Employee Benefits Report

MSI Benefits Group, Inc.

TownPark Ravine One, 245 TownPark Drive, Suite 100, Kennesaw, Georgia 30144
Office: (770) 425-1231 | Fax: (770) 425-4722 | E-Mail: info@msibg.com

Retirement | June 2022 | Volume 20 • Number 6

House Passes SECURE Act 2.0

There will be fundamental changes to retirement legislation if the Senate passes the SECURE Act 2.0, which the House of Representatives overwhelmingly passed by a vote of 414 to 5 in March.

This bill expands on the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which also had bipartisan support when former President Donald Trump signed it into law in December 2019. The bill is now in the Senate, where lawmakers are expected to attempt to incorporate provisions from other House and Senate bills.

In its current form, the new bill proposes a slew of changes meant to help Americans save more for their retirement. Some of the key provisions include:

continued on next page

Employment Eligibility Verification (Form I-9) Changes Proposed

On March 30, the Department of Homeland Security published a series of proposed changes to the Employment Eligibility Verification form (Form I-9) that would significantly overhaul the document's structure.

The changes, which are designed to simplify the process and clarify requirements, include:

- **Reducing the first two sections to one page from the current two to save on paper.**
- **Separating the third section to stand alone and only be accessible if necessary.**
- **Adding a link to C docu-**

continued on next page

Automatic Enrollment

According to SECURE Act 2.0, any company that institutes a new retirement plan must automatically enroll any new employees as soon as they are eligible. Initially, the employee's pretax contribution would be 3% of their paycheck, after which it would rise every year by 1% to a minimum of 10% but no greater than 15%.

Participants can choose a different contribution level or opt out altogether. The provisions would apply to any new 401(k) and 403(b) plans created after the legislation is enacted. Exceptions apply, though, for small businesses that have been operating for under three years or that have 10 or fewer employees, for church plans, and for government plans.

Increased Catch-Up Contributions

Starting in 2024, the SECURE Act 2.0 increases annual catch-up contributions to $10,000, indexed for inflation, for those between 62 and 64. However, limits would remain the same for 50-year-old participants, namely $6,500, indexed every year for inflation, up to a total contribution of $27,000.

Beginning in 2023, catch-up contributions to all employer-sponsored plans must be paid into Roth accounts, so taxes would have to be paid now.

Delayed Mandatory Distributions

Currently, employer-sponsored defined contribution plans and traditional individual retirement accounts require participants to start taking redundant minimum distributions at age 72. The new bill would gradually extend the age to 75 by 2033.

The *Wall Street Journal* points out that though this provision could help those who can afford to wait not to draw on their money, it might also lead them to pay higher taxes as they would be withdrawing more money every year due to the reduced time frame. However, delaying these required minimum distributions could incentivize more Roth conversions after retirement but before the distributions kick in.

Expanded Eligibility for Part-Time Workers

The previous Secure Act provided long-term part-time workers with the opportunity to contribute to their employer's 401(k) plans. The new bill would reduce the time frame from 3 to 2 years, so part-time workers could start contributing sooner.

Student Loan Matching

The bill also enables companies to offer employees matching retirement contributions when they make student loan payments. These matching contributions would fund the employee's 401(k) plan, 403(b) plan, or SIMPLE IRA as they make their student loan payments.

This could help the many Americans who cannot save because of their monthly student loan payments. This goal is articulated in the Act itself: "The idea is that employees who are overwhelmed with student debt may not realistically be able to save for retirement, and thus are missing out on available matching contributions." As a 2019 TIAA – MIT AgeLab study points out, 26% of Americans who aren't currently saving for their retirement would like to, and this provision would help them.

Other Provisions

Another interesting provision the bill puts forward refers to creating an online database

ments in the List of Acceptable Documents on the website of the US citizenship and immigration services.

- **Reducing the number of instructions pages from 15 to seven to make them easier to understand.**
- **Adapting the form so it can be filled out on any device.**

The DHS also intends to change the N/A rule, which required new hires to fill out all fields, even optional ones. Optional fields can now be left blank.

Employers are also advised that any extra information needed to fill out section 2 should be recorded in the additional information field, which must be initialed and dated.

The DHS has opened the floor to public comments regarding these proposed changes. Notably, the agency has in the past implemented many changes suggested by the public.

The proposed changes will go into effect on October 31, when the current form is due to expire.

continued on next page

that would allow employees and retirees to locate any retirement accounts that might have been lost due to employers going out of business or merging with other organizations.

The bill also implements a tax credit for small businesses offering savings plans of up to $1000 per worker. It would also expand self-correction opportunities, increase awareness of the Retirement Savings Contributions Credit, and apply certain features of 401(k) plans to 403(b) plans.

What the SECURE Act 2.0 Doesn't Address

While the SECURE Act 2.0 will undoubtedly improve the retirement system, it fails to address two significant issues: Social Security and limited retirement plan enrollment.

The Social Security trust fund is expected to run out of money by 2033, according to a 2021 government report. This would lead to a 20% loss in benefits for retirees, which could have disastrous effects on many Americans. Unfortunately, the SECURE Act 2.0 doesn't lay out any provisions that would help fix this issue.

According to the Federal Reserve, approximately half of American households are not contributing to any form of retirement plan. While the secure 2.0 act would require automatic enrollment, it is only for newly instituted plans and not existing ones. Furthermore, small businesses are exempt. In other words, this provision is unlikely to significantly impact the current situation.

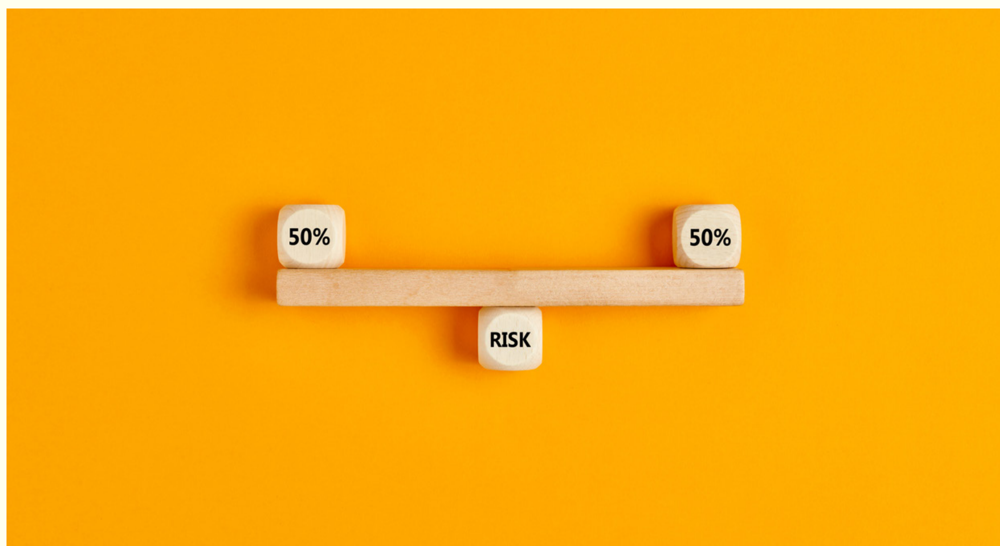
Study Shows How Providers and Health Plans Improve Quality, Lower Cost by Sharing Risk

Better care and lower costs typically result when plans and providers share in the financial risk through a capitation arrangement compared to a fee-for-service model, according to results published in the Integrated Healthcare Association's (IHA) latest edition of its California regional Healthcare Cost & Quality Atlas.

The Atlas uses over two dozen metrics, such as preventive screenings, care for chronic conditions, emergency department visits, and member cost-sharing, to examine performance across a wide range of clinical quality, hospital utilization, insurance type, and cost of care topics.

IThe performance information in the Atlas compares quality and cost of care to nearly 16 million Californians, including 14.1 million commercial insured lives and nearly 2 million Medicare Advantage lives – around 70% of each of these populations.

Though the information is specific to California, general conclusions may be drawn that have significance for and can help other decision-makers. According to the IHA, some of the questions answered in the latest Atlas include:



continued on next page

- Which type of insurance provides better patient care?
- How did California's healthcare performance fare during the first year of the pandemic?
- What quality and cost of care trends have occurred over the past 5 years?
- How does quality and cost for Covered California compare to other commercial insurance?

Better Quality, Lower Costs

One of the most important findings based on information collected in the data in the Atlas is that better quality and lower costs result when providers and health plans share financial risk. More specifically, as with prior years, the 2020 Atlas results show these results occur when plans and providers share in the financial risk through a capitation arrangement rather than a fee-for-service model.

The IHA analysis in the Atlas is based on data from 11 health plans, representing 7.9 million commercial lives cared for under health maintenance organization (HMO), preferred provider organization (PPO), and exclusive provider organization (EPO) products, both fully insured and self-insured.

Sharing financial risk linked to higher clinical quality for commercially insured

On average, clinical quality was higher for commercially insured members cared for by providers sharing financial risk. Clinical quality composite rates for providers with full financial risk were 6.2 percentage points higher than providers not sharing risk.

Furthermore, if all commercially insured patients in California received care from providers sharing risk:

- 18,000 more women would have been screened for breast cancer and hundreds of cases might have been diagnosed earlier when cancer is more treatable.
- 7,000 more Californians with diabetes would have received nephropathy screenings.

Sharing financial risk associated with lower costs to the healthcare system and patients

Total cost of care was 4.9% lower when providers shared financial risk. The trend also held true for medication costs and patient cost-sharing.

- Pharmacy costs were up to 25% lower for providers sharing risk
- On average, patients cared for by risk-sharing providers paid $246 per year in out-of-pocket medical costs compared to $636 per year for patients who were not.

"The onset of the COVID-19 pandemic in 2020 created unprecedented challenges across healthcare. These challenges shined a new light on what our Atlas data has consistently shown us — when health plans and providers share financial risk, patients benefit from coordinated, integrated care that improves outcomes and lowers total cost of care," said Anna Lee Amarnath, MD, MPH, General Manager of IHA's Align. Measure. Perform. (AMP) Program.

The Growing Popularity of Earned Wage Access

The Great Resignation has led to a shortage of talent that is affecting many companies. Unfortunately, according to global employment service provider Randstad NV, this trend shows no sign of easing. Essentially, people are now prepared to quit their job if they feel their needs aren't being met.

It appears that many people aren't happy in their positions. In a poll conducted by Randstad, 83% of participants felt flexible hours were important, and 71% said the same about having a flexible workplace. However, most stated that they had no choice regarding where they could work, while 40% felt they had no control over their working hours.

As a result, many companies are trying to find new ways to attract and retain employees. One approach seeing a lot of traction is Earned Wage Access (EWA).

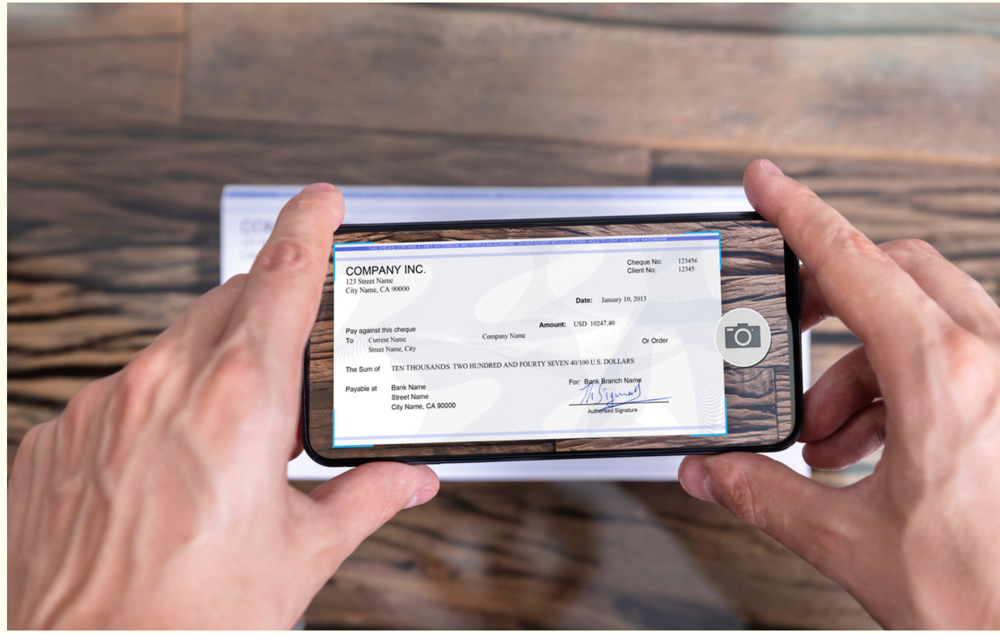
What is Earned Wage Access?

With Earned Wage Access implemented employees are paid immediately instead of waiting for the traditional payday. On-demand pay, as it's also known, means that employees accrue income daily and can withdraw a certain percentage of their earnings.

continued on next page

Of course, this means many companies might need to update their payroll infrastructure, for implementing EWA manually could put a lot of pressure on the payroll team.

But there are automated solutions. Companies like Payactiv, Branch, and Tapcheck are offering systems that can easily integrate with most payroll software. Such solutions enable employees to check how much they have earned and withdraw a percentage of their earnings at any point without putting stress on the payroll team.



The Benefits of Earned Wage Access for Employees

Many Americans live paycheck to paycheck, and this was true even before the pandemic shut down the economy. A Federal Reserve report stated that over 35% of all adult Americans would not be able to use their savings to cover an unexpected expense of $400.

What's more, according to the 2021 MetLife Employee Benefits Trend Study, 86% of employees cite finances as the most significant stressor in their lives, while 27% say work productivity suffers because of financial woes.

Earned Wage Access could help many employees overcome these issues. They would be able to access the money they earned as they needed it, especially in case of unexpected expenses. Earned Wage Access cold make payday loans with their high interest rates obsolete, helping employees save money while reducing stress.

Employees could also get better control of their finances. For example, they could set their own pay dates to align with their financial commitments, which would reduce worry and improve their well-being.

Access to this tool could be via mobile app, allowing employees to handle the entire procedure themselves. The payroll team would save time, and employees would feel more in control as they access their earnings when they need it.

How Employers Would Benefit

According to a Harris Poll conducted for Ceridian, an HR and payroll management company, EWA would make it easier for companies to attract and retain talent. The polls found that 79% of respondents said having EWA would make them feel more valued, while 78% said it would make them more loyal to their employer.

Additionally, a Visa study found that 79% of workers would be more willing to move to an employer that already offers this benefit.

Likely additional benefits would be an increase in productivity and a reduction in absenteeism. Employees who feel in control of their finances are less stressed and are more motivated to come to work. Also, when an employee can see how a day of work affects their earnings, they are more likely to be present. ■

more on next page

Remote Working Still Among the Most Desirable Employee Benefits

Employers are finding it increasingly difficult hto attract and retain talent due to several factors, including the Great Resignation and demographic issues. The career insights platform Lensa, though, has studied US search trends to figure out what employees want.

At the top of the list is remote work, followed by a four-day workweek, employee assistance programs, signing bonuses, and more. In other words, employees want to be able to work from home, which is a benefit more companies should consider offering.

The Advantages of Remote Work

In most cases, remote workers are more productive. For example, a Stanford study found that performance increased 22% when employees switched to remote work. A survey conducted by HR and workplace benefits consulting firm Mercer found that 94% of the 800 participating employers felt productivity was the same or even higher since the switch to remote work.

The increase in productivity is likely owed to several factors, including the lack of a commute, the inability to engage in small talk with colleagues, and fewer distractions. However, it's also a matter of a better work-life balance. When working from home, people have more time for their family and for the things they enjoy, thereby experiencing a higher quality of life.

It also helps reduce costs as fewer on-site employees would require less office space. This would reduce rental costs as well as other expenses, such as utilities, stationery, and other items related to office work.

According to Global Workplace Analytics, a company can save more than $11,000 per year for every employee who spends half their time working at home.

In addition, by offering remote work, employers gain access to a far larger pool of talent. When employees can work from essentially anywhere in the world, employers employers are no longer limited by geographic considerations.

While remote work may be a highly desirable benefit for employees, it offers employers so many advantages that it should become a priority. Not only will companies save money, but they'll also be able to access a larger pool of talent and more easily attract and retain top employees.