

NOVEMBER-DECEMBER 2008

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RETIREMENT PLAN UPDATE: IMPLICATIONS SURROUNDING THE TURMOIL ON WALL STREET

Recent upheaval on Wall Street has left the markets in a state of crisis. The current environment has not only been challenging for financial institutions and investment managers trying to navigate the turbulent markets, but also for retirement plan sponsors and participants. The prudent course of action for plan sponsors is to continue monitoring the underlying investments and strategies used in the Plan. Do the available investment options offer participants the opportunity to diversify their holdings? Are the fund managers appropriately managing risk? These are two topics that plan sponsors should be discussing with their financial advisors. Monitoring the current crisis and its resulting impact to the investments offered in a plan are critical facets of a fiduciary role.

For plan participants, altering current or future investments is not necessarily the best course of action. Before making any changes, a person should carefully evaluate their situation by examining their long-term goals. Anticipated retirement needs, deferral level, investment horizon, and diversification mix are all factors that a participant should discuss with a

financial professional before changing investments or deferral rates. Moving large portions of a retirement account to cash or taking distributions out of concern for current poor market conditions are knee-jerk reactions that can have devastating long term ramifications. Attempting to time the market often results in an investor either locking in losses or missing rebound opportunities. There is no clear indication as to what direction the market is going to head next or for how long. With losses now well over 20% from the market's peak in October of 2007, we are technically in a bear market. From a long-term investing perspective, this can provide an opportunity to purchase more shares of a given investment and it gives participants time to "get in" while markets are relatively low.

While there is no guarantee of a recovery, history has shown the U.S. market, in particular, to be dynamic and resilient when responding to various forms of crisis. While the Great Depression may have been too long ago for most to remember, September 11th and the bursting of the dot-com bubble are still relatively recent events in our nation's

history, as is the market's recovery from each. The implications surrounding the current turmoil should call on plan sponsors and participants to focus on what they should otherwise be doing on a regular basis. Be mindful of the situation, but diligent about the process.

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As many employers enter their annual benefits open enrollment season, employees will be asked to take the time to choose their benefits needs for the upcoming year. While in the past employees have often taken little time to choose their benefits during open enrollment, now many employees are spending more time and carefully evaluating their benefit selections. The current economic conditions, the upcoming presidential election, and increased cost shifting for the cost of benefits from the employer to the employee are all leading individuals to become more engaged in their benefit decisions. With more complex benefit choices, including consumer-directed accounts such as Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs), employees are also finding it more challenging to select the right benefits for themselves and their families.

Open Enrollment at a Crossroads: New Employee Expectations, New Employer Opportunities, a new white paper from MetLife, presents several tips for employers to help their employees make the most of their open enrollment season. It is suggested that employers keep the following key principles in mind when trying to make open enrollment more effective:

- » **Customization** – Employees are interested in guidance focused on their particular life stage (i.e., young singles, new families, etc.).
- » **Interactivity**– Employees want access to interactive tools and meetings that allow them to ask questions to further customize their experience.
- » **Simplicity** – Benefits decisions can be confusing, and employees need instructions and tools that are easy to understand.

- » **New Offerings** – Making new benefits available, including voluntary benefits, encourages employees to become more engaged in their benefits decisions.

Based on these principles, MetLife provides the following recommendations for employers:

- » Survey employees to find out their benefits priorities.
- » Tailor offerings and communications to workplace demographics.
- » Consider adding voluntary benefits that match your employees' life-stage needs.
- » Consider a second, off-cycle enrollment period where new benefits and voluntary options are featured.
- » Offer one-on-one in-person meetings or online interaction with Human Resources.
- » Make sure tools and plan descriptions are simple and interactive.
- » House all Summary Plan Descriptions on one common, employer sponsored microsite.

By following these recommendations, you can help your employees get the most from their benefits during open enrollment and throughout the year. For more information, you may wish to read MetLife's Open Enrollment white paper, available at http://www.whymetlife.com/downloads/MetLife_Open_Enrollment_at_a_Crossroad.pdf.

Source: "Open Enrollment at a Crossroads: White Paper- New Employee Expectations, New Employer Opportunities", MetLife Institutional Business, 2008

BENEFITS COMPLIANCE FAQ

Question: What does an employer need to do to comply with the new mental health parity law?

Answer: On October 3, 2008, President Bush signed into law the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 as part of the Emergency Economic Stabilization Act. Effective for plan years beginning after October 3, 2009, group health plans that offer mental health and/or substance abuse coverage must provide coverage equal to that offered for medical conditions in terms of co-payments, deductibles, and co-insurance. Under the existing law, coverage was not mandated for substance abuse expenses.

Plans are prohibited from applying separate limitations to the number of visits or the number of inpatient days for mental health or substance abuse related expenses. Lastly, if out-of-network benefits are provided for medical conditions, then out-

of-network benefits must also be provided for mental health and substance abuse expenses. Both of these provisions represent changes from the existing law, which permitted plans to limit mental health related expenses based on the number of visits and to exclude out-of-network mental health expenses.

Plans sponsored by employers with 50 or less employees would remain exempt from the mental health parity requirements.

The law amends the Employee Retirement Income Security Act of 1974 (ERISA), so its requirements will apply to both fully insured plans and self insured plans. Sponsors of fully insured plans should work with their carrier to revise benefit summaries and summary plan descriptions. Sponsors of self insured plans should work with their third party administrator or attorney to properly revise plan documents. Again, the law is effective for plan years beginning on or after October 3, 2009. Thus, calendar year plans will need to comply by January 1, 2010.

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