

# BENEFIT

## Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

Volume 53, Number 12

## DOL Releases Final Rule On 401(k) Plan Fee Disclosures

On October 14, 2010 the Employee Benefits Security Administration (EBSA) of the U.S. Department of Labor (DOL) announced a final rule designed to provide participants in 401(k) and other defined contribution retirement plans with more information about the fees and expenses associated with their plans.

Department officials noted that, while 401(k)-type plans allow workers to make their own investment decisions, current law does not require that all workers be given the full range of data they need to make sound investment decisions or that, when the information is given, it is presented in a user-friendly format. But under this rule, officials said, all plan participants who direct their plan investments will be given access to information to help them make

decisions about the investment of their retirement savings, including fee and expense information.

“This rule provides uniform disclosure to workers about what they pay for investment options in their retirement plans,” said Secretary of Labor Hilda L. Solis. “For the first time, workers will have

at their fingertips important and accessible investment-related information to comparison shop among the plan options available to them.”

Specifically, the final regulation requires plan sponsors to provide participants with general information about the structure and mechanics of the plan, including a current list of the investment options and any opportunities that may exist to select investments beyond those chosen by the plan. Fiduciaries are also required to explain any fees or expenses charged for general plan administrative services, as well as for actions taken by the participant, such as fees for plan loans. Under the new rules, plan sponsors are required to send participants quarterly statements that show the dollar amounts of plan-related fees and expenses, along with a description

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of the services for which the charges or deductions were made.

In addition, plan administrators are required to supply participants with specific information about historical investment performance, including the one-, five- and ten-year returns on mutual funds and similar investment options that do not have fixed rates of return. For benchmarking purposes, the performance of an appropriate broad-based securities market index over one-, five-, and ten-year periods must be provided. The annual rates of return and terms of investment on investment options that do have fixed or stated rates of return must also be disclosed, along with any relevant fee and expense information.

Plan sponsors are further required to use standard methodologies when calculating and disclosing expense and return information to achieve uniformity across the spectrum of investments that exist in the plans. Also, they are required to present this information in a chart or similar format that makes it easy for participants to comparison shop among the plan's investment options. Moreover, plan sponsors are required to give participants access to supplemental investment information in addition to the basic information required under the final rule.

While Labor Department officials acknowledged that compliance with this rule will lead to additional costs for plan administrators, who will have to revise their materials and distribute new information, they also expect it to reduce the amount of time participants spend collecting fee and expense information.

"We are giving workers the tools they need to make the best possible decision about investing the nearly \$3 trillion held in their 401(k)-type plans. Now they will have information about different investment options to help them make wise decisions," said Assistant Secretary of Labor for EBSA Phyllis C. Borzi.

Department officials said the final rule will affect around 483,000 participant-directed retirement plans and some 72 million workers enrolled in these

plans. While the rule goes into effect on December 20, 2010, compliance for calendar year plans will be required starting on January 1, 2012.

## Employer Health Care Expenses Expected To Rise In 2011

While rising health care costs and the need to comply with the new health care reform legislation are leading many U.S. employers to take a fresh look at their benefit strategies, most companies that currently sponsor health care plans remain committed to providing coverage to employees, according to a recent survey by Towers Watson, a professional services company.

The survey of 466 large and mid-size U.S. employers showed that, after plan changes, the average annual cost of providing health care coverage to active employees is expected to rise to \$10,730 in 2011, representing an increase of 8.2% compared to the previous year.

The survey results indicated that, as employers begin to focus on compliance with the Patient Protection and Affordable Care Act (PPACA), some are already making significant changes to their health benefit plans. For example, the survey found that, by 2012, 64% of employers expect to offer account-based health plans (ABHPs), and 39% anticipate having ABHP enrollment of more than 20%. The findings further indicated that incentives for employee participation in wellness programs are shifting to incentives for improvements in health metrics, with 62% of respondents saying they expect to apply outcome-based incentives by 2012. Meanwhile, researchers noted, employees continue to cope with the increasing affordability gap, as merit pay increases have risen 16%, but employee contributions have increased 49% over the last five years.

The survey found that 59% of employers plan to implement significant or moderate health care plan design changes

in 2011, and two-thirds (67%) anticipate doing so in 2012. In addition, the findings indicated that, while more than half of employers (57%) view compliance with the PPACA as their top priority today, 43% expect to rethink their long-term benefit strategy for active employees as their primary focus starting next year.

“In light of the complexities around all of the regulatory guidelines and mandates, most employers are taking the time to understand the new legal environment before making too many long-term changes to their health benefit strategy,” said Randall Abbott, a senior health care consultant with Towers Watson.

Abbott observed, however, that the earlier employers consider the strategic ramifications of the law and can act on it, the better they can assess their future role as health care benefit sponsors and understand the implications on their business and employees. Results further showed that 86% of employers plan to step up efforts to encourage employees to participate in wellness/health promotion programs, with 65% reporting that they are already in the process of increasing incentives for these programs and another 17% saying they are considering doing so in 2012. Specifically, 78% of the employers said they plan to increase efforts to encourage employees to participate in behavioral health programs, 74% said they hope to increase participation in biometric screenings, 71% reported plans to put greater effort in promoting health risk assessments, and 67% said they intend to devote more resources to disease management programs. The survey also found that a substantial percentage of employers (40%) are open to trying new health care engagement strategies, such as using social networks and other channels to communicate with employees about their general health and well-being.

“Health care reform has reinforced employers’ commitment to wellness [health management] programs,” said Ron Fontanetta, a senior health care consultant with Towers Watson. “Employers today understand that one of the keys to

controlling long-term health care costs is to provide employees with the tools to personalize and manage their health. They are also offering incentives to encourage employees to maintain their well-being and access to clinical support and advice.”

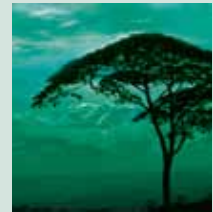
The survey results also indicated that nearly all (94%) expect to continue to offer employer-sponsored health care plans for active employees, but more than half (51%) anticipate eliminating or reducing their sponsorship of retiree medical plans. Researchers added, however, that most changes in retiree medical plans are expected to occur sometime after 2014, when health insurance exchanges provide retirees with an alternate option.

## Moderate Telecommuters Are Satisfied And Loyal

While telecommuting has not grown as quickly as earlier projections anticipated, employees who are moderate telecommuters are more satisfied with their lives and more committed to their employers, according to a study by the public-private Mineta Transportation Institute (MTI).

The report, “Facilitating Telecommuting: Exploring the Role of Telecommuting Intensity and Differences Between Telecommuters and Non-Telecommuters,” was written by Nancy Da Silva, PhD and Meghna Virick. In the study, the authors set out to identify the factors that help and hinder the adoption of telecommuting, which they define as working away from the conventional workplace. They looked at the attitudes and behaviors of employees who telecommute and of those who do not, and they examined supervisor attitudes and human resources practices in organizations related to telecommuting.

The survey sample for the project consisted of individuals working in a variety of organizations in Silicon Valley. For each



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organization, the authors sought to get survey responses from a telecommuter, a non-telecommuter, and his or her supervisor, all within the same department. The authors collected a total of 624 surveys: 262 from telecommuters, 181 from non-telecommuters, and 181 from supervisors.

Da Silva and Virick noted that telecommuting does not appear to have grown to the extent predicted by some earlier experts, and academic research on telecommuting in the management and psychology fields remains relatively undeveloped, despite consumer press reports that have explored the benefits and problems associated with working from home.

The first set of research questions centered around understanding the differences between telecommuters and non-telecommuters on job attitudes. The study found that telecommuters are more committed to the organization and are more satisfied with life in general than non-telecommuters. However, the results did not uncover any clear differences between telecommuters and non-telecommuters on how satisfied they are in their jobs or whether they are more likely to leave their current employer.

Researchers also investigated several other differences and similarities between the two groups, such as attitudes about HR practices, work disruptions, and commuting distances. Results showed that telecommuters are more satisfied with their jobs when they engage in moderate levels of teleworking, or spend only part of the week working from home. The findings further indicated that telecommuters are less likely to leave the organization when the extent of telecommuting is moderate, rather than extreme.

The study also looked at whether there are personality differences between telecommuters and non-telecommuters. The analysis showed that telecommuters are more likely to be extraverts, i.e., to be sociable and talkative.

Teleworkers were also found to be more likely than non-telecommuters to experience disruption in their work due to greater family responsibilities. According to the authors, more than 50% of teleworking supervisors believe that employees have to be high performers to telecommute, while only 37% of non-telecommuting supervisors share this view.

In addition, the analysis showed that telecommuters, on average, have to drive longer distances and for longer periods of time to reach their workplace than their non-telecommuting counterparts. Further, telecommuters are less likely to drive to the office during rush hour, and more telecommuters than non-telecommuters consider their commute stressful.

The study also examined whether employees and supervisors have different perceptions of their company's human resource practices depending on whether or not they telecommute. The results showed that more telecommuters than non-telecommuters feel that their organization's reward structures support telecommuting and that adequate training in technology is available for teleworkers. Telecommuters also reported experiencing greater support from their supervisors, and they were more likely than their non-telecommuting co-workers to agree that their company's performance evaluation system supports those who work offsite.

Da Silva and Virick cautioned, however, that their study did not examine specific job characteristics, and they recommended that future research examine the characteristics that make certain jobs more suitable for telecommuting than others. "This would be an extremely worthwhile endeavor because it would help organizations design telecommuting programs that are tailored to certain jobs," the authors said.




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