Employee Benefits Report

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Meaningful Ways to Support an Aging Workforce

America's workforce is aging rapidly — and it will have an impact on your business.

Baby boomers were born between 1944 and 1964 and currently are between 55 to 75 years old. About 10,000 baby boomers are turning 65 every day — a trend that started in 2011 — according to the Society of Human Resource Management (SHRM). At that rate, the U.S. Census Bureau estimates that the 65-and-older population will nearly double over the next three decades from 48 million to 88 million by 2050.

An aging workforce means that employers will need to fill the talent gap left by retiring baby boomers with younger workers who have the skills to replace

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Retirement Savings Still Out of Reach for Many Americans

Will your employees have enough money to retire when they want to? If they're like most Americans, the answer is no.

U.S. Census Bureau data indicates that 57 percent of people who are employed do not have any retirement account assets in an employer-sponsored 401(k)-type plan, an individual account or a pension. In addition, four out of five have less than one year's income saved in retirement accounts.

Justice in Aging, a nonprofit, says that stagnant wages make it

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them. Employers also will have to determine how to best meet the needs of an aging workforce postponing retirement.

Studies indicate that many employers are not prepared for this significant transition. A SHRM survey in 2016 revealed that only 35 percent of U.S. companies had analyzed the near-term impact of older workers leaving the workforce. A 2018 study by the Transamerica Center for Retirement Studies (TCRS) found that employers often think they are more prepared to handle this phase than their workers think they are. Eighty-two percent of employers said their company is supportive of its employees' working past 65, while only 72 percent of workers agree that their employer is supportive.

Repercussions

While age 61 to 65 is considered the typical age range to retire, many older Americans are retiring later. A few reasons for postponing retirement include:

- **Finances:** Many retirement age workers can't afford to retire because they haven't saved a sufficient income for retirement. While there's no magic number an individual should save, conventional wisdom is that new retirees should have saved $1 million to $1.5 million or have savings equal to 10 to 12 times their current income. Other retirees had saved enough, but the 2008 financial crisis left many with debt and/or insufficient income from their retirement savings.
- **Health:** Emotionally, physically and spiritually, many 60-year-olds feel much younger than their chronological age. People also are living longer. The average American can expect to live to be at least 78.6 years, according to the National Center for Health Statistics.
- **They're Needed:** The generation after the boomers has been called the Baby Bust because fewer babies were born. That means there are fewer people to step up with the result that employers often ask older workers to stay and work longer.
- **Productivity:** Many people enjoy working for both the mental stimulation and social opportunities. Jonathan Rauch is a senior fellow at the Brookings Institute and author of "The Happiness Curve: Why Life Gets Better After 50." He said that people in their 60s feel they have another 15 years of productive life ahead and "they don't want to just hang it up and just play golf."

Seniors who stay in the workforce can face discrimination from their employers and co-workers. The belief among many employers, TCRS found, is that older workers are less open to learning and new ideas. However, the SHRM Foundation, a nonprofit affiliate of SHRM, believes most mature workers are highly receptive to skills training opportunities, especially for job-related skills.

Other biases include the perception that older workers are less flexible, less motivated and too slow and take more sick days. Like all stereotypes, these criticisms may be valid in some cases, probably not warranted in most and often offset by other important qualities.

difficult for Americans to save, particularly women and minorities who typically face lower lifetime earnings.

Another challenge, according to the Pew Charitable Trusts, is that only two-thirds of private-sector workers have access to a retirement savings plan through work. Employees who have access are 15 times more likely to save for retirement than those who don't have access to a 401(k) plan.

Even workers who have access to a 401(k) either do not take advantage of tax-advantaged savings or — as the Pew Charitable Trusts discovered — don't have the educational background or financial resources to understand how to make informed investment decisions. Experts say not taking full advantage of a 401(k) is one of the biggest mistakes people make when it comes to retirement planning.

In 2018, the Equal Employment Opportunity Commission (EEOC) issued a report that found although it's been 50 years since the Age Discrimination in Employment Act (ADEA) was passed, age discrimination is still a significant problem. Similarly, a 2018 Transamerica Center for Retirement Studies (TCRS) report indicated that many employers felt that workers 64 or older were too old to hire and workers age 70 were too old to work. About 60 percent of seniors who lose their job end up retiring involuntarily because they cannot get replacement jobs, according to the Center for Retirement Research at Boston College.

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Strategies

An aging workforce is something all companies will have to confront very soon. Either there will not be enough younger employees with the necessary skills or workers will have to work longer to save more money for their retirement. The upside is that by adopting business practices that support workers of all ages, employers will have a diverse workforce with a variety of important skills.

The Equal Employment Opportunity Commission (EEOC) recommends that employers consider including age in their diversity and inclusion programs. Other suggestions include providing:

- Career counseling, training and development opportunities for workers of all ages and at all stages of their careers.
- Mixed-age and reverse-age mentoring opportunities.
- Flexible work options to provide work/life balance as needed by employees at various times in their careers and in their lives.
- Phased Retirement Programs for older employees who want to continue working but with a less stressful workload.

Succession training also is an important step. Even if your older workers stay past the traditional retirement age, they will eventually retire. This means you'll need to recruit a new generation ready to take over from their predecessors. It's important for older colleagues to pass along their knowledge to reduce the skill gap.

The Lure of Workplace Flexibility

The concept of a flexible workplace is based on the idea that it's possible to work harder and smarter away from the office or during a shorter work week. The question most employers have is, "Will it work?"

Supporters say the benefits of a flexible workplace include better work-life balance; improved employee morale; lower turnover rates; decreased burnout; increased creativity; and loyal employees who give maximum effort to meet managers' expectations. They also say that tailoring work environments and cultures to employees' needs can attract talent.

Employers interested in a flexible workplace may wonder how they can maintain high productivity and performance levels in a less bureaucratic setting. Can flexibility and productivity be balanced?

Employers who have made the flexible workplace concept work for their company say that to make it work you must start slowly. The Svartedalens nursing home in Gothenburg, Sweden, selected employees to participate in an experiment to see if 30-hour weeks would be a good fit for the company and its employees. Employees worked six-hour days instead of eight for the same pay. *The New York Times* reported that early results were promising, showing reduced absenteeism, improved productivity and better worker health.

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Types of Flexibility

Not all employees want to or are able to work 40 hour weeks. Flex time options include:

- **Part-time employment** is defined as workweeks that are between 10 to 30 hours. Often, two employees share a full work week. This type of schedule is particularly appealing to university students and working mothers who need time to study or take care of their children. Employers, having difficulty filling a position, can sometimes more readily find two part-timers to fill a position
- **Telecommuting** allows employees to work away from the office — whether at home or in a coffee shop or park. Telecommuters can be either full or part-time. Telecommuting saves employees the cost of gasoline and vehicle upkeep, as well as clothing and eating out costs. Employers avoid the cost of providing office space, equipment, paper, and electricity.
- **Freelancing** is when an individual is hired for specific project on a seasonal, full or part-time basis. Hiring a freelancer saves the employer the cost of paying full-time wages and benefits, while the individual reserves the right to choose only the jobs that interest them.
- **Flexible work hours** allow employees to choose the hours they want to work. Employers usually define a core time that must be covered and employees can choose when to start and leave their shifts.

Minimizing Risks

Experts recommend employers have a clear goal of what they want to accomplish. For example, is the main focus improved productivity, happy employees or reduced energy costs? (Coincidentally, lower prioritized goals will often be achieved as well.)

When you decide on a goal, test the concept with your employees. Let's say your goal involves going to a four-day workweek. If your plan is for everyone to work 10-hour days to get one extra day off each week, you might find some resistance. Working 10-hour days means less time to run errands on those days and can make arranging child care more difficult. It also can leave employees more tired.

Or, shortening the number of hours worked, but also reducing wages, could be met with resistance. On the other hand, one employer, a web-based software development firm in Chicago, Ill., found they could give employees Fridays off without the need to reduce wages because they discovered people got the same amount of work done, but were happier and more focused.

One of the biggest concerns employers have is how to best serve customers to be sure they get the attention they need and deserve — even if employees are working away from the office or are working shorter weeks. Consider staggering working hours so key office hours are covered. Some companies schedule employees 80 hours over nine business days, which gives them an extra day off every two weeks. The key is not to have all employees take the same days off. ■

A Plan Sponsor's Cyber Security Responsibilities

Cyber security insurance can help protect you and your workers' health and retirement benefit plans.

Group health and retirement benefit plan administrators keep personal information such as social security numbers, dates of birth and email addresses in electronic records. Employees could suffer serious financial or reputation damage if their information was stolen by a cyber thief. Personal information, unlike a credit card account number, cannot be changed by the account owner and can repeatedly be used by criminals to perform actions such as requesting a retirement plan distribution.

Health and retirement benefit plans are governed by the Employee Retirement Income Security Act of 1974 (ERISA). This federal law requires most plan sponsors and administrators to maintain at least minimum standards to protect employees who are members of these plans.

You are a plan sponsor if you have set up a health care or retirement plan, such as a 401(k), for your employees. Plan administrators and sponsors both have

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the ERISA fiduciary duty to ensure personally identifiable information (PII), protected health information (PHI) and plan assets are protected from cyber threats. Both entities also must show proof that a plan is in place to respond to a data breach and mitigate associated damages.

Questions to Ask

As a plan sponsor, you should work with your health and retirement plan administrators to evaluate your plans' overall potential risk. Questions you should ask include:

- Who ultimately is in charge of cyber security for the benefit plan?
- Is there a plan in place in case there is a data breach? Who would be the primary responder and what steps would be taken?
- Is a cyber security training program available for employees? According to a 2016 Association of Corporate Counsel Foundation report, employee error is the number one reason cited for data security breaches.
- What are the current legal and regulatory concerns?
- What state laws apply if there is a data breach?

Steps to Take

The ERISA Advisory Council on Employee Welfare and Pension Benefits issued a report titled "Cyber security Considerations for Benefit Plans." It lists effective practices, considerations and policies to deter cyber theft. They include:

- **Create a Strategy –** Figure out where you are most at risk and establish procedures for how data should be stored, controlled, accessed and transmitted. You also need to make sure you have a plan for testing and updating technology, training personnel, and managing third party risks
- **Work Closely With Service Providers –** Talk to your plan's third-party administrator about current data security policies or procedures for passwords, social media use, document retention and Internet privacy.

Cybersecurity Insurance

Commercial insurance policies provide general liability coverage to protect your business from injury or property damage. However, the policies might not cover cyber risks. Internet security risks vary based on type of business or industry, therefore policies for cyber risk are more customized than other types of insurance policies and can be based on a variety of factors. These factors include type of data collected and stored, or how employees and others are able to access data. Cyber security insurance can include liability for security or privacy breaches and costs associated with a privacy breach or business interruption.

For help developing a cyber security plan for your business, please contact us.

Choosing a Vision Insurance Plan Your Employees Will Value

A good, quality vision plan is a valuable asset for your employees.

The National Eye Institute reports that 66 percent of adults need vision correction. Health care providers say that routine eye exams are essential for preserving vision and safeguarding eye health. Vision insurance and vision benefits plans can make routine eye care more affordable.

Vision insurance differs from health care coverage because it does not fall under Affordable Care Act rules and regulations. That gives you more leeway when choosing a plan that best fits your employees' needs and budgets. Group health plans, however, must include a provision for pediatric vision services. Insurance premiums usually are deducted directly from employees' paychecks.

The cost of vision insurance for your company will depend on plan design, the state where your business is located, and your company's size. Anthem data from 2018 pegs the cost of most vision plans – including eye exam and eyeglasses or contact lens coverage – at $10 or less per individual per month.

When you purchase vision insurance, you are purchasing two products:

- Access to a network of eye care providers, including optometrists or general ophthalmologists, who have agreed to provide services and/or products at reduced cost. According to a consumer study commissioned by EyeMed, employees are most interested in seeing the doctors they want and shopping where they want for frames.
- Basic eye care services and products, such as annual eye exams, eyeglasses frames and lenses and contact lenses.

Many group vision plans have a monetary cap on more expensive services such as eye surgery and advanced procedures, or provide a discount or don't cover them at all. Insurance providers usually pay up to a certain amount, and the patient pays the rest of the bill.

For more information on what type of vision benefit plan would be best for your employees, talk to your broker, benefits consultant or insurance plan carrier. ■