

Part I



A BRIEF OVERVIEW OF FEDERAL BENEFITS FOR POTENTIAL RETIREES



COBRA

COBRA Compliance



- A former employee who is on COBRA loses their COBRA eligibility when they become Medicare eligible, BUT,,,
- Employees age 65 and up (Medicare Eligible) who leave employment are entitled to the full 18 months of COBRA upon leaving employment.
- Their dependents' 36 month eligibility begins when the employee becomes Medicare eligible.

Offering a COBRA Alternative



- This idea can be especially valuable for self insured plans seeking to limit their COBRA exposure.
- An employee that is leaving can be offered an alternative option rather than COBRA coverage.
- If they accept the alternative they waive their traditional COBRA rights.
- For instance, they could be offered three months of coverage at an employee's normal contribution cost.



Social Security

Social Security Implications for the Birth of a Child



- A child needs a Social Security number in order to be claimed as a dependent on a tax return, to open a bank account, or to buy savings bonds.
- A child born prematurely or disabled may be eligible for benefits. Certain conditions such as cerebral palsy, down syndrome, and a birth weight under 2 lbs. 10 oz. make a child eligible for immediate benefits for a six month period while the Social Security Administration reviews the claim.

Social Security Implications for Divorce



- Marriages must be in existence for 10 years before the following rules apply.
- If you are divorced and not remarried you may be eligible for a benefit from your former spouse's social security benefits.
- You may also be eligible for survivor benefits if your divorced spouse dies.
- Even if you remarry you may still be eligible for benefits as long as you remarry after the age of 60.

Benefits for Those that Work Past Retirement



- You are eligible to receive benefits for retirement from Social Security even if you are still working.
- Currently Benefits will be reduced by \$1 for every \$2 of income earned above \$12,480 in a given year until you reach full retirement age.

Example Social Security Benefit



- Born in April of 1950 retires at a salary of \$37,000 per year.
- Early benefits at age 62 amount to \$864 per month.
- Full retirement benefits at age 66 amount to \$1,209 per month.
- Delayed retirement at age 70 comes with a \$1,651 per month benefit.
- There are also substantial survivor benefits.



Medicare

Who is Eligible?



- People aged 65 and older.
- People who have had ESRD or ALS for 30 months.
- People who have been on SSDI for 24 months.

Who Pays?



- Groups over 20 employees are generally the primary payer for age 65 and up employees, and groups over 100 employees are the primary payer for the working disabled.
- The exception is for someone with ESRD or ALS. In such a case Medicare becomes primary after a 30 month period.
- For groups under 20 Medicare is the primary payer.

Medicare Part A



- Part A pays for hospital services, but no physician charges.
- Part A premium is paid through 10 years of contributions to FICA taxes.

Medicare Part B



- Part B covers physician fees including surgical fees and some laboratory testing.
- There is a monthly premium for Part B
- Most people will have a monthly premium of \$96.40.
- Individuals with a MAGI above \$82,000 and couples with a MAGI above \$164,000 will have a higher premium depending on their income.
- You must enroll within six months of becoming eligible or losing other health coverage.

Increased Part B Premiums Based on Income



Increased Part B premium	Filing as an individual	Filing jointly
\$154.70	\$85,001-\$107,000	\$170,001-\$214,000
\$221.00	\$107,001-\$160,000	\$214,001-\$320,000
\$287.30	\$160,001-\$214,000	\$320,001-\$428,000
\$353.60	Above \$214,000	Above \$428,000

Medicare Supplements



- Supplements cover gaps in Part A and Part B coverage. Generally speaking supplements pay for hospital deductibles and the 20% of fees not covered by Medicare.
- People who are becoming Medicare eligible or are enrolling in Medicare for the first time are "guaranteed issue". They cannot be denied benefits or charged more than the standard supplement rates.

Medicare Part D



- Part D covers prescription drug costs.
- Most plans are subject to the donut hole; a period with no benefits in between the first dollar coverage and the catastrophic coverage.
- Everyone who is eligible for Medicare must enroll in Part D or face a penalty.

Medicare Part D Cont...



- There is a 63 day grace period to enroll in Part D. After that a 1% per month price penalty is imposed for not enrolling.
- The exception to the rule is for people who have prescription coverage that is equivalent to or better than Part D coverage.
- Equivalent or better Rx coverage is referred to as *creditable coverage*.
- Most employer coverage, veteran's coverage, and most government coverage is considered creditable.

Part II



**AN AGEING WORKFORCE AND
CHANGING HR
RESPONSIBILITIES:
CHALLENGES AND
OPPORTUNITIES IN A
CHANGING DEMOGRAPHIC
ENVIRONMENT**

The Largest Demographic Change We Will Ever Witness

- The largest generation in American history is starting to turn 65.
- The 67 million baby boomers are changing the face of the workforce. In 2012 nearly one in five (19%) of workers will be age 55 and older.
- Many companies will be confronted with a lack of qualified talent to replace those going into retirement.
- Retaining the experience and knowledge built up by these ageing professionals can be essential.

Talent Retention



- Many members of the workforce nearing a traditional retirement age are going to want to stay in the workforce either by choice or necessity.
- They may want to keep busy and involved, or they may be pressured for financial reasons.
- Either way, if your company wants to retain its talent or attract experienced professionals from the outside, recognizing and adjusting to the issues facing senior workers will be necessary.
- A pro-active approach can turn these challenges into opportunities

Flexibility is Key



- Having a flexible schedule is often extremely important to older workers who may have elder parents that require care.
- Some ideas for flexible work situations include: flextime, contract consulting, compressed work weeks, telecommuting, on-call/project work, and mentoring programs.
- Such arrangements boost productivity among older workers and increase their loyalty to the company.

Retraining is an Essential Tool



- Retraining can be an excellent way to help retain older workers.
- Opportunities to enhance skill sets can foster a feeling of staying up to date, involved, and relevant.
- Retraining programs for older workers should provide a hands-on, task-oriented learning environment. Adults learn better by doing.

Phased Retirement or Bridge Employment



- For the senior worker that simply wants to stay busy or wants to supplement social security income, a part time job a desirable solution.
- Having flexible scheduling opportunities and access to part time benefits will be important to this group of people.
- Keeping a job bank of retirees for contractual work helps you retain talent on an as needed basis.

Elder Care a Growing Drain on Productivity



- The number of employees with elder care responsibilities has been rising steadily.
- This means more lost work time, and more stress, both emotional and financial, for many employees.
- Again a flexible scheduling option may be very useful.
- Having an EAP program that addresses the burdens of elder care is also important. Progressive programs offer not only counseling and referrals but eldercare mediation and support groups as well.

Long Term Care



- LTC insurance is probably the most under utilized employee benefit. Currently LTC policies account for only 11% of national spending on long term care.
- Medicaid is the largest spender providing over 40% of long term care funds.
- To qualify for Medicaid one must spend down their assets to less than \$2,000 or \$3,000 for a couple. A home, one vehicle, annuities and life insurance can be excluded from the assets that must be spent down.

Long Term Care Insurance



- LTC policies allow for much more attractive options that typically only the wealthy have been able to afford.
- They allow workers to plan ahead and pay lower rates at younger ages.
- They can in some cases also be used for parents.
- Group LTC policies often have more favorable underwriting standards than individual policies.

CLASS Act



- The Community Living Assistance Services and Support Act will offer a federally managed LTC benefit.
- Starting 1/01/2011, employers who wish to do so will be able to offer a payroll deduction option for their employees to pay premiums into the CLASS Act trust.
- The premiums are anticipated to be in the \$120/month range.
- Benefits are expected to provide \$50 per day for at home services and \$75 per day for institutionalized services.

Access to Financial Planning



- Only 40% of boomers feel adequately prepared for retirement. Data on average 401(k) savings would suggest that the number of boomers actually prepared for retirement is substantially lower
- Providing one on one access to a financial planner or holding regular retirement seminars can be a valuable and appreciated service.
- Retirement seminars might include elder care attorneys, representatives from the Social Security Administration, officers of the pension plan, and financial planners.

Coming 1/01/2011



- Employers will now have to include the value of an employee's health insurance on their W-2. This includes any HSA or HRA funds provided by the employer. Employee contributions made through payroll deduction are considered employer contributions.
- Over the counter drugs will no longer be allowable expenses under FSA's, HRA's, or HSA's.
- Dependents need to be covered to age 26 and no "unreasonable" annual maximums can exist within the health insurance plan.

Further Reading



An employer's guide to older workers: How to win them back and convince them to stay

- http://74.125.95.132/search?q=cache:MSBWAvPSbCQJ:www.doleta.gov/Seniors/other_docs/EmplGuide.doc+benefits+valued+by+older+employees&cd=4&hl=en&ct=clnk&gl=us
- **American Business and Older Employees: A Focus on Midwest Employers**
http://assets.aarp.org/rgcenter/econ/mw_employers.pdf
- **Good overview on LTC insurance**
<http://assets.aarp.org/rgcenter/ppi/econ-sec/2009-19-tax-incentives.pdf>

Additional Web Resources



- National SHRM has one of the finest web resources for HR professionals:
 - (www.shrm.org)
- AARP has many valuable web resources:
 - <http://www.aarp.org/research/>

Web Resources cont...



- Access My Library allows users to obtain digital content from a local library remotely and for free. This opens up access to many articles from journals that are not available from a normal search engine:
 - (<http://www.accessmylibrary.com>)

Web Resources for Federal Law



- US Code at <http://www4.law.cornell.edu/uscode>
- <http://www.law.georgetown.edu/workplaceflexibility2010/law/index.cfm>
- COBRA at www.dol.gov
- Social Security at www.ssa.gov
- Medicare at www.medicare.gov

For Future Questions



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