Employee Benefits Report

Carroll Gennings

Group Insurance Solutions
Medical Mutual Agent for the NCMS Plan
carroll@groupinsurancesolutions.com
(704) 543-9314 phone • (704) 543-9612 fax

Retirement July 2020 Volume 18 • Number 7

How to Keep Employees from Raiding Retirement Funds

The COVID-19 pandemic has wreaked havoc upon the finances of many employees, and some have been forced to use funds from their retirement plans.

A spokesman for Betterment for Business, which offers 401(k) plans, pointed out that retirement savings plans represent the bulk of what most Americans have saved, and, in some cases, is all they have saved.

Fortunately, your employees' only recourse for emergency cash for housing, food or medical costs does not need to be their retirement plan. There are a number of other sources of cash and — employers can help.

continued on next page

COBRA Coverage Popularity Giving Way to Short-Term Health Insurance Plans

The Consolidated Omnibus Budget Reconciliation Act (COBRA) allows employees to continue their employer-sponsored health insurance if they voluntarily leave their job or are laid off or fired. But COBRA coverage is quickly losing favor. They are expensive, especially compared to short term plans.

A customer survey conducted by Pivot Health, a health insurance company, reveals that 75 percent of employees who lost their coverage did not choose COBRA because of cost. When an employee chooses COBRA they must pay the entire premium

continued on next page

Why Retirement Funds are Not the Answer

First, it's important to point out the pitfalls of using retirement funds before retirement.

- **Penalties:** Anyone who withdraws money before age 59 ½ will have to pay a 10 percent penalty on money withdrawn. Exceptions to that rule are if the individual is totally and permanently disabled, has significant medical expenses; uses the money for higher education; or uses the money to pay for health insurance when unemployed. Also, see the section "If All Else Fails" at the end of this article.
- **Income tax:** Withdrawals will be treated as taxable income, and if your employee withdraws a significant amount at once, the additional income could push them into a higher tax bracket. They could end up paying a tax rate of 25 percent or more and lose the benefit of some credits and deductions.
- **Compound interest:** Interest can really help build an employee's retirement fund. For example, if a forty-year-old employee places just $10,000 into an account that earns 6 percent interest, when they retire in 25 years, they will have $42,919 at age 65. If they wait only ten years, however, until age 50, their $10,000 investment will be worth only $23,966. Taking money out of retirement funds is like starting over.
- **Legal protections:** Employees facing financial difficulties with creditors should know that creditors can't touch retirement accounts. That's why a financial crisis is not usually a good time to drain retirement accounts.
- **A better retirement:** Too many people are not saving enough for retirement. The Consumer Federation of America and the American Savings Education Council found that only 49 percent of non-retired respondents think they are saving enough for retirement. Withdrawing funds for emergencies leaves less for retirement.

What Employers Can Do

Taking these actions could make financial life easier for employees:

- **Employer-sponsored loans:** Work with your financial institution to make loans available as low-cost alternatives to credit cards. Many financial institutions are offering loans with three-month deferments so people can wait until the pandemic crisis ends to pay them back.
- **Employee hardship fund:** If you have an employee hardship fund, can the application process and funding timeline be shortened to allow employees to receive the funds more quickly?
- **Health Savings Account (HSA) contribution:** If you are financially sound, you might want to make a one-time contribution to your employees' HSA or retirement accounts.
- **Changes in salary deferral elections:** Employees should be informed that they can elect to reduce or cancel their salary deferral elections to put more money in their paychecks (as taxable compensation) if they have a coronavirus-related need.

(both the employer's and the employee's cost) plus a two percent administration fee.

Thus, only 25 percent of those surveyed elected COBRA coverage. However, the survey also found that 46 percent of those surveyed selected a short-term plan.

A short-term plan is low-cost and low-coverage. It generally covers the services and treatments related to unexpected illness and injury, such as outpatient visits to the doctor, emergency room visits, hospital stays, surgeries, and related x-rays and laboratory services.

It is not the same as a standard health insurance plan and is not considered health insurance under the ACA. Applicants can be denied coverage for pre-existing conditions. These plans usually are available for one to three years, and unlike standard plans, have no time limits.

Also, several states don't allow the sale of short-term plans, including California, Hawaii, Massachusetts, New Jersey and New York. Unless they become self-employed, most people who purchase short term plans expect to be fully covered again when employed by an employer with an ACA approved health insurance plan.

continued on next page

If All Else Fails

If employees must use their retirement savings for emergency purposes, they should know that Congress outlined new rules for retirement fund withdrawals in the CARES Act. Individuals can take penalty-free withdrawals up to the full amount of the 401(k) or $100,000, whichever is the lower amount, for a coronavirus-related distribution. The distribution is taxable income but may be spread over 3 years to reduce the tax impact. Required Minimum Distributions are also suspended for 2020.

Under the CARES Act, a 'coronavirus-related distribution' is a distribution to a taxpayer who:

- Is officially diagnosed with the SARS-CoV-2 virus
- Has coronavirus disease (COVID-19)
- Has a spouse or dependent who is diagnosed with such virus or disease
- Who experiences adverse financial consequences, such as being quarantined, furloughed, laid off or having work hours reduced, being unable to work (or telework) due to lack of child care, and the closing of a business or reduction of hours of an individual who owned or operated the business, in each case due to the virus or disease.

Employers may accept an employee's certification that a coronavirus-related distribution is necessary.

3 Challenges for Benefit Managers During the Pandemic

Providing benefit portability, helping employees manage their work/life balance and maintain financial stability can help employees during this difficult time.

The Covid-19 pandemic has been one of the most turbulent times for employers and their employment benefit programs. A huge portion of the work force has been let go or had to adapt to working from home; at the same time many people have found jobs in sectors where demand for employees has been stimulated by the crisis.

Employee benefit managers face at least three specific challenges. The first one is probably the easiest to manage, though the fact that it may apply to so many people at one time may be the greater challenge:

Providing benefit portability and a smooth plan conversion process. Make sure employees know their portability rights. COBRA allows most employees to continue health coverage for a period of time after losing a job. Portability is also an important factor with IRAs. Retirement account owners can instruct their former employer to transfer their ac-

continued on next page

count balance to their new employer's administrator. They can also elect to get the funds themselves, whereupon they have 60 days to reinvest the funds in another tax deferred account or pay the taxes on the amount received.

Helping employees manage their work-life balance. This is more challenging. For example, how can parents cope with working remotely while the kids are home all day? How can they adapt to getting work done and fulfill their home-schooling responsibilities? This is where Employee Assistance Programs can be a valuable resource, addressing not just health concerns (as we discuss in another article in this edition), but offering counseling, crisis-support, referral services, 24-hour crisis telephone support and more. Many EAPS now provide services via Zoom and other face-to-face technology.

Additional ways to help employees manage stress and relieve anxiety include providing online tools for meditation, yoga and relaxation techniques as well as exercise classes.

Helping employees maintain financial wellness. Stress about money can have a significant impact on anyone, but especially in times of greater uncertainty like now. This may be a good time to reach out to employees and invite them to enroll in a financial wellness program, which often exist as a benefits tool but are under-utilized. Regardless of employment status, understanding and practicing the basics of financial well-being can relieve stress. Living in isolation may even help people understand how to cut spending and practice contentment. Some wellness programs include a financial education component, offering online education and personal counseling.

For help navigating any of these challenges, please contact us. ■

Mustering Employer Resources to Combat Mental Health Issues

Unfortunately, as a consequence of the work-from-home, shelter-in-place and quarantine initiatives put in place to keep us safe from COVID-19, there has been a rise in emotional distress.

A Kaiser Family Foundation poll shows that 56 percent of Americans reported that worry or stress has led to at least one negative mental health effect. These effects include trouble with:

- Eating
- Sleeping
- Drinking more alcohol
- Frequent headaches or stomachaches
- Shorter tempers
- Other health problems

In addition, the Well Being Trust, a national foundation dedicated to advancing the mental, social and spiritual health of the nation, believes the pandemic could lead to 75,000 additional "deaths of despair" from drug and alcohol misuse and suicide due to unemployment, social isolation and fears about the virus.

Employers who offer health plans and have access to workplace wellness programs may be in a good position to address many of these problems. They already have communication structures in place and usually a team that could coordinate the programs. They can also offer incentives to reinforce healthy behaviors.

Plus, addressing mental health issues in the workplace pays employers dividends by having happier, more productive employees, and reducing health care costs for themselves and their employees.

Here are few things health experts say can exert a positive effect on employees' mental health.

Health Plan

First, employers should reinforce the value of the benefits they already provide. Highlight the company's employer-sponsored health plan by distributing informative material such as pamphlets about specific services, sending emails and holding workshops.

For instance, if your plan has access to telehealth or remote nurse line counseling, remind employees how to register. Explain that telehealth is not just for medical questions, but for mental health

continued on next page

counseling, too.

Discuss whether your plan covers the costs for COVID-19 testing and treatment. Also explain coverage for seeking routine care, chronic illness and urgent care.

If you have employees who are not on your plan, share with them information about accessing public COVID-19 testing and treatment or mental health counseling.

Seminars or workshops that address depression and stress management techniques, such as mindfulness, breathing exercises and meditation can help employees reduce anxiety and stress and improve focus and motivation. If you have mental health self-assessment tools, make them available to all employees.

Supervisors

Supervisors are often the ones employees come to when they do not know how to cope. They can usually tell when employees are stressed anyway. Therefore, provide these people with training to help them recognize the signs and symptoms of stress.

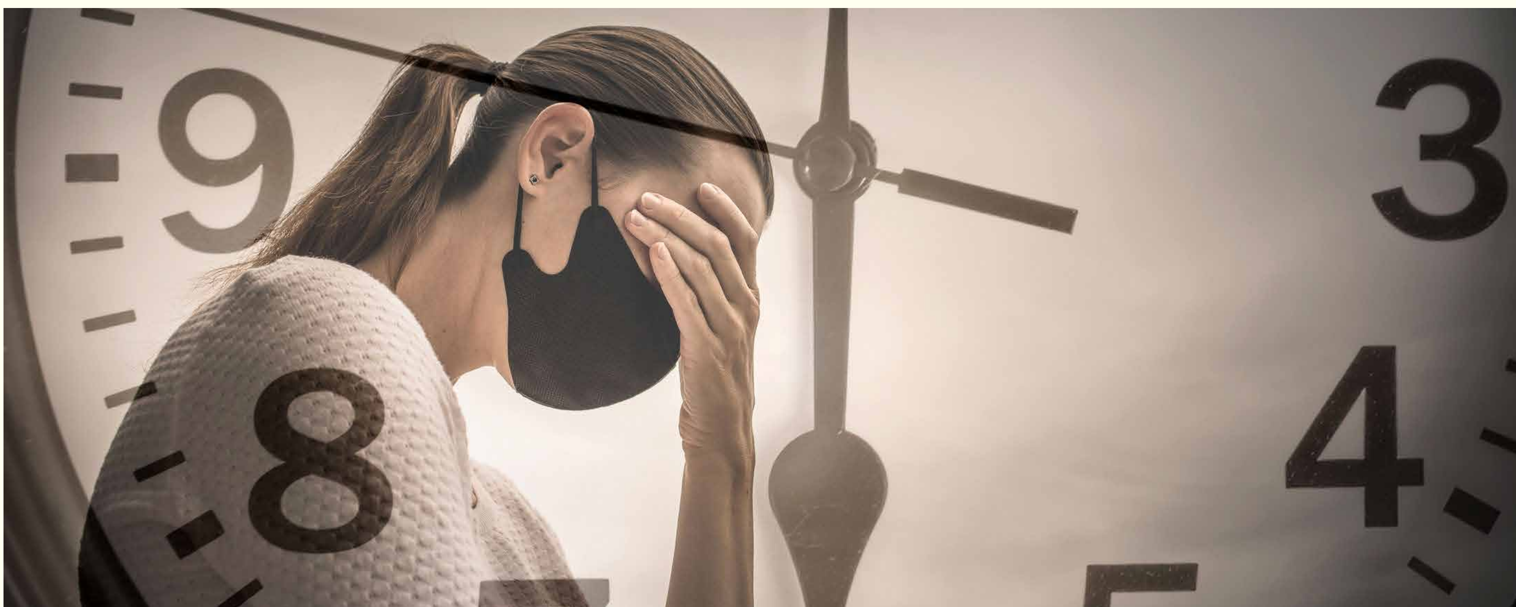
Supervisors should understand what Human Resources can provide so they can direct employees to the proper resources. They also need the authority and flexibility to give employees permission to take mental health breaks, take walks and practice other acts of self-care.

Supervisors should be encouraged to be good listeners and stay alert to the challenges employees are facing.

Employee Assistance Programs

An Employee Assistance Program (EAP) offers free and confidential assessments, short-term counseling, referrals, and follow-up services to employees with personal or work-related problems. These problems can include substance abuse, emotional distress, or occupational distress. Assistance is free.

If you don't have an EAP for your employees, please contact us. We will help you work with providers and determine which services best serve your needs.



more on next page

What to Consider Before Employees Fly the Friendly Skies Again

Now that restrictions due to the COVID-19 pandemic are being lifted, some businesses are allowing employees to travel for work again. If you travel or are considering letting employees travel again — particularly flying — here's what you need to consider.

Real ID

Due to the pandemic and the national emergency declaration, the Department of Homeland Security, as directed by President Donald Trump, has extended the REAL ID enforcement deadline beyond the current Oct. 1, 2020 deadline. The new deadline is Oct. 1, 2021.

The REAL ID is identification that meets minimum security standards for issuing drivers licenses. Your employees will need a REAL ID or a passport to gain access to federal facilities, to enter nuclear power plants or to fly on federally regulated commercial aircrafts.

The extension gives people more time to gather the information they need — proof of identity, proof of Social Security Number; proof of residency documents; and, if applicable, an original or certified copy of a name change document.

Safety

Safety for the employee and fellow travelers obviously still is a priority. No one should travel if they are not feeling well, are exhibiting symptoms of COVID-19 or have been exposed to someone who has the virus.

Airlines have been doing extra cleaning on their aircrafts. However, the low cabin humidity in airplanes dries out the mucous membranes, making a passenger's eyes, nose and mouth less effective for blocking viruses from infection.

To maintain the recommended six feet distance from other people, a passenger would need to sit two rows apart from other passengers. If possible, it's recommended flyers upgrade to business or first-class travel to gain more personal space.

Although there is no COVID-19 vaccine available yet, it's also recommended that flyers be up to date on essential vaccinations to prevent compromising their immune system.