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The Rathbone Report

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Workers Satisfied with Healthcare Benefits

Despite rising costs, the majority of U.S. workers say they are very satisfied with their employer-provided healthcare benefits. Furthermore, most workers consider health insurance to be their most important benefit and they have little interest in purchasing coverage on their own. These are among the major findings in a nationwide survey of U.S. workers released by the National Business Group on Health, a non-profit association of 266 large U.S. companies. Other key findings include:

- Sixty-seven percent consider their health plan to be good or excellent.
- Seventy-five percent find health insurance to be the most important benefit their employer offers.
- Fourteen percent consider their retirement savings plan to be the most important.
- About three in four employees would prefer to get health benefits through their employer rather than getting additional salary to purchase their own.
- Most employees (83%) would rather see their salary or retirement benefit reduced if their employer needed to reduce total compensation.

“Providing cost-effective, high quality health care benefits to workers and their families is one of the greatest challenges that Corporate America is facing,” say Helen Darling, President of the National Business Group on Health. “As the labor market tightens, employers will need to place an increased emphasis on their

health benefits if they want to be able to compete for talented workers.” (Reprinted in part with permission from the National Business Group on Health)

Doctors and Pharmacists Do Not Always Mention Generic Alternatives to Their Patients

A recent study conducted by Medco, a leading pharmacy benefit manager, reveals few doctors or pharmacists prescribe or dispense lower-cost generics at every opportunity. The survey results suggest that 48 percent of healthcare consumers would use a lower-cost alternative if their doctor or pharmacist suggested it. Seventy-three percent of survey respondents discuss prescription expenses with their doctor, pharmacist, or insurer. The awareness of rising drug costs, however, does not inspire change in prescribing behavior.

- Sixteen percent of physicians and 19% of pharmacists always prescribe generics in place of similar brand drug.
- Six percent of physicians and 17% of pharmacists advise patients to explore lower-cost alternatives.

Employers should remind employees to ask their doctor for samples, generics, cheaper alternatives, and over-the-counter substitutes as a way to help keep their prescription drug costs in check.

Two Common & Costly HR/EB Mistakes

Mistakes in human resources and employee benefits cost an employer “real money” - extra benefits, complaints, lawsuits, government-assessed fines and penalties, and attorney fees to name a few. Two common mistakes and their solutions are outlined below.

1. **Not timely depositing employee contributions into employee benefit plan.** Employers sometimes wait too long to deposit salary deferrals into a qualified retirement plan. Salary deferrals become plan assets as soon as the contributions can be reasonably segregated from the employer’s general assets. According to The Department of Labor (DOL) such deposits should be made no later than the 15th business day of the following month. This is an outside guideline, and deposits should be made sooner. If deposits are not timely made, the DOL and IRS may levy fines, penalties, and retroactive earnings for late contributions. The deposit rule for elective deferrals applies to all types of participant contributions, including special deferrals (such as catch-up), after-tax contributions, and loan repayments.

Solution: Deposit employee contributions as soon as reasonably possible following issuance of the paycheck from which the contribution was withheld - generally at the same time as other contributions are made but not more than 7 to 10 days from the issuance of the paycheck.

2. **Not making matching and profit-sharing contributions on a timely basis.** Many employers make the mistake of not making these contributions on a timely basis. If your employee benefit plan provides for matching and profit-sharing contributions, the deadline for making these contributions and depositing them into the plan’s trust is determined first by looking to the plan document which may contain deadlines. If the plan document requires contributions be made by the date required by law, then the deadline generally will be determined by IRC 404(a) which requires that matching and profit-sharing contributions be made before the due date of its tax return including extensions. Tax exempt employers must make and deposit contributions by the 15th day of the sixth month following the close of a plan year. Plan documents may require depositing contributions sooner, which is likely the case with matching contributions that are calculated on a payroll-by-payroll basis and deposited sooner by plan design. The same penalties as above apply.

Solution: Read your plan documents and understand which matching contributions must be made.

Six Bad Reasons Not to Save for Retirement

1. **Thinking there is plenty of time** - If you delay saving until your 30s or 40s, it can be extremely difficult to put together a substantial nest egg.
2. **Your house is worth a lot** - Even if your home has maintained its value in a soft market, the reality is that it is tough to retire on real-estate gains alone.
3. **Your investments are doing well** - Sure, it’s a great feeling when the market soars, but those gains aren’t sustainable.
4. **You are expecting a big inheritance** - In 2004, 2.4 million people died in the U.S. Only 1.6% of those people left behind \$1.5 million or more. So chances are you will need to have something extra put aside.
5. **You are getting a pension** - Are you sure you are eligible? Many Americans are counting on the fact they will receive a pension, but these plans are fast disappearing.
6. **You expect to work in retirement** - Working part-time may be great in your 60s, as it gives you a social outlet and mental stimulation as well as extra income. However, once you reach your 70s, your health may no longer allow you to work. Therefore, you need to be able to count on your

A New Addition to Our Team

Rick Toland recently joined the Kinney Pike Insurance, Rathbone & Company Employee Benefits Division. He has 17 years experience working with businesses of all sizes, helping them design and implement their employee benefit programs. He also spent six years in the area of life and long term care insurance underwriting.

After attending Boston College; Rick moved to Hanover, New Hampshire and began his insurance career. He now resides in Quechee, Vermont with his wife and two children.

Rick is located in the Kinney Pike Hartford office, and will be assisting businesses in New Hampshire and Vermont with their employee benefit plans.

RATHBONE & Company is a division of the Kinney Pike Insurance Group. Kinney Pike is one of the largest, most respected independent property and casualty insurance agencies in Northern New England. Kinney Pike has established itself as a leader in the commercial property and casualty insurance field as well as personal insurance lines.

The Kinney Pike property and casualty professionals work with a diverse array of industries and have helped many companies meet their insurance needs. Additionally, their ongoing service and attention to detail are unmatched.

Please contact us if you would like to review your property and casualty insurance lines with a Kinney Pike Agent. TRR