Employee Benefits Report

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Retirement Planning

Set it But Don't Forget it: Maintaining Your Auto-401(k) Features

When 401(k) auto-features like automatic enrollment, automatic deferrals, and automatic escalation first emerged, they seemed like a total game-changer.

Research shows these features can increase participation dramatically—by over 15 percentage points on average. And the gains are the biggest among lower-income and minority workers who can benefit most.

So auto-features are doing their job on participation. But experts warn against getting complacent, especially as 30-50% more young and lower-paid workers enroll. To maximize the value of your auto 401(k), while avoiding higher-than-expected costs, you need an ongoing system to monitor and optimize these settings. Here's what to focus on:

Fine Tune Deferral Rates to Participants' Reality

The power of auto-features comes from making enrollment and savings decisions automatic. But that means participants stay enrolled at the default rates unless they opt out, so setting appropriate deferral percentages upfront is key.

Aim higher than the common 3% default rate which barely moves the needle on retirement savings. But don't go so high or escalate so quickly that participants struggle financially. Deferral rates are absorbed directly from participants' take-home pay. Increasing them too quickly could mean pay increases barely boost their checks or even leave them worse off.

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This Just In ...

What Employers Need to Know About the New HIPAA Privacy Rule

A new Health Insurance Portability and Accountability Act (HIPAA) privacy rule went into effect on June 25 that prohibits the disclosure of protected health information related to lawful reproductive health care in certain situations. Employers, as covered entities under HIPAA, must comply with the rule by Dec. 23.

Under the previous HIPAA privacy regulations, healthcare providers were allowed, but not required, to share patients' reproductive health information with law enforcement. Such information could include contraception use, pregnancy-related care—including miscarriage and abortion—as well as infertility treatment.

The Biden administration issued the new rule after hearing concerns from providers that patients' records could be unlawfully sought when they travel out of state to obtain reproductive care, especially after the Supreme Court overturned Roe v. Wade in June 2022. Several states instituted abortion restrictions and bans following the decision, causing some patients to cross state lines for care.

What the New Rule Covers

The new HIPAA reproductive health privacy rule aims to better protect patient confidentiality and prevent medical records from being used against those legally obtaining or providing reproductive care.

Ideally, aim for a 6-10% deferral rate between automatic and matched contributions. If most participants in your plan are young or lower income, start conservatively at 6% rather than 10%.

To identify the sweet spot, model different scenarios using your plan census data. Look at the impact on take-home pay for representative 'average' participants. If too many employees start opting out or tapping 401(k) funds for non-retirement needs, like loans or hardship withdrawals, reassess your rates.

Add Emergency Savings to Avoid 401(k) Raids

Speaking of non-retirement withdrawals—try to minimize these by meeting more immediate savings needs directly. Accounts like emergency savings and rainy-day funds allow participants to stash cash for surprise expenses. If integrated into the 401(k), these supplementary savings options prevent pre-retirement asset leakage.

In one study, automatically enrolled participants were far more likely to fully cash out when changing jobs compared to those who voluntarily enrolled. While auto-features still increase net wealth overall, cash-outs chip away at that advantage. Giving participants other options reduces this behavior.

Emergency and supplemental savings accounts also address a root cause—some employees enroll more to access affordable savings than for retirement itself. Better positioning 401(k)s as long-term wealth while offering other shorter-term savings options keeps roles distinct.

Review Cost Impact—And Have a Backup Plan

The stellar participation gains from auto-enrollment don't come free. As 30-50% more lower-paid employees join your 401(k) and start accruing matches, plan costs rise. Model out your unique participant mix to see how costs could jump under different match structures.

Let's say you currently match 50% of the first 6% of pay deferred at a $0.50 on the dollar rate. If auto-features will realistically bring participation to 95% of staff, estimate total matching contribution costs in that scenario. Then consider changes like lowering the matching rate or capping the match at a percentage of total payroll.

The goal is to avoid a situation where you need to roll back matches later on. Think through the options and have a backup plan if participant or cost growth exceeds projections. The maximum tax benefits employers get from 401(k)s also depend partly on participation rates—so there are financial incentives on both sides to get this right.

Automate Monitoring With Annual Reviews

Rather than manually tracking participation fluxes after launching auto-features, use your recordkeeper's systems to automate oversight. Most can generate periodic reports, say monthly or quarterly, showing updated statistics. Look for changes in:

- **Overall participation rates:** Is growth aligned with projections?
- **Deferral rates:** Is the average creeping up or down significantly?
- **Non-retirement plan usage:** Are loans and hardship withdrawals rising?

Then conduct formal reviews annually using fresh census data. Revisit deferral rates and escalation schedules in case resets better match current salaries or hiring. Adjust contribution limits if too many higher-paid staff bump against the annual additions cap prematurely.

Ongoing reviews ensure your qualifications and testing results remain sound. Waiting longer between check-ins raises the risk of surprises—like unexpectedly low average deferral rates among non-highly compensated employees. The sooner potential issues arise, the more flexibility there is to tweak plan settings.

Help Participants Understand Their Role

For all their advantages, auto-features do enable a more passive participant experience. Employers can counteract potential disengagement through smart messaging about why and how retirement savings matter.

Communicate the key steps participants make by staying enrolled. Show compound growth over 30+ years in easy-to-understand projections. Break down how much deferrals plus employer contributions could meaningfully fund retirement—perhaps 70% or more of needed income. Position savings as wealth escalators that self-propel over time through market returns and compounding.

These types of messages reinforce retirement readiness as a journey requiring long-term commitment. They frame 401(k) balances less like bank accounts to dip into. When participants understand their growing ownership stake, they engage more.

However, the rule does not:

- Cover reproductive health information when the services obtained were illegal
- Cover data outside of HIPAA protections, like location information or health details stored on personal devices
- Apply unless the care was lawfully obtained in a state where it is legal.

Required Signed Attestations

Under the new regulations, if a HIPAA-covered entity like an employer receives a request for protected health information potentially involving reproductive care, they must get a signed attestation stating the data will not be utilized for prohibited reasons.

Valid attestations must be provided on a standalone form, not attached to other documents when disclosing information for:

- Health oversight activities
- Judicial and administrative proceedings
- Law enforcement purposes
- Releases to coroners and medical examiners.

The Office for Civil Rights plans to publish a model attestation form to aid compliance ahead of the Dec. 23 deadline.

Give Your Employees Peace of Mind with Accident Coverage

Unexpected injuries can lead to financial stress for many workers. With accident insurance, employers have an opportunity to provide additional financial support to employees.

What Accident Insurance Entails

Accident insurance policies provide cash payments directly to the insured to help cover costs related to injuries sustained in covered accidents. These lump-sum payments can be utilized to pay medical bills, replace lost wages, and cover other expenses that arise from the accident and recovery process.

Standard accident insurance plans often include benefits for fractures, ambulance transportation, emergency room treatment, doctor visits, hospital stays, and more. Additional optional benefits like mental health services, pet boarding, surgery, physical therapy, and extra protection for organized sporting activities may also be available.

Payout details vary depending on the unique circumstances of the accident and services utilized. Still, the average claim amount ranges between $3,500 and $7,500, according to insurance experts.

Why Accident Insurance Matters

Accident insurance serves as a supplemental layer of financial support on top of an employee's major medical insurance. A recent report found 63% of Americans do not have savings to cover a $500 emergency expense. With accident insurance, employees gain extra funds to cover surprise out-of-pocket expenses that accompany injuries.

Additionally, accident insurance claims do not take income level or other insurance coverage into account. As long as the policy requirements are met, the insured individual will receive cash benefits.

This guarantees employees additional money at their disposal without having to drain savings accounts, rack up credit card debt, or struggle to make ends meet after an unforeseen injury.

The Growing Appeal of Accident Insurance

As employee benefit offerings continue expanding, accident insurance policies are becoming increasingly common. Drawn by the relatable need for extra financial protection against surprise injuries, employees frequently enroll in and utilize these policies.

In fact, outside of general health and wellness claims, accident insurance plans see the most claims for expenses like doctor visits, x-rays, ER trips, lab work, and broken bones.

Catering Coverage to Employee Interests

Accident insurance premiums cost employers relatively little and offer good value at low cost. Plus, their flexibility allows employers to hand-pick plans that align with employees' needs and interests.

For multi-generational workforces, benefits that support mental health services, caregivers, and youth sports can have wide appeal. Even niche interests like golf, cycling, and pickleball can be covered.

Yes, pickleball. As shocking as it may seem, pickleball injuries are driving up accident insurance claims. Billed as one of the fastest-growing sports in America with over 48 million players, pickleball's popularity extends beyond just retired folks.

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Most players fall between the ages of 18 and 44 years old. And while players over 50 account for 91% of pickleball-related ER visits, strains, sprains, and fractures plague players of all ages.

So whether your employee base trends older or younger, active or not, adding custom accident insurance tailored to their lifestyles demonstrates a commitment to their financial well-being.

Provide Peace of Mind

Life's unexpected moments can derail anyone's stability. By offering accident insurance, employers empower their workforce with an easily accessible financial safety net.

Should an employee fracture an arm biking with their kids or tweak a knee during an intense match of weekend warrior basketball, they can rest assured that cash benefits will soon be on their way.

With the rising popularity of accident insurance for filling financial gaps, employees increasingly expect access to this supplemental coverage. Meet their needs and demonstrate a commitment to supporting workers beyond just traditional major medical health insurance.

The Remote Workforce Burnout Epidemic: How Employers Can Help

The rapid shift to remote work over the past few years has provided flexibility and other benefits for many employees, but it has also led to a troubling trend: epidemic levels of burnout.

Studies show that burnout—characterized by exhaustion, cynicism about work, and feelings of inefficacy—has increased across industries, with over half of employees now reporting feeling burnt out.

This epidemic threatens productivity and retention. Fortunately, with careful planning and support, employers can take steps to relieve pandemic-era stresses and foster healthier work-life integration for remote staff.

Create a Dedicated Workspace, Encourage Varied Environments

Working where you live can make it difficult to "leave the office." Experts say remote employees should have a dedicated workspace at home, separated from living areas. Employers can help by providing setup funds or office equipment.

But while home offices improve productivity, confinement there threatens mental health. Isolation and lack of variation in the environment contribute to burnout.

Forward-thinking companies encourage employees to incorporate new settings, taking calls from a café or coworking space. Outdoor walking meetings boost energy and creativity. Stipends help remote workers afford the occasional desk rental or coffee shop work session.

The Social Connection Imperative

Humans are wired for in-person community; without it, remote workers report feeling disconnection and loneliness. Combined with home isolation, lack of socialization heightens the risk of burnout.

Smart remote employers integrate virtual social activities into company culture, both during and outside working hours. These provide valuable connection, whether through games and contests, optional hobby-based groups, or informal chat sessions enabling coworkers to catch up.

Monthly virtual lunches, cook-alongs, or “coffee breaks” give remote staff much-needed social contact. Managers sometimes organize video happy hours or bingo nights. During festive times of the year, companies host celebrations like virtual costume contests or cookie exchanges.

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The possibilities for remote social gatherings are endless—the key is making participation optional while fostering inclusiveness and fun. These moments of levity relieve stress while forming the bonds that sustain a strong remote company culture.

Flexible Scheduling and Work Strategies Prevent Overload

Alongside social isolation, a top driver of remote employee burnout is poor work-life balance. Without commute time forcing start and end times, remote workdays tend to bleed into nights and weekends.

Forward-thinking employers implement flexible scheduling, allowing workers more autonomy over when they complete core hours. This helps parents, those with caretaking responsibilities, and employees seeking work-life balance.

Other helpful strategies aim to smooth unreasonable workload spikes throughout the year. For example, clearly communicating priority projects and which teams own them prevents employees from overcommitting in an effort to support company goals. Ongoing check-ins help managers distribute responsibilities fairly across reports.

When remote employees can work during times that make sense for their lives, attend family events, or schedule a midday yoga class, burnout risk is reduced.

Unique Partnerships Expand Access to Mental Health Care

Experts emphasize that strong mental health coverage is essential, but traditional health plans may not meet all needs. Forward-thinking employers are getting creative, forging partnerships with services providing counseling via phone, video chat, text and more.

One popular option is BetterHelp, which connects users with licensed therapists for virtual sessions. Online counseling eliminates barriers like transportation and wait times. And because BetterHelp counselors don't report back to employers, users feel free to discuss confidential concerns.

Other specialty services support those struggling with addiction, eating disorders, infertility and other significant sources of distress. Crucially, these innovative solutions are accessible to all employees and family members.

Employers further enable access through tax-advantaged savings accounts. About 80 percent of U.S. companies offer Health Savings Accounts or Flexible Spending Accounts, through which employees can pay for counseling and other qualified care using pre-tax dollars.

Educate Employees to Maximize Benefit Utilization

Surprisingly, employers report that even when robust wellbeing programs exist, employees often misunderstand or underutilize them. For example, only around 30 percent of account holders submit qualified expenses for reimbursement through Flexible Spending and Health Savings Accounts each year.

Ongoing education helps remote employees take full advantage of mental health and work-life balance benefits offered. Creative promotion ideas include monthly “Lunch and Learn” sessions explaining how accounts reimburse exercise costs, meditation apps, marriage counseling, and more.

Email campaigns feature quick facts on using telehealth services or available Employee Assistance Programs. Benefits guides and access instructions should be kept updated and highly visible on intranet sites.

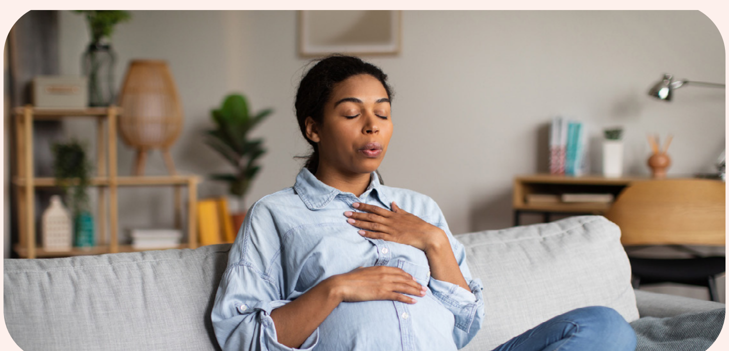
States' Bid to Block PWFA Rule Fails; Compliance Deadline Stands

A last-ditch effort by 18 states to block new federal regulations implementing the Pregnant Workers Fairness Act (PWFA) has failed, allowing the rules to take effect as scheduled on June 18. The regulations require employers to provide reasonable accommodations for employees with pregnancy-related medical conditions.

U.S. District Judge Declines to Halt Regulations

The legal challenge, led by Tennessee, targeted the inclusion of elective abortion as an example of a covered pregnancy-related medical condition. The states argued this transcended the text of the law and violated state policies limiting abortion access.

However, U.S. District Judge Susan Baxter of the Eastern District of Arkansas denied the states' motion for a preliminary injunction on June 14. Baxter ruled the states lacked standing to sue and failed to demonstrate imminent, irreparable harm from the regulations taking effect.



With no injunction in place, employers must comply with the new rules by the June 18 deadline. This requires having a process for employees to request pregnancy-related accommodations.

States Claim Harm from Compliance Costs

The 18 plaintiff states prohibit or strictly limit abortion access. They claimed the regulations would force state agencies to accommodate elective abortions in violation of state law. This would impose compliance costs and infringe on state sovereignty.

However, Baxter found these injuries speculative. Simply listing elective abortion in the rule causes no actual harm to states, she stated. Challenging the statute itself would better address whether it requires accommodating banned abortion procedures.

Furthermore, the judge emphasized federal agencies have longstanding authority over workplace regulations. The PWFA rules align with the statute's purpose to support pregnant employees. Thus, imminent irreparable harm to the states was not proven.

23 States Back Regulations

In contrast, a coalition of 23 states and Washington, D.C. supported the regulations. Led by New York, these states hailed the rules' protection of pregnant workers' access to healthcare without fear of losing their jobs.

The EEOC also vigorously defended its role in interpreting the PWFA's coverage. It characterized abortion as a "related medical condition" under the law.

What Employers Must Do

- Establish procedures for employees to request pregnancy-related reasonable accommodations, both verbally and in writing.
- Engage in an "interactive process" with employees to determine the appropriate accommodation.
- Implement the agreed-upon accommodation, unless providing it would impose an undue hardship.

Typical accommodations may include bathroom breaks, assistance with manual labor, temporary transfer to a less strenuous position, and time off to recover from childbirth.