

..... August 2008

Ouch! \$4 Gallon Gas Employers' Adjustments Help Workforce Reduce Anxiety of Rising Prices

IN RESPONSE to rising gas costs, a growing number of employers have undertaken a variety of initiatives to ease the commuting burden for employees. According to a 2004 Census report, 75 percent of workers in America commute alone in their cars.



Thus, options such as commuter benefits, flex-time, bike facilities (including covered secure bike racks and a place for employees to change clothes and clean up), compressed work weeks, and telecommuting are the result of employers' initiatives to soothe employees' wallets.

For example, Michigan governor Jennifer Granholm pedals a couple of days a week to the state Capitol in Lansing, demonstrating an evolving behavior shift by individuals, employers and governments struggling to adjust to the hard reality of gas at more than \$4 a gallon, as well as higher energy costs overall.

For employers who offer commuter benefits, the federal government allows spending pre-tax dollars for mass transit and vanpooling costs and also allows employers to deduct employer-paid commuter passes as business expenses. Meanwhile, online sites like eRideShare.com link commuters. Likewise, large employers can also help organize car and van pools.

Several state agencies *(Continued on back)*

Nest Egg Blues

Gap Widens between Retirement Needs, Savings



SOME 80 PERCENT of workers who contribute a decent amount of money to their company-sponsored plans will not be able to adequately support themselves during retirement. Factoring in inflation and increases in medical expenses during retirement, a new Hewitt Associates report estimates that employees will need to replace an average of 126 percent of their salary at retirement just to make ends meet. This is significantly more than the traditional targets of 70 to 90 percent pay replacement.

Employees who actively contribute 8 percent of their salaries into their companies' 401(k) plans over the course of their careers can replace 96 percent of their pre-retirement income at age 65, or roughly 80 percent of what Hewitt deems necessary to battle inflation and rising health care costs, according to the report.

On the other hand, new analysis by the Employee Benefit Research Institute finds that the automatic 401(k) features enacted by the Pension Protection Act have a very significant positive impact in generating additional retirement savings for many workers, *(Continued on back)*

Topping the Charts

Groups Keep Health Care Reform Agenda Alive



HEALTH CARE for America Now, a coalition of unions, think tanks, and other groups, has launched a \$40 million advertising campaign to promote affordable health care coverage for all and to ensure that health care reform tops the U.S. political agenda after the November elections.

The new group says it wants to keep the best of what already exists, without moving to a fully nationalized system.

"This is the human rights movement of our time," says Jeff Blum, executive director of USAction, a nonprofit that campaigns for strengthening Medicare, Social Security, and other entitlements.

Another camp, an AARP-led group acting on behalf of the *Divided We Fail* coalition, plans to spend more than \$20 million in cable ads through Labor Day to push for bipartisan solutions to health care and Social Security.

At the opposite end, the Centers for Disease Control and Prevention (CDC) has launched the *Healthiest Nation Campaign* to keep Americans healthy by integrating health into social policies across all sections and at all levels of government, according to Julie Gerberding, CDC director. "People are talking about health care reform, but they're not really talking about health," says Gerberding. ■

Ouch! \$4 Gallon Gas ...

(Continued from front)

are ordering a compressed workweek. For example, state administrative offices will be open Monday through Thursday from 7 a.m. to 6 p.m. and closed on Fridays beginning the first week of August as Utah implements its *Working 4 Utah* initiative. Turning off the lights, heat, and air conditioning on Fridays in 1,000 of 3,000 government buildings will save about \$3 million a year out of a state budget of \$11 billion, according to Lisa Roskelley, spokeswoman for Utah Gov. Jon Huntsman.



On the other hand, the private sector is moving more aggressively toward telecommuting, according to Sherri Sirotzky, senior managing consultant at Human Capital Management, a division of IBM. "Environmental issues, the cost of gasoline, and the lengths of commutes are pushing a lot of companies over the edge," she says.

Unfortunately, it doesn't appear that the days of \$2 per gallon gas are going to return any time soon. In fact, during recent congressional testimony, Guy Caruso, chief administrator of the Energy Information Administration, said that prices will likely remain at the \$4 per gallon level for most of the year. Goldman Sachs estimates that gas could even reach \$5 per gallon in certain economic situations. There's even talk in Congress weighing the return of the 55 m.p.h. speed limit.

The good news is that many employers are making efforts to ease their workers' commuting burdens. ■

Nest Egg Blues.... (Continued from front)

especially for low-income workers. However, auto-enrollment alone will not be enough for certain workers to be able to meet savings targets. Additional resources will still be needed for many workers.

The scenario becomes even more serious for employees who do not contribute to their 401(k) plans. For example, recent Hewitt research shows that more than a quarter (26%) of employees do not participate in their 401(k) plan, and of those that do, most (61%) contribute less than 7 percent a year.

"Without changes in behavior, most workers will either need to significantly reduce their spending or work longer in order to have enough to last through retirement," says Alison Borland, Hewitt Associates defined contribution consulting practice leader. "When employees learn how much they need to save in order to maintain a comfortable standard of living in retirement, the numbers seem overwhelming and unattainable," comments Borland. "But small, incremental changes to saving and investing habits can truly have a big impact." ■

Bulletin Briefs

◆ The Center for Medicare & Medicaid Services (CMS) has updated disclosure notices to be used after June 15, 2008 for Medicare Part D eligible individuals. These replace the model notices that were issued in 2007. The new disclosure notices are available at:

http://www.cms.hhs.gov/CreditableCoverage/09_CCafterJune15.asp#TopOfPage

◆ A recent unpublished decision by the 9th U.S. Circuit Court of Appeals reiterates the rule that plan sponsors do not satisfy their ERISA duty to deliver summary plan descriptions (SPDs) and other plan documents to participants by simply posting those documents to an intranet site. While the Department of Labor (DOL) regulations do give plan administrators the option of using electronic media to distribute certain plan documents and notices as required by ERISA, including the SPD, merely posting an SPD on an intranet site without taking other steps to ensure actual receipt by participants is not enough.

◆ President Bush has signed legislation that extends the Mental Health Parity Act's sunset date until Dec. 31, 2008.

◆ New legislation in New Jersey will allow employees' children to retain coverage through a parent's group health insurance plan until age 31. Likewise, numerous other states have bumped up—generally to age 25 or 26—the maximum age employees' older dependent children can retain coverage through their parents' group plans.

◆ The 9th U.S. Circuit Court of Appeals recently ruled that employees have a reasonable expectation of privacy when they send text messages on devices owned by their employers. Under the Stored Communications Act, electronic communication providers cannot reveal the contents of text messages without authorization from the end user, even if the user is an employee. Employers cannot legally force workers to relinquish their rights under the U.S. Constitution's 4th Amendment. Policy acknowledgement forms giving consent will not always protect employers. ■

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AUGUST 2008

Contact Information

Address:

1345 E. Chandler Boulevard
Building 1, Suite 103
Phoenix, AZ 85048

Phone:

Main Phone: 480-893-6510
Toll Free: 800-582-8593
Fax: 480-893-6137

Web Address:

www.thebagnallcompany.com

Contacts:

Mark Bagnall, President
mbagnall@thebagnallcompany.com
Direct Phone: (480) 893-6643

Cynthia Walter, Executive Director -
Operations
cwalter@thebagnallcompany.com
Direct Phone: (480) 893-6622

Adam Walter, Executive Director –
Strategic Services
awalter@thebagnallcompany.com
Direct Phone: (480) 907-7016

Lindsey LaRue, Director – Client Services
llarue@thebagnallcompany.com
Direct Phone: (480) 893-0049

Rebecca Rolfe, Account Administration
Manager
rrolfe@thebagnallcompany.com
Direct Phone: (480) 893-6858

Nicole Newhouse, Business Services &
Development Manager
nnewhouse@thebagnallcompany.com
Direct Phone: (480) 659-0529

Debi Zahedi, Administrative Assistant
dzahedi@thebagnallcompany.com
Direct Phone: (480) 893-6510

tbc notes:

We would like to thank the following companies for allowing us to be of service again this year:

Altar Valley School District, Tucson, AZ
Arizona City Sanitary District, Arizona City, AZ
Arizona City Volunteer Fire Department, Arizona City, AZ
Arizona Lutheran Academy, Phoenix, AZ
Avondale Elementary School District, Avondale, AZ
Bicentennial Union High School District, Salome, AZ
Continental School District, Green Valley, AZ
Crete Enterprises, Inc. dba Maaco, Mesa, AZ
Douglas Unified School District, Douglas, AZ
Dysart Unified School District, Dysart, AZ
Equipment Maintenance Services, Inc., Phoenix, AZ
Florence Unified School District, Florence, AZ
Fowler Elementary School District, Phoenix, AZ
Gainey Ranch Community Association, Scottsdale, AZ
Glendale Elementary School District, Glendale, AZ
Laveen Elementary School District, Laveen, AZ
Marana Unified School District, Marana, AZ
San Fernando Elementary School District, Sasabe, AZ
The O'Malley Group, LLC., Phoenix, AZ
Tolleson Elementary School District, Tolleson, AZ
Wenden Elementary School District, Wenden, AZ
Western Emulsions, Inc., Tucson, AZ
Willcox Unified School District, Willcox, AZ

We congratulate Rebecca Rolfe, Account Administration Manager, as our *212° Performer* of the Month for June, 2008.....Rebecca continues to perform "above the boiling point" in providing exceptional service to our customers. Thanks Rebecca!

Painstaking Perfection.....probably the best way to describe our account management department. Rebecca Rolfe and Cynthia Walter team up to ensure that all of our client contracts match proposals and benefits sold....

While you might think that this is a small part of their job, I can assure you that contract authentication could be a full-time job in and of itself.

Not only are your benefits reviewed, but also careful attention is paid to ensure that proper waiting periods are indicated, proper employee classifications are displayed, and we even check dependent age limits to ensure that they are correct. This is part of the due diligence process that you have when working with our company.

Thank you for your business!

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- Planning: To ensure that the total benefit package is consistent with organizational goals.
- Analyzing Benefits: To match available delivery systems and benefit options targeted toward the desired plan performance.
- Maximizing: The effectiveness of assets invested in employee benefit programs, while appropriately managing risk.
- Producing: Understandable plan performance analysis and financial reporting.
- Serving: Your HR and benefit needs.
- Aggressively: Negotiating with vendors to obtain the best coverage at a fair price.
- Educating: Your staff to ensure that everyone understands and uses the benefits wisely.
- Supporting: Your staff with technology and communication tools to streamline and enhance the operation of your benefit plans
- Discussing: Employee benefit trends and plans to determine appropriateness.

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