Employee Benefits Report

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Is Your Company's Retirement Plan Safe from Hacking?

Many employees rely heavily on the money they put into their employer-sponsored 401(k) account to pay for their retirement. The last thing they want is for the money to be stolen by cyber thieves.

Cyber security is a growing concern. When Equifax, a credit reporting agency, was hacked in September 2017, hackers stole information that may be used to steal money from Equifax's clients. The information included Social Security numbers, birth dates, addresses and driver license and credit card numbers.

The good news is that investment accounts such as a 401(k)

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Fiduciary Rule is Still in Effect

Although the Department of Labor (DOL) decided to not pursue violations of its Fiduciary Rule, experts stress that the regulation still is in effect.

The U.S. Court of Appeals for the Fifth Circuit vacated the DOL's fiduciary rule in March 2018. The rule requires fiduciary service providers — such as investment managers and consultants — to charge reasonable service fees and to act in the best interest of plan participants. While it might sound straightforward, the rule has caused confusion because the requirements are vague. Additionally, only some of the rule provisions have been put into effect.

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are relatively safe. There are enough safeguards and daily asset management measures in place that a major investment firm likely will not see its accounts drained. The biggest threat to retirement accounts comes from how individual employees handle those accounts.

There is insurance you can purchase that will reimburse individuals up to $500,000 if the brokerage firm fails, but it does not protect your employees against theft or fraud. An individual could be reimbursed if money from their account is stolen, but it depends on whether they did their due diligence to protect the account and if they notify the brokerage firm quickly.

In short, it pays to be careful. There are several steps each party to a retirement account needs to take to keep the money safe. Here are some important ones for you and your employees to consider:

Plan Sponsor/Employer

A plan sponsor is the entity that implements a retirement plan, such as a 401(k), for employees. If you are the plan sponsor, your responsibilities are to determine the benefit package, and, if necessary, amend or terminate the plan.

If your plan is cyber-attacked and funds are taken, you must replace the money if the breach can be traced back to your company and you did not take reasonable action to prevent the attack.

To protect your assets:

- Work with your chief data officer to prepare a written plan addressing cybersecurity weaknesses and ways to educate employees on avoiding 401(k) phishing. Phishing is an attempt to obtain sensitive information through electronic communications by disguising as a trustworthy entity. You also should have a plan to notify your employees if there is a breach.
- Report any account breaches immediately to the federal government. This will make it harder for the hackers to harm someone else's business. You might think you're opening your business to prosecution, but the Cybersecurity Information Sharing Act of 2015 gives companies more protection from liability when sharing information with the federal government about threats to their systems.
- Talk to your vendors about the security measures that they and their third-party vendors' use to ensure they are complying with ISO 27001 and guidelines as recommended by the National Institute of Standards and Technology.
- Record the least amount of confidential information possible because the less you have, the less there is to be stolen. It's not usual for employers to have employees' Social Security, driver's license or passport numbers; employees' bank account information; legal name; and date of birth.
- Educate employees on avoiding phishing attempts and how to boost safeguards for their personal information. For instance, they should be wary of credit cards or loans they did not request. Employees also should check their financial accounts regularly for unfamiliar transactions. They also should request credit reports to make sure no unauthorized accounts have been started or loans made.
- Check if your vendor uses multifactor authentication, which requires account holders to present several pieces of information to prove their identity, as recommended by the U.S, Federal Financial Institutions Examination Council. This reduces the possibility that employees' accounts will be hacked.
- Work with your financial planners to make sure they are watching employees' accounts. They can spot problems, such as checking with employees about withdrawal requests. You can ask your advisor to verify any withdrawal requests over the

If you sponsor a retirement fund, you have responsibilities that are affected by the rule:

- **See if your service provider seems to be charging fees that are higher than the average for the services provided.**
- **If your record keeper changes the services they offer — either to come into compliance with the requirements or to not be considered a fiduciary — you must sign a new contract.**
- **If you see that you have fewer rollovers, discuss options with your investment manager.**
- **Review subscription agreements or investment management agreements to best understand if your consultant is adhering to the rules.**

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phone before completing employees' transactions.
- Your company's 401(k) should only invest in traded securities, such as public funds, ETFs, stocks and bonds.

Plan Participant

A plan participant contributes to a pension plan or receives benefit payments from the plan. For a cyber thief to get a plan participant's money from a 401(k) through a plan administrator, they must have the employee's account information and request the distribution. You would then have to approve the distribution. The likelihood of that happening is slim. However, once an employee retires, the information becomes easier to access.

Many major providers will cover employees' accounts, but only if the employee can prove they didn't play a role in the hack. For example, one provider expects plan participants to check their account frequently, but the term "frequently" is not defined.

The Securities and Exchange Commission recommends that individuals:

- Choose long passwords that include numbers and symbols that are different from passwords used on other sites; and change passwords frequently.
- Don't write passwords down. Instead, use password management software.
- Don't share information with anyone.
- Keep account contact information up to date.
- Don't use public computers for account transactions.
- Monitor the account regularly and report problems immediately.
- Allow account alerts that send a notification each time a transaction is made.
- Be aware that thieves can get more information by telephone or email — so don't share personal information with strangers.

For help minimizing your cyber security risk, please contact us..

Answering Your Employee's Questions About Enrolling in Medicare

Working past age 65 is no longer uncommon. According to the U.S. Jobs report, almost 19 percent of people 65 or older worked at least part-time in the second quarter of 2017.

With that in mind, it pays to be aware of current guidelines for employees who want to keep their group health care benefit plan as opposed to using Medicare.

Medicare is the federal health insurance program for people 65 or older; certain younger people with disabilities; and people with permanent kidney failure requiring dialysis or a transplant.

Seniors can sign up for different parts of Medicare, depending on the services they need:

- **Part A –** Hospital insurance for inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. Coverage is free.
- **Part B –** Medical insurance for certain doctor services, outpatient care, medical supplies and preventive services. Requires a monthly premium.
- **Part C (Medicare Advantage Plans) –** Offered by a private company that contracts with Medicare and provides all or part of Part A and Part B benefits. Enrollees pay a monthly premium.
- **Part D –** Prescription drug coverage offered by some insurance companies and other private companies approved by Medicare. Enrollees pay a monthly premium.

Remember that while you can provide basic information, it will be to your employees' advantage to double check answers with Social Security in case of rule changes or exceptions.

Employee: When must I enroll in Medicare?

Answer: You have a seven-month period to sign up. This period starts three months before the month you

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turn 65 and ends three months after your birth month. If you don't sign up, you will see a 10 percent increase in your Medicare Part B premiums for every 12 months you qualify but fail to enroll in Part B. There may also be a late penalty on Part A if you were not entitled to Part A for free because you did not previously work or did not work long enough.

Employee: Do I have to enroll in Medicare Part B if I want to stay on the company's group health benefit plan?

Answer (if your company has 20 or more employees): No. Since our company has more than 20 employees, you can delay enrolling in Part B, stay on our company's coverage and not pay a penalty when you decide to enroll in Medicare Part B. When you do retire, or leave work, you'll have eight months to sign up for Part B without a late penalty. Call Social Security to inform them that you decline Part B. You may have to provide documents showing you have creditable coverage with us. If you decide to stay with our plan plus Medicare Part B, our coverage probably will be your primary insurer and Medicare will be secondary. In this case, it may not be cost effective to pay both premiums.

Answer (if Your Company has Fewer Than 20 Employees): Smaller companies like ours have discretion in deciding if employees must sign up for Part B at age 65. Under current guidelines, if you decide to go with both, Medicare is the primary insurer for organizations our size and our plan is secondary.

Employee: Do these rules apply to my family?

Answer (20 or More Employees): Since our company has 20 or more employees, you can enroll in company coverage instead of enrolling in Medicare Part B and your spouse will be covered, including if you are in a same-sex marriage (even if in a state that does not recognize same-sex marriage). It doesn't apply for an unmarried partner (unless you live in a state recognizing common law marriage).

Employee: If I stay with company coverage, will I get the same health care benefits?

Answer (20 or More Employees): Yes, federal law requires we offer the same benefits for members over age 65 as we do for all other employees. Also, we cannot offer to pay your Medicare premiums to induce you to enroll in Medicare and drop the employer plan.

Employee: If I don't sign up for Part B, what are the advantages of signing up for Part A?

Your Answer: If you qualify, you pay no premiums for Part A, which mainly covers allowable, medically necessary hospital expenses; limited home health care; institutional care in a skilled nursing facility in certain situations; and hospice care. You can sign up during your initial Medicare enrollment period.

Employee: If I sign up for Medicare Part A, B or C, can I keep my health savings account?

Your Answer: You can withdraw funds, but you cannot add to the account.

Employee: Do I need to sign up for Part D?

Your Answer: Part D is voluntary. If you have our coverage (and we have creditable drug coverage), you probably don't need Part D. When our coverage ends, you have two months to sign up for Part D without penalty.

For help explaining their Medicare options to your over 65 employees, please contact us.

What You Need to Know About Group Life Insurance

Employer sponsored life insurance is the way most Americans receive coverage. There are important decisions to make when offering coverage to employees

More Americans now have life insurance coverage through their employer rather than with individual policies. According to the Life Insurance Marketing and Research Association (LIMRA), 108 million adults and children receive employment-based life insurance compared to 102 million individual policy holders.

One reason for the popularity of employer-sponsored life insurance is that few Americans are financially prepared to handle their final costs. LIMRA reports that more than 40 percent of employees have no life insurance and another 30 percent do not have enough to pay for burial and probate costs. For a low monthly premium — usually paid for by the employer — employers can give their employees peace of mind.

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If you decide to offer life insurance benefits to your employees, you must determine:

- Which employees should be covered
- What type of life insurance benefits you want to offer
- How much coverage your employees need
- Which vendor is right for your company's needs

Employees

You can offer life insurance to all of your full-time employees or only to some employees.

The advantage of offering coverage to a large number of employees is that you can get lower rates and avoid individual medical exams when you have a big group. Premiums are based on the ages of your employees, regardless of whether they are healthy. Your healthy employees help subsidize those who are categorized as uninsurable.

You also can decide to offer life insurance as a special benefit only to key employees. A downside is that you won't be allowed to deduct the premiums for federal tax purposes unless you meet the government's nondiscrimination requirements. To meet those requirements you must offer life insurance to at least 70 percent of your employees and at least 85 percent of participating employees cannot be key employees. If you decide to offer coverage to employees based on their marital status or employment-related factors, such as job duties, compensation, or length of service, keep in mind that you can't offer coverage only to male employees or only to married employees with children.

Basic Types

The most popular employer-sponsored policy is group term-life insurance. Most group term policies only are effective for as long as an employee works at the company. Coverage is for employees only, not for spouses or children. To offer term-life insurance, you must have at least 10 full-time employees, although there is an exception. The 10-employee rule is not required if you provide coverage to all full-time employees; base coverage on employees' annual salary; and do not require physical exams to obtain coverage. The downside of this type of coverage is an employee will lose their coverage if they leave the job. However, some insurers allow employees to convert their group term coverage to an individual permanent policy. The individual policy might require additional underwriting and the features and premiums might not be exactly what the employee wants or needs.

Permanent life is becoming a popular option because it can easily be converted to an individual policy if an employee leaves their employment. Another advantage is it earns interest or dividends. Unlike a term life policy, employees — not employers — usually pay the premiums.

Amount

The most popular benefit amounts are either a set amount or an amount based on the employee's salary.

Employers often gravitate to a set amount of $50,000 because they can deduct the cost of premiums from their annual income taxes. Also, the premium cost for the first $50,000 of group term life insurance isn't included in the employee's gross income.

If you choose instead to offer a benefit based on an employee's salary, you might base it on one, two or three times the employee's annual salary.

Keep in mind that if you offer a benefit of more than $50,000, IRS code Section 79 requires you and your employees to pay Social Security and Medicare taxes on the additional amount.

Please contact us to help you find the best life insurance plans for you to compare and choose from.

HSAs – Good for More Than Just Paying Medical Expenses

Your employees can enjoy the benefit of paying their long-term-care insurance premiums tax free — if you offer a Health Savings Account (HSA).

Funded with employees' pre-tax dollars, HSAs are not subject to taxes when withdrawn for qualified medical expenses.

Employers can only offer HSAs if the HSA account is tied to a high deductible health insurance plan (HDHP). An HDHP is a policy that requires the policy owner to pay a minimum deductible in 2018 of $1,350 for a single person or $2,700 for a family policy. Once the deductible is met, the policy owner and the insurance company share in paying health expenses until reaching a maximum out-of-pocket amount. Employees who have HSAs can pay the deductibles from the account.

Qualified long-term care premiums are considered a medical expense. Life insurance policies that provide a long-term-care benefit are not eligible for the tax-savings benefit.

The amount an employee can withdraw annually to pay long term care premiums depends on their age at the end of the year. For instance, in 2018, age:

- 40 or younger can withdraw up to $420 tax-free
- 41 to 50 can withdraw $780
- 51 to 60 can withdraw $1,560
- 61 to 70 can withdraw $4,160
- 71 or older can withdraw $5,200

Fortunately, your employees have another avenue to pay for long-term care insurance premiums with tax free funds without an HSA. They may qualify for the medical-expense deduction when filing their tax forms. Employees must itemize their expenses, and their eligible medical expenses are deductible only to the extent that they exceed 7.5% of their adjusted gross income. Some states also offer additional tax breaks for qualified long-term-care insurance premiums.