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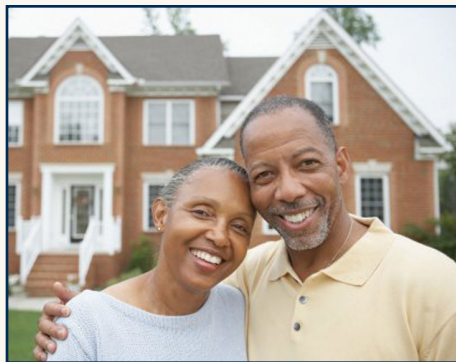
ARE YOUR RETIREMENT ASSETS REALLY PROTECTED?

When financial planners discuss ways to safeguard retirement investments with their clients, they often cover two insurance products that may be considered components of a solid fiscal strategy: Life insurance, which is designed to protect assets as they're growing for a remaining spouse or dependent in the event of a death, and long-term care (LTC) insurance, which helps protect assets against a financial drain later in life due to both expected and unexpected healthcare expenses.

While we may understand this message overall, most of us seem to overlook life insurance and LTC coverage, perhaps wanting to believe that we will live to be 100 and die in our sleep of natural causes. This notion is supported by a 2006 Wall Street Journal and Harris Interactive poll which showed that only 9% of 2,918 adults surveyed had purchased LTC insurance.

Many people believe that their life insurance needs diminish once they turn 60, and that the only coverage they need is health insurance. While health insurance is arguably the primary insurance requirement, the aging workforce (and population in general) has needs that may have been

unanticipated in the past. Protecting assets as they grow is a major consideration for people who have a spouse or dependent who may need income in the event of an untimely death during retirement. Additionally, LTC expenses (again—anticipated or unanticipated) can easily eat into these assets, with an average cost of care in a facility being around \$70,000 per year (and possibly over \$120,000 per year, depending on the part of the country that the care is being received). All in all, these forms of coverage can be perceived as “risk management tools” for retirement assets.



While most companies offer life insurance to their employees (94% offered this coverage, according to a 2006 survey by the Society for Human Resource Management), only 29% of mid-size companies (with 500 or more workers) and 49% of big firms (with 20,000 or more workers) offer LTC insurance to their employees, according to a 2006 Mercer National Survey of Employer-Sponsored Health Plans.

While escalating health care costs have strained employer efforts to offer the best core benefits they can for their employees, the ability and availability to offer these benefits as a voluntary choice for their employees is gaining in popularity. Some employers might decide to subsidize the benefit to reduce the cost, but most will simply use their buying power to negotiate the best group rates for their employees.

As of now, the most popular way to provide the LTC benefit is as an employer-paid Executive Carve Out for key employees, and then as a voluntary benefit for the balance of the employees. Benefit plan administrators are seeing the depletion of some of their retiree's nest eggs due to LTC needs, and realize that offering the LTC benefit, whether employer-funded or as a voluntary option, is helping their employees have better choices when trying to protect their hard-earned retirement portfolio.

Source: BenefitsNews.com

RECENT GUIDANCE ON ROLLOVERS INTO HSAS

The Tax Relief and Health Care Act of 2006 was enacted on December 20, 2006, and included provisions directly impacting Health Savings Accounts (health HSAs). These new features are an expansion of HSAs, widely believed to make them more attractive to employees and employers.

When this Act was passed into law, it was stated that there would be further clarification of some of the HSA provisions in 2007, especially as employers require more explicit guidelines to implement changes to their healthcare programs. As such, the U.S. Treasury Department and the IRS issued guidance (Notice 2007-22) on February 15, 2007 on the feature that provides for one-time HSA funding opportunities in the form of rollovers into Health Savings Accounts (HSAs) from health Flexible Spending Arrangements (health FSAs) and Health Reimbursement Arrangements (HRAs). The guidance clarifies the conditions that must be met for a qualified rollover:

- ▶ Plan document amendment requirements: The employer amends the health FSA or HRA

plan document by the last day of the plan year to allow the qualified HSA distribution

- ▶ Distribution election deadline: The employee elects the distribution by the last day of the plan year
- ▶ Reimbursement deadline: The employee receives no reimbursements from the health FSA or HRA after the last day of the plan year;
- ▶ Prior distributions caveat: The employee has not previously made a distribution from that health FSA or HRA account
- ▶ Zero balance deadline: The FSA or HRA account balance is zero on the last day of the plan year following the distribution (or the general purpose health FSA or HRA is converted to an HSA-compatible FSA or HRA)
- ▶ Distribution amount declaration: The distribution amount is either the amount on the distribution date or the account balance on September 21, 2006, whichever is less
- ▶ Distribution calendar: The employer makes the distribution directly to the HSA trustee by the 15th day of the third calendar month following the end of the plan year and following the employee's HSA eligibility
- ▶ HDHP coverage requirements: The employee has HDHP coverage on the first day of the month in which the distribution is made.

As the Tax Relief and Health Care Act was passed late in 2006, most plans did not have time to take the appropriate action before the new year. Therefore, the Treasury Department and IRS also issued transition rules for qualified

rollovers in 2007. For health FSAs with a grace period and HRAs with a remaining balance after December 31, 2006, the same conditions listed above apply, except that the following needs to occur by March 15, 2007: Employer amends the plan, the employee elects the distribution, and the employer makes the distribution.

The full text of the guidance can be viewed at: <http://www.irs.gov/pub/irs-drop/n-07-22.pdf>

HR HOTSPOT - COST VERSUS TALENT: A SEA CHANGE IS UNDERWAY

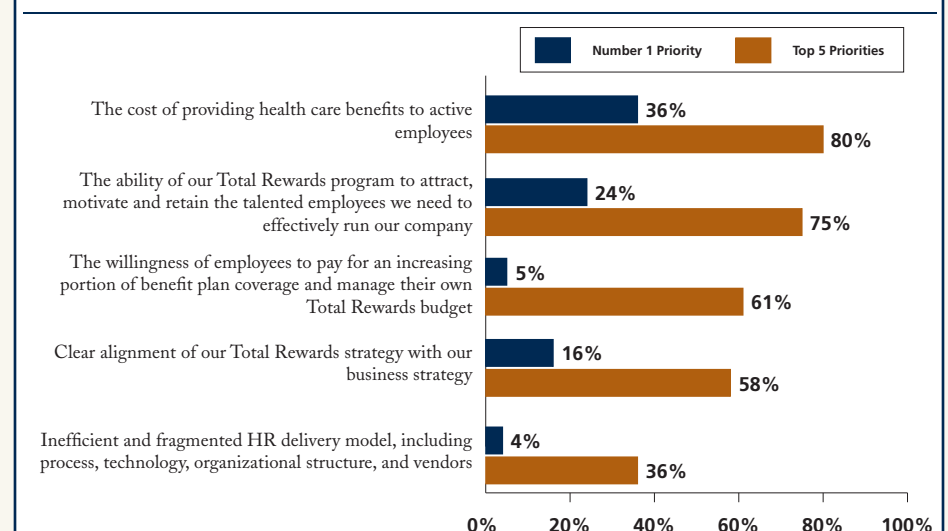
The Top Five Total Rewards Priorities Survey has been conducted annually since 1994, sponsored jointly by Deloitte Consulting LLP (Deloitte Consulting) and the International Society of Certified Employee Benefit Specialists. The 2007 results highlight the delicate balancing act that HR professionals now see between controlling health care costs and attracting and retaining workforce talent. While

respondents identify health care costs as the number one benefit priority for employers in 2007, providing their companies with talented workers is a very close number two – a gap of only 5 percent among respondents.

Overall, 80 percent of respondents identified controlling health care costs as one of their Top Five priorities, with 36 percent naming it their number one priority. Concerns about health care costs are down significantly from the 2006 results: 91 percent and 55 percent, respectively. At the same time, concern about the ability of companies to attract, motivate, and retain talent continues to rise steadily. This year, 75 percent of respondents listed this priority in their Top Five, making it a very close second to containing health care costs. Moreover, the percentage of respondents that list this priority has changed markedly in the last two years, up from 56 percent in 2005.

Source: 2007 Total Rewards Top Priorities, Deloitte Development, LLC

FIGURE 1: TOP FIVE TOTAL REWARDS PRIORITIES
Top Ranking Issues*



*Issues that ranked among the Top Five by more than 35% of respondents