Employee Benefits Report

EmployeeBenefits
progressive ingenuity. financial security.

www.memployeebenefits.com

PENSIONMARK FINANCIAL GROUP, LLC ("PENSIONMARK") IS AN INVESTMENT ADVISER REGISTERED UNDER THE INVESTMENT ADVISERS ACT OF 1940.
PENSIONMARK IS AFFILIATED THROUGH COMMON OWNERSHIP WITH PENSIONMARK SECURITIES, LLC (MEMBER SIPC).

Employment November 2020 Volume 18 • Number 11

Pandemic Puts Pressure on Workers

The COVID-19 pandemic has changed the face of today's workforce. Older workers are leaving their jobs in droves. It's uncertain whether the changes are permanent — or if employers can stem the tide.

Older Workers

The Schwartz Center for Economic Policy Analysis (SCEPA) at The New School reports that 2.8 million older workers have left their jobs since March at the start of the pandemic shutdowns. Another 1.1 million are expected to leave this fall.

The majority of these workers were laid off from their jobs. Of those who were invited to come back, however, many did not take advantage of the opportunity out of concern they might contract COVID-19. The Centers for Disease

continued on next page

IRS Announces 401(k) Contribution Limits for 2021

The maximum amount employees can save in a 401(k) retirement plan is the same in 2021 as it was in 2020 — but employers are allowed to contribute a bit more.

The Internal Revenue Service restricts contribution limits for 401(k), 403(b) and 457 plans to prevent highly paid workers from benefiting more from 401(k) tax advantages than average employees. Contributions to traditional or other qualified 401(k) plans give employees tax benefits, so maximum contribution limits keep things equal for everyone.

In 2021, your employees can contribute as much as $20,000

continued on next page

Control and Prevention reports that older Americans are most at risk for the disease. More than 90 percent of COVID-19 hospitalizations and deaths have been attributed to people age 55 and older.

Workers who are retiring early — either because they were laid off or are afraid of catching a serious disease — are facing some daunting financial challenges.

SCEPA says that many retirement experts recommend that someone who is planning to retire should have saved enough money to be able to replace at least 70 percent of their preretirement earnings. However, SCEPA points out that the replacement rate for older workers is expected to drop from 55 percent to 48 percent if they retire at age 62 and from 69 percent to 60 percent if they retire at age 65. Early retirees are at risk of outliving their savings because they have had less time to save and are using their savings sooner than expected. In addition, people who retire earlier than planned often claim Social Security benefits earlier, which could leave them with lower monthly benefits for the rest of their lives.

Female Workers

U.S. Department of Labor data shows that while women previously accounted for 47 percent of the workforce, they make up 54 percent of those who left the workforce April through August.

An Indeed Hiring Lab survey reveals that the biggest reasons women left the workplace are childcare and family responsibilities. And while the number of women who said they needed to stay home to take care of family increased 178 percent, the number of men citing similar reasons was far less.

The Future

Labor Department data confirms that women and workers aged 65 and older comprise a disproportionate share of the 3.7 million people who are no longer working or actively seeking a job since the pandemic shutdowns began. Reuters released a report showing that the loss of these workers, along with those who were laid off and may not be rehired, could negatively affect U.S. economic recovery in the short term as well as the country's prospects in the long term.

U.S. Bureau of Labor Statistics projections show employment growth of 0.4 percent annually from 2019 to 2029, which is much slower than the 1.3 percent expansion rate following the Great Recession. However, this did not take into account the potential impacts of the COVID-19 pandemic.

Possible Employer Solutions

Employers often rely on benefits to attract the best workers, and certain benefits can make it easier for women and older workers to remain in or return to the workforce.

Employer-sponsored childcare benefits would make it easier for working couples — not just women — to stay in the workforce. And while few companies can afford to provide onsite daycare, the government does provide incentives. Form 8882, Credit for Employer-Provided Child Care Facilities and Services, allows employers to:

- Claim the credit for acquiring and running a childcare facility
- Contract with a childcare facility to provide childcare services to employees of the taxpayer
- Provide childcare resource and referral services to employees of the taxpayer.

to their 401(k)-retirement plan. Anyone 50 and over can save an additional $6,500 as a catch-up contribution for a total of $26,500.

However, employers can contribute up to $37,500 to each employee account and as much as $58,000 for older employees. This has increased from $57,000 to $58,000 in 2021. The change means that an employee under the age of 50 can get up to $57,500 in contributions to their account in one year and an employee 50 or older can have a total of $64,000 in contributions.

Self-employed individuals can contribute both the employee and the employer portion up to this limit. As an individual you may contribute up to 100 percent of your income, up to the annual contribution limit of $20,000 plus the catch-up if you are 50 or older. Employers can make a profit-sharing contribution up to 25 percent of their compensation from the business.

continued on next page

Another way to add these kinds of benefits is to create a dependent care FSA (flexible spending account), which allows employees to use tax-free funds to pay for care services, whether for a child, a disabled parent or a spouse who needs daily care while you work.

For older employees, the opportunity to work from home can keep mitigate their concerns about getting sick and keep them on the job. Working from home is already becoming a popular option for many employees. As quoted in another article in our newsletter this month, Stanford researcher Nicolas Bloom has stated that 42 percent of the U.S. labor force is now working from home.

And while some employers may be concerned that older workers aren't suited for telework, Chris Farrell, author of "Purpose and a Paycheck: Finding Meaning, Money, and Happiness in the Second Half of Life," says data suggests older workers are actually very good candidates. He said today's older workers not only have a well-developed work ethic, but also are proving to be technologically adept.

Have an HDHP? Fill in the Gaps With HI

The popularity of high-deductible health plans (HDHP) is leading to an increase in Hospital Indemnity Insurance (HI) as a way for employers to provide employees with cost-efficient financial protection against rising health care costs.

An HDHP is an employer-sponsored health insurance plan that features a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but employees must pay more before the insurance company pays its share. Most HDHPs have Health Savings Accounts (HSA) which allow employees to pay for qualified health-related expenses that aren't covered by their health insurance policy. Money deposited into the account is not taxed.

Despite the low premiums of an HDHP and the opportunity to save up for big medical expenses in an HSA, many employees don't have enough saved to pay for hospital stay costs — especially since they must cover deductibles and copays. Prior to the COVID-19 pandemic, 78 percent of Americans were already living paycheck to paycheck, according to a survey by CareerBuilder.

To help save money, many employees who can't handle the financial challenge of HDHPs are delaying or skipping doctors' appointments or putting off surgery or recommended treatments and procedures. So, while they may be saving on premiums, they are putting their health at risk by neglecting necessary health care.

Hospital Indemnity Insurance addresses this dilemma to some extent by providing cash benefits for each day an employee is in the hospital for an illness or injury that is covered by the plan.

For instance, the cost of an average hospital stay is $2,346 per day. Hospital indemnity insurance pays

continued on next page

cash benefits and the cash is sent directly to the member instead of the doctor or hospital. Since the premium is paid with post-tax income, the benefits are not taxable.

Hospital Indemnity Insurance will help cover the following costs:

- Hospital confinement (with or without surgery)
- Intensive Care Unit (ICU) confinement
- Critical Care Unit (CCU) confinement

Some plans have richer benefits and may include:
- Outpatient surgery
- Continuous care
- Outpatient X-rays and laboratory procedures
- Outpatient diagnostic imaging procedures
- Ambulances
- Emergency rooms
- Physician office visits.

There is a 30-day waiting period before your cash benefits can be used for paying hospital costs due to an illness. However, depending on the plan, there may not be a waiting period for accidental injuries that require a hospital stay.

Although this coverage is not medical insurance, it can be designed to pair with a company's health insurance plan. It is guaranteed issue — which means it's suitable for all employees — particularly those who are 50 or older or who are pregnant. Dependents can be included on the plan, although there is an additional monthly premium for each dependent covered.

While every hospital indemnity plan is different, there usually are three core types of benefits offered in employer-sponsored plans:

- Hospital admission for illness or accidents.
- Overnight stay, which pays a smaller daily fixed benefit for each overnight stay.
- Intensive care coverage, which pays an additional fixed daily benefit for each overnight stay.

HI can provide peace of mind for employees and encourage them to seek the care they need before their conditions worsen. Please contact us if you'd like more information. ■

How to Thwart Identity Theft in the Workplace

The COVID-19 pandemic forced many Americans to work from home — a situation identity theft criminals have used to their advantage.

Stanford economist Nicholas Bloom conducted several nationwide surveys and has found an emerging economic reality during the COVID-related economic shutdown.

"We see an incredible 42 percent of the U.S. labor force now working from home full-time," Bloom told *Stanford News*, a Stanford University publication. " .... So, by sheer numbers, the U.S. is [now] a working-from-home economy. Almost twice as many employees are working from home as at work."

Working from home may be convenient and productive, but it presents a significant risk which has become magnified by the scale of people now working from home. The problem is that these telework situations are easy targets for thieves who specialize in identity theft, allowing them to take advantage of the access employees have to employer records.

Identity Theft

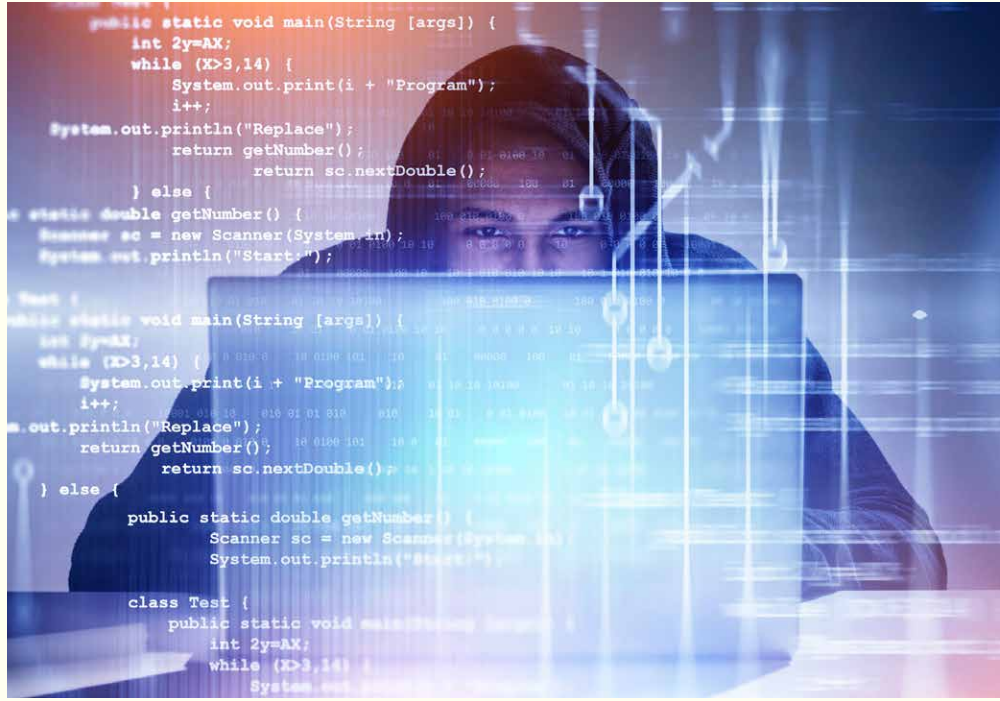
The U.S. Department of Justice defines identity theft and identity fraud as crimes in which someone "wrongfully obtains and uses another person's personal data" for their own economic benefit. Common examples of this type of crime include when criminals:

- Charge purchases to another person's credit card
- Open new accounts
- Take money out of bank accounts
- Apply for loans
- Take over another person's identity running up huge debts and destroying the victim's credit

To commit these crimes, the criminals only need one of the following items:

- Social Security number
- Direct deposit bank information
- Credit card number

continued on next page



- Credit histories
- Job applications
- Background reports
- Payroll and tax records
- Other identifying data

Preventive Measures

Unfortunately, some criminals are employees. Anyone who has access to these files can commit identity theft, including human resources employees, accountants, bosses, temporary workers or even cleaning staff. Terminated employees might be tempted to take revenge by stealing information.

To minimize risk, protect sensitive information using the following methods:

- Hard-copy personnel and customer files should be kept in locked cabinets.
- Computerized records must be password protected.
- Access should immediately be revoked for any terminated employees.
- Social Security numbers should never be used as identifiers
- Background checks should be conducted on employees and job candidates who will have access to sensitive information. The Fair and Accurate Credit and Transaction Act requires employers to dispose of job applicants' credit reports

It's also important to review your off-site cybersecurity. Many employees have never worked from home and don't know how to protect their Internet connections.

First, though, make sure your company's systems are protected by:

- Installing anti-virus and other software to protect against spyware and other malicious codes.
- Using a Virtual Network with Multifactor Identification (VPN) to hide your real IP address, which hides your online identity and protects your data from hackers.
- Securing the contents of your networks with a firewall to encrypt your information.
- Using passwords and giving access to certain information only to those who really need that information to do their jobs.
- Establishing policies on how to handle and protect personally identifiable information.
- Making backup copies of important business data and information.

Once you have these measures in place, instruct your employees to use strong passwords and change them often. They also should install security software on their home computers and stay current with the latest updates.

more on next page

Taking #MeToo Allegations Seriously

Even though employers and human relations departments discourage sexual harassment in the workplace, the #MeToo movement has highlighted the need for employers to show that they understand the problem and are creating a culture that holds perpetrators accountable.

It's no longer enough to just show anti-harassment videos and distribute flyers. Human resource departments need to enact procedures that make clear what is acceptable and what is to be done if someone crosses the line. Those steps and procedures should include:

- Conducting a Risk Assessment: Examine your organization and identify any possible problem areas. If an allegation goes to court, it's important to be able to demonstrate it is an isolated incident, not a systemic problem.
- Establishing a Zero-Tolerance Mentality: While it's important for your employees to be aware of your company's position on sexual harassment in the workplace, it's even more important for people in leadership positions to model the behavior they expect from others.
- Establishing Reporting Procedures: Don't limit to just managers or supervisors the people who employees can report problems to, since these could be the individuals who should be investigated. Other options include human resources, the CEO, the president or the company owner.
- Following Up on Gossip: Investigate rumors that sexual harassment is occurring — even if no formal complaint is filed.
- Explaining the Limitations of Confidentiality: Employees may want their complaint to be kept confidential, but HR staff needs to explain information will be kept confidential only to the extent possible. HR is bound by law to pursue allegations, such as sexual harassment, the details of which may become available to the public.
- Consulting with an Attorney: The services of an attorney will help ensure the situation is being managed fairly and that the case is being properly documented.
- Holding Individuals Accountable: Someone who is found to have committed sexual harassment must be held accountable for their actions. If not, employees will think that this behavior is tolerated.