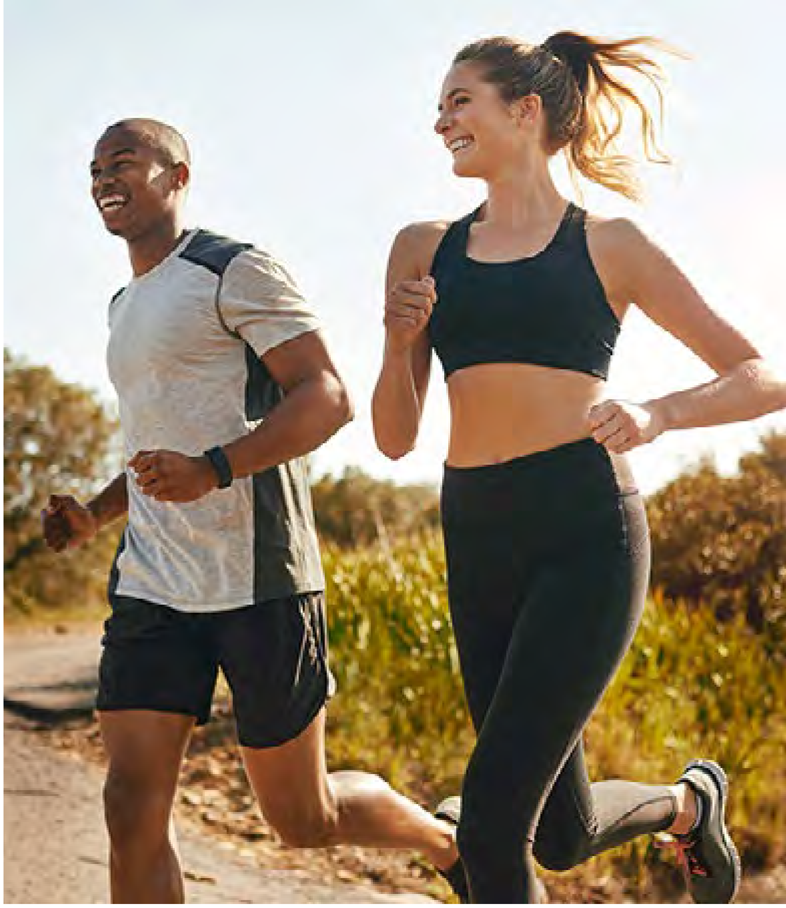
This article was previously published in HR Professionals Magazine. For your free digital subscription, click here.

Chuck Stinson
Sales Director, McGriff Retirement Practice

The Top 5 Wellness Trends for Employee Benefits in 2024

In the ever-evolving landscape of employee benefits, wellness initiatives have become a focal point for organizations aiming to enhance productivity, engagement, and overall employee well-being while simultaneously reducing healthcare expenses.

As the workforce continues to prioritize health and wellness, employers are increasingly investing in strategies that address prevalent issues and align with emerging trends. If you are an employer looking to pinpoint where wellness dollars should be allocated, here are five evidence-based wellness trends to keep you on the cutting edge.



Obesity Management Programs

According to the CDC, 42.5% of U.S. adults met the Body Mass Index (BMI) criterion for obesity in 2018. In the workplace, obesity contributes to increased healthcare costs, absenteeism, and reduced productivity. A study published in the Journal of Occupational and Environmental Medicine found that obesity-related absenteeism costs employers $13.4 billion to $26.8 billion annually in the United States alone, between $271 to $542 per person. Another study found that obesity as a risk factor was attributable to $1,000 per year in increased healthcare costs. And that was before GLP-1 (Glucagon-Like Peptide-1) medications like Ozempic, which cost $1,000 per month, came into the picture.

To combat this issue, organizations are investing in evidence-based obesity management programs that incorporate dietary interventions, physical activity promotion, and behavioral counseling. Research shows that workplace interventions focused on diet and physical activity can lead to significant weight loss and improvements in overall health among employees. It gives more meaning to “low-hanging fruit” than ever before.

Gender-Based Wellness Initiatives

Employers are increasingly realizing the importance of addressing gender-specific issues as a means of preventing mental health disorders such as depression and anxiety as well as building a culture of health that recognizes individual needs. These gender-based programs have real benefit for both individuals and employers.

For example, one study found that workplace wellness programs addressing women's reproductive health issues, such as menstrual health awareness and fertility support, can lead to improved employee well-being, productivity and retention, and reduced absenteeism.

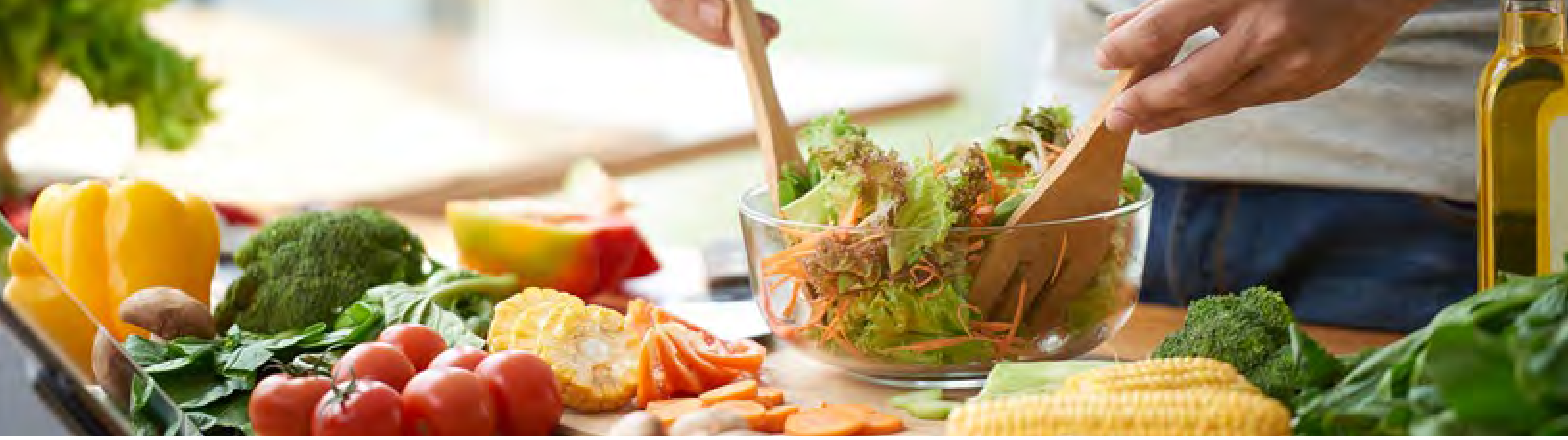
For males, new solutions are moving away from old-school, go-it-alone “tough-guy” masculinity in favor of recognizing how male loneliness can lead to depression and cardiovascular disease. These solutions enable men to connect with male-specific mental health support (such as the Unbreakable Men app), and even each other for support.

Mental Health and Stress Management Support

Speaking of mental health, there is increasing societal openness to acknowledging the need to support one’s own mental health, as exemplified and accelerated by high-profile athletes like gymnast Simone Biles and tennis star Naomi Osaka. According to the American Institute of Stress, work-related stress costs U.S. businesses up to $300 billion annually in absenteeism, accidents, and decreased productivity.

Recognizing the significance of this issue, but also realizing that complete stress elimination is over idealistic, employers are investing in evidence-based mental health and stress management support programs – and in building resilience in the face of inevitable stress. Interventions such as cognitive-behavioral therapy, mindfulness-based stress reduction, and employee assistance programs (EAPs) can effectively reduce stress levels and improve mental well-being among employees. By prioritizing mental health support, organizations can create a healthier and more resilient workforce.

(Continued...)



Remote Work Wellness Solutions

Although the following fact may sound unrelated, it might actually offer some interesting insight into human nature: Many colleges have started replacing their tennis courts with much smaller pickleball courts. This shift from tennis to pickleball may be an indicator of a natural preference for intimacy. People (at least most of them) need to be around other people.

And so, while the pandemic-induced transition to remote work offers significant conveniences, it also presents new challenges for employee well-being, including social isolation, sedentary behavior, and blurred work-life boundaries.

Employers can increase opportunities for employees to stay active and connect with each other through activities like wellness challenges, volunteer events, group online fitness classes and affinity groups. All of these initiatives can help promote well-being and engagement among remote employees.

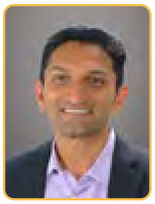
Financial Wellness

Last but not least, prolonged inflationary pressures have made financial concerns a key stress point for people. Instead of –or along with –raising wages to match inflation, employers can significantly improve their employees' financial stability and well-being through education on how to:

- Build an emergency savings account
- Manage debt
- Handle changes in cashflow
- Select proper health insurance and benefits
- Prepare for significant life events
- Save for retirement

Wellness initiatives are essential for addressing the diverse health needs of employees and driving positive outcomes in the workplace. By investing in obesity management programs, gender-specific wellness initiatives, mental health support, remote work wellness solutions, and financial wellness solutions, organizations can create a culture of health and well-being that benefits employees in a targeted way, increases productivity and retention, decreases absenteeism, and improves the bottom line.

Nirav Desai
Peak Health SVP and Managing Director



McGriff Brings You Mineral!

March 18 | 2:00 p.m. EST

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.

Join us to learn about these exciting features and many more within your McGriff-provided Mineral account.

Register

Seven Things to Consider When Providing Paid Time Off

If you're thinking about offering paid time off (PTO) to your employees, above and beyond what you may (or may not) be legally required to provide, here are some things to consider.

Everyone needs time off from work, but not everyone's able to take it. Paid time off helps a lot. People are better able to take the time they need without worrying about a smaller paycheck. Employers demonstrate to their teams that they value them as whole people and recognize that time away from work is important as well.

But implementing and managing paid time off isn't a walk in the park. If you're thinking about offering it to your employees, above and beyond what you may (or may not) be legally required to provide, here are some things to consider:

What Does the Law Say?

No federal law requires that private employers offer paid vacation time, volunteer time, or company holidays, so you don't have to worry about that. However, if you operate in a state or locality that requires paid sick leave, paid time off, or any other kind of leave, make sure your paid time off policies comply with the relevant laws. Keep any legal requirements in mind when reviewing the considerations below.

What Can Employees Take Paid Time Off For?

Some employers may opt for simplicity by providing a single paid time off (PTO) bank and telling employees they can use it for whatever they want. A consolidated bank of time provides employees with the flexibility to take their time as they like, sparing them the need to come up with a reason for requesting time off and you the task of tracking different types.

There are, however, advantages to spelling out what employees can use paid time off for and having separate banks for each type of time off, especially if you're in a state that mandates any kind of paid leave. First, having separate banks makes it easier to track whether you're in compliance with applicable leave laws. These typically require employers to offer a certain number of hours based on how much an employee works or what they're taking leave for. Second, identifying different types of paid time off tells employees that those are legitimate and good reasons to take time off. People should feel empowered to take time to grieve after a loss, volunteer after a local disaster, or take a planned day off simply to extend the weekend. Third, it can help encourage employees to stay home when they're sick. By having some paid time off designated as paid sick time, employees under the weather won't feel like they're digging into their allotted vacation time when they call in sick.

If you're unsure what types of paid time off to offer, but you're planning to offer it in some form, consider surveying your employees on what types of leave they'd like.

How Do We Provide Employees with Paid Time Off?

There are two basic ways to provide time off for your employees. The first is a lump sum at the beginning of the year (calendar or fiscal). The second is through an accrual system.

The lump sum method is easier to manage and useful for employees who like to take their vacations toward the beginning of the year. The main downside is that employees may use up all their time early in the year and then quit, taking a full year's worth of paid time off without having "worked for it." But of all the costs that come with turnover, their use of paid time off is probably going to be very low on the list.

The accrual method, in which employees earn time off throughout the year, avoids that problem, but it can complicate tracking and may restrict the freedom of employees to take time off when it suits them best.

How Much Paid Time Off Should Employees Get?

Now we come to the more difficult question, if for no other reason than you have so many options. According to Forbes, the average U.S. employee gets 11 paid vacation

(Continued...)

days, 8 paid sick days, and roughly 7 paid holidays. Typical amounts vary based on tenure, industry, geographical area, and the pressure of competition. It would pay to conduct a little research before setting any amounts for your employees.

You could instead decide not to worry about specifics and just give your employees flexible or "unlimited" PTO. (We recommend against calling these plans "unlimited" as that's rarely accurate in practice and can be confusing to employees.) With flexible PTO, employees have no set number of days off they can take, provided their time away doesn't jeopardize their work or disrupt business operations, but this can be a blessing and a curse. Flexible plans like this are nice for the freedom they bring. Employees can request time off when they need it without worrying about going over a limit or having to fit activities in whatever time they have remaining. On the flip side, without hard limits, it can be difficult for employers and managers to set expectations around how much time is appropriate. Employees, fearful they're taking too much or not viewing it as an employment benefit that needs to be "used up," may well ask for less time off than they otherwise would.

How Far Ahead of Time Should Employees Request Paid Time Off?

While some reasons for leave may not allow requesting time off in advance—sick leave or bereavement leave, for example—it's perfectly fine to require employees to request vacation time in advance. Two weeks beforehand is common, but you can shorten or extend that period of notice depending on how much flexibility you would like employees to have and how much time they and their teams need to prepare for their absence. You can also ask for more notice for longer absences, while still allowing employees to ask for a day off "last minute" if it turns out their schedule is clear.

When and How Should Requests Be Denied?

There will be occasions when you're not able to approve a request for time off. You may not have sufficient coverage or the employee requesting time off may have unfinished projects that can't be put off. There may be other reasons too.

To avoid hurt feelings, unexpected denials, and the appearance (or reality) of discrimination, it's best to have clear, objective practices around approving and denying requests so employees understand the criteria used. That criteria may be the order in which requests were made, the seniority of the employees requesting PTO, or manager discretion based on team needs and performance. Of course, make sure employees aren't denied leave to which they're legally entitled.

Even if no leave laws apply, take care that no protected groups are disproportionately denied their requests for paid time off. If Black women or individuals over 40, for example, are denied leave more frequently than members of other groups, you could be looking at a discrimination claim.

How Should Employers Respond to Employees Not Taking All Their Paid Time Off?

It's likely that you will have employees who don't use all their allotted or accrued paid time off during the year. This is actually very common and while some employers might see this as a good thing, unused or underused paid time off may be a symptom of too much work and too little time to do it, which will only compound the likelihood of burnout.

One option to help employees take their PTO is to allow them to roll over a certain amount of unused time to the next year. This at least gives them the option to use their time later if they aren't able to use it during the current year.

Another option is to require employees to take a certain amount of PTO during the year. This practice is not very common and comes with logistical challenges, especially if many employees haven't taken their mandated time by the end of the year.

Regardless of what you decide, if you're concerned that employees are not able to take sufficient time away from work, we recommend looking into why that is. Simply setting up a generous PTO program doesn't by itself establish a healthy work-life balance. Employees need the freedom to take the time that's right for them and actually get away from work. That means addressing factors that may be deterring employees from requesting PTO they're eligible to take.

This article was previously published by our strategic partners at Mineral and is reprinted with permission.

Compliance Q & A:
Continuing or Terminating Benefits During a Leave of Absence

Without an established leave of absence policy, it's difficult to tell an employee that benefits are being terminated in the middle of a leave – especially when the leave is due to the health condition of the employee or a loved one. It's easy to make an emotional decision rather than a sound business decision, but good intentions can lead to significant financial exposure and increased risk of complaints of discriminatory treatment. Employers must consider not only the needs of the employee, but also the interplay of carrier contractual provisions, federal and state benefit regulations and the employer's own policies.

Read the full McGriff Compliance Q&A: Continuing or Terminating Benefits During a Leave of Absence

FLSA Slip-ups Carry a $164.1 Million Price Tag in 2023

The U.S. Department of Labor's (DOL) Wage and Hour Division (WHD) recently published its WHD by the Numbers 2023 report. WHD is a division of the DOL that enforces federal minimum wage, overtime pay, recordkeeping and child labor requirements of the FLSA, among other oversight responsibilities. Its report found that in fiscal year (FY) 2023, over $274 million was recovered for 163,000 workers. Specifically, more than $164 million was recovered for Fair Labor Standards Act (FLSA) violations.

Wage penalties were the biggest category of FLSA violations.

WHD recovered the following amounts for workers in 2023:

- Overtime violations—$131 million for 106,759 employees
- Minimum wage violations—$21 million for 31,150 employees
- Tip-related violations—$4.5 million for 6,645 employees
- Retaliation violations—Over $150,000 for 60 employees
- Child labor violation - $8 million for almost 4,000 children.

This article was reprinted with permission from Zywave.com.

McGriff
Never settle for less.

McGriff.com