

McDermott
Will & Emery

Benefits Emerging Leaders Working Group

Thursday, March 15, 2018

Global Benefits and Mobility Strategy Planning

March 2018

ABC Corp. Vision and Strategy

Vision (ABC Corp. overall)

In this smart Internet era, ABC Corp. will provide personal devices that integrate applications, services and the best user experience, as well as robust cloud infrastructure to make life easier and better, and work more productive and efficient.

Vision (Human Resources)

Enable the company strategy and transformation to lead the industry through hiring world class talent, building global organization and talent capability, and fostering an inclusive environment where people can thrive at their full potential.

Vision (Global Compensation & Benefits Team)

We provide the rewards solutions that drive company performance by inspiring and engaging our employees

Vision (Global Benefits & Mobility)

Lead the industry by delivering benefit plans and programs globally that are competitive at a regional/country level, including flexible benefits where available, and by evaluating innovative benefits plans/programs to make life easier and better for our employees.

Mission Global Compensation & Benefits

A global team committed to providing the compensation, benefits and mobility **counsel that** supports our employees and **delivers impactful results** for ABC Corp.

- Deliver Programs that strengthen our ability to **attract**, engage, develop and recognize **a diverse talent pool** that focuses on performance, customers and innovation
- Develop the Processes and Infrastructure to deliver effective and timely **support to our global and multi-faceted ABC Corp. businesses**
- Ensure the **best customer experience** in the execution and delivery of our programs and processes
- Committed team of subject matter experts that have a **passion for their work, value partnership and love to make a difference**



+ ABC Corp.'s Global Well-being Vision, Objectives, and Outcomes

Our Vision:

We will create a healthy, engaged, and creative workforce and be seen as a destination employer in countries where we operate

- To support our corporate vision of becoming one of the world's great personal technology companies
 - By recognizing diversity of needs across the organization and supporting our employees with programs and resources that make it easier for employees to be their very best

Objectives

- Improve employee well-being **across the whole person** – physical, emotional, financial, and community – and support a culture of high performance
- Support ABC Corp.'s initiative to attract and hire world class talent and be seen as a destination employer
- Employees love working at ABC Corp.

Outcomes

- Reduced risks across dimensions of well-being
- Improved employee experience and engagement

Global Benefits & Mobility Strategy

Strategy (Focus Areas):

Health/Emotional Wellbeing

- Medical/Dental/Vision
- Critical Illness
- Physical Wellness Programs
- Employee Assistance Program
- Business Travel Accident and Medical

Financial Wellbeing

- Retirement Savings Plans
- Pension (Legacy)
- Life Insurance
- Disability Protection
- Accident Protection
- Housing fund
- Tuition Reimbursement
- Student Loan Assistance

Family Support

- Vacation/Holiday
- Family Leave Policies
- Employee Assistance Program
- Adoption Assistance
- Children's Scholarship
- Work/Life Resources (childcare, elder care)
- Relocation services
- Immigration services

Service Delivery

- Operational excellence in eligibility & administration
- Ease of access to information when needed in any way (PC, Tablet, Phone)
- Great marketing and communication

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Market Evaluation for Health & Well-Being and Retirement Plan Administration Services

- Benefits Administration: Background & Marketplace
- Benefits Administration Proposed Services
- Proposal Evaluation Meeting
- Semi-Finalist Presentation
- Finalist Recommendation: Health and Welfare
- Finalist Recommendation: Savings and Retirement
- RFP Timeline
- Implementation Timeline Recommendation
- Stakeholders and Expected Roles

Background

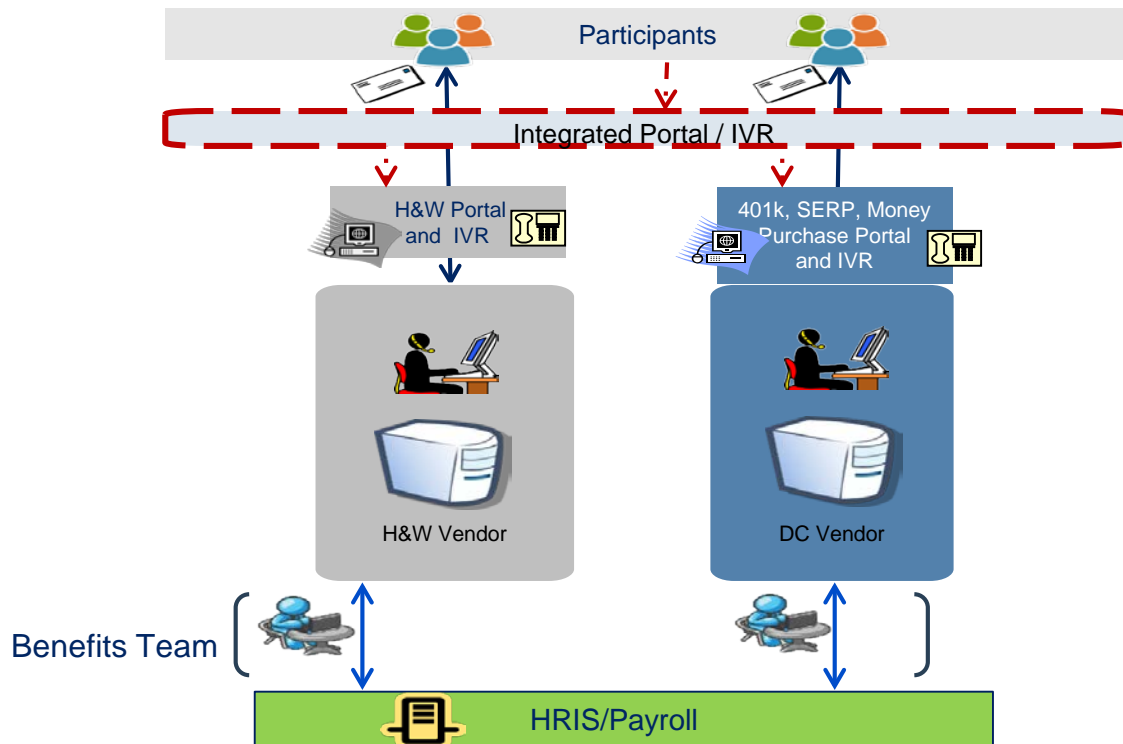
- » Current XYZ Corp. agreement expires on 12/31/2018
- » XYZ Corp. supports all benefits, has for many years:
 - » 401(k), SERP and Money Purchase Pension since 2001
 - » H&W plans since 2003 annual enrollment
 - » Your Savings Account (FSA) since 2008
 - » Financial Advisory Services since 2014
 - » Total Rewards Statements since 2007

Marketplace

- Marketplace is increasingly segmenting towards a best-in-class model
 - Only three “total benefits” providers remain
 - Plan sponsors are more willing to disaggregate and split services across multiple providers
- Integrated participant experience can be achieved through technology
 - Single portal for access to all benefits with real-time integration to underlying domain systems
 - Single phone tree for access to all call centers
- Data from providers suggests that less than 10% of transactions cut across multiple benefit areas
- Plan sponsor experience cannot be consolidated
 - Separate data feeds, relationships, contracts, etc. for each provider

Benefits Administration Marketplace

Level of integration within portal varies. Generally, a single vendor (either the H&W or DC vendor) will display key info on all benefits on home page and include SSO links to other vendor(s) for more detailed information and transactions.



Key Touch Points

Participants:

- Call Center
- Web
- Mobile
- Correspondence

Plan Sponsor

- Data Management
- Relationship Management
- Contract Management

Benefits Administration: Proposed Services

	Plan / Service	In / Out of RFP?
H&W Plans	H&W	In
	COBRA	In
	Direct Billing	In
	Flexible Spending Accounts (FSA)	In
	Health Savings Accounts	In
	ACA Reporting	In
	MCSO Qualification	In
Shared/ All Plans	Plan Design Consulting	Out
	Actuary	Out
	Total Rewards	In
	Integrated Benefits Portal	In
	Strategic Communications	Out

Benefits Administration: Proposed Services

Plan / Service		In / Out of RFP?
Retirement Plans	401(k)	In
	SERP	In
	Money Purchase Plan	In
	Trustee	Out
	Payments	Out
	DRO Qualifications	In
	Financial Advisory	In
	Non-Qualified (Deferred Comp)	In

Benefits Administration: Proposed Services

After reviewing marketplace data, including experience supporting plans of the type covered by the RFP, the following nine providers were selected to receive the RFP:

1. Alight – (formerly XYZ Corp., incumbent administration vendor) – Agreement expires 12/31/2018
2. Businessolver (H&W services, including HSA)
3. Conduent (all services)
4. Empower (Retirement Plan & HSA services)
5. Empyrean (H&W services, including HSA)
6. Fidelity (Retirement Plan & HSA services)
 - Declined to bid on TDS' H&W requirements - cited inability to provide competitive fees at the company's size
7. Mercer (H&W services, including HAS)
 - Declined to bid due to recent requirements that voluntary health benefits are offered with H&W services
 - This does not align with the current benefits strategy
8. Vanguard (Retirement Plan services)
9. Willis Towers Watson (H&W services, including HSA)
 - Declined to bid on H&W requirements - cited inability to provide competitive fees at the company's size

Proposal Evaluation Meeting

- Following a review of proposals with the business units, the following two vendors were eliminated from further consideration:
 - Empower – DC and HSA Services
 - Empyrean – H&W and HSA Services
- Five Vendors were invited to present their proposal and team to the Company offices:

Vendor	Service Proposed:
Businessolver	H&W, HSA
Conduent	All Benefits
Vanguard	Retirement Plans
Fidelity	Retirement Plans and HSA
Alight	All Benefits

- The group scored the vendors in feedback categories including: user experience, technology, risk management, capabilities/quality, cost management and commitment to business.

Semi-Finalist Vendor Presentations

- Following a the semi-finalist vendor presentations with the group, the following vendor was eliminated from further consideration:
 - Conduent – All Benefit Services
 - Services and costs did not differentiate from the current incumbent
 - Conduent has already been notified by Hager Associates they are no longer in the process
- The group has not eliminated Alight at this point from further consideration:
 - Incumbent administration vendor for all plans included in the RFP
 - Some enhancements to current platform providing mobile application
 - Past experience and reporting capabilities have not met expectations
 - Limited interface configuration changes
 - Concerns/dissatisfaction with Alight services, including increasing costs attributed to change orders and unexpected service issues/errors requiring significant resource time, specifically in the Health and Welfare area.

Semi-Finalist Vendor Presentations (continued)

- Three vendors have been selected for further considerations and **on-site visits** from the group

Vendor	Service Proposed:	On-Site Visit
Businessolver	H&W, HSA	July 25 th
Vanguard	Retirement Plans	August 2 nd
Fidelity	Retirement Plans and HSA	August 23 rd











Finalist Recommendation: Savings & Retirement

- Following the semi-finalist vendor onsite visits, the following key findings were considered for finalists:
 - **Businessolver** – All Health and Welfare Services
 - Engaging participant website
 - User friendly mobile App and web chat
 - Flexible technology & Company culture and values align
 - CSR training process, no use of temps
 - “No-Change-Order” philosophy & Thought leadership in HW service market
 - SaaS model – all services delivered from single system
 - Privately owned, able to make investment decisions
 - Agreeable to “deal breaker” and other key contract terms
 - Call center operations: 7:00 a.m. – 7:00 p.m., CT, M – F, with extended hour during Annual Enrollment

Finalist Recommendation: Savings & Retirement

- Following the semi-finalist vendor onsite visits, the following key findings were considered for finalists:
 - **Fidelity**– Retirement & Savings
 - Engaging, personalized experience delivered through website, participant service centers, and plan communications encouraging financial wellness and in retirement
 - User friendly mobile App and web chat
 - Expanding fiduciary responsibility as part of core offer for all participants (in addition to investment advice through managed account program)
 - Robust financial planning offering
 - Investor centers available
 - Significant ongoing investments in technology
 - Privately owned, able to make investment decisions
 - Lower fees / cost savings
 - Agreeable to TDS “deal breaker” contract terms
 - Extended call center operations: 7:30 a.m. – 11:00 p.m., CST, M - F

RFP Timeline: 2017

Step	Description	2017 Month-by-Month								
		February	March	April	May	June	July	August	September	October
1	Strategic Planning									
2	Develop & Release RFP									
3	Vendors Respond to RFP									
4	Receive and Evaluate Vendor Proposals									
5	Review Proposal Analysis and Select Semi-Finalists									
6	Semi-Finalist Vendor Presentations									
7	Site Visit(s) to Finalist Vendor(s)									
8	Final Due Diligence, BAFO and Vendor Selection									
9	Negotiations*									
10	Contract Execution									
11	Begin Conversion (2018)									

Stakeholders & Expected Roles

Stakeholder	Roles
Benefits Department	<ul style="list-style-type: none"> • Oversee all phases of the project • Provide project updates to business unit representatives • Provide project updates to executive management • Develop recommendations for executive management
Business Unit HR Representatives	<ul style="list-style-type: none"> • Provide input and support on key phases of the project • Provide representation at key meetings • Keep business unit senior leaders informed • Provide input on recommendations for executive management
Executive Leadership and Investment Management Committee	<ul style="list-style-type: none"> • Review and approve recommendations (vendor selection for retirement plans is a fiduciary decision)
Legal / Procurement / Finance	<ul style="list-style-type: none"> • Shape and approve target contract terms solicited through RFP • Ad hoc review of any legal issues in RFP • Perform credit analysis of vendors • Review vendor positions on contract terms • Contract negotiations
IT / Security	<ul style="list-style-type: none"> • Provide input on minimum IT standards • Manage the IT / Risk Management Questionnaire • Provide due diligence on systems infrastructure once finalists are identified
HRIS / Payroll	<ul style="list-style-type: none"> • Provide input on data and interface requirements
Internal Communications	<ul style="list-style-type: none"> • Identify and support internal communication needs

Benefits Emerging Leaders Working Group

What's Happening in Washington?

Emily Rickard, Associate, McDermott Will & Emery

March 15, 2018

What Governs Benefit Plans?

- Two primary laws
 - Internal Revenue Code (the “Code”)
 - Employee Retirement Income Security Act of 1974 (“ERISA”)
- Four primary agencies
 - Department of Labor (“DOL”)
 - Internal Revenue Service (“IRS”)
 - Pension Benefit Guaranty Corporation (“PBGC”)
 - Primarily affects defined benefit plans
 - Department of Health and Human Services (“HHS”)

What's New?

- \$1.5 trillion Tax Cuts and Jobs Act
- February Budget Bill
- PBGC missing participant program expansion
- DOL penalty increase
- Disability claims regulations
- IRS correction fees reform

What's New?

- **\$1.5 trillion Tax Cuts and Jobs Act**
 1. New tax brackets (temporary for individuals)
 2. Deduction & credit reform
 3. Distribution relief
 4. Slight “Rothification”
 5. Individual mandate repealed (beginning 2019)
- **February Budget Bill**
 1. More distribution relief!
 2. Hardship withdrawal reform (originally proposed in draft tax reform bill)

What's New? Tax Brackets!

- Corporate tax rate lowered from 35% to 21%
 - Several large-name corporations have already announced bonuses and/or wage increases, including Apple Inc., Disney, Fifth Third Bancorp, JPMorgan, Wal-Mart Stores Inc., and AT&T Inc. (to name a few)
- Individual tax rates (sunset after December 31, 2025)
 - Top tax rate lowered from 39.6% of taxable income to 37%
 - Standard deduction has nearly doubled
 - Companies expected to have implemented 2018 withholding tables based on the revised brackets by February 15, 2018

What's New? Deduction and Credit Reform!

- Deductions modified for employee achievement awards
- Deductions repealed for fringe programs (UBTI potential for some)
 - Transportation (moving and commuting), entertainment, and recreation
 - Local laws in New York City, Washington, DC, and the San Francisco still mandate qualified transportation fringe benefit programs
 - Eligible eating facility deduction limited to 50%, repealed beginning 2025
- Tax credit created for employers that pay employees while on family and medical leave under FMLA

What's New? Distribution Relief!

- Extended deadline to prevent “deemed distributions” of plan loans
- Certain retirement plan and IRA distributions are eligible if taken on or after January 1, 2016, and before January 1, 2018
 - Presidentially declared disaster area
 - Impacted by natural disaster (Hurricane Harvey, Hurricane Irma, or Hurricane Maria)

What's New? Budget Bill!

- IRS levy repayment treated as rollover (if 401(k), 403(b) or 457 plan permits)
- Prohibition on contributions following a hardship withdrawal removed (effective 2019)
- Distribution relief (for certain distributions between 10/28/17-1/1/19)
 - California wildfire disasters
- More distribution relief (for 2019)
 - “A distribution shall not be treated as failing to be made upon the hardship of an employee solely because the employee does not take any available loan under the plan”
 - More sources for hardship withdrawal

What's New? Rothification!

- No way to “undo” a Roth conversion
 - Individuals who convert pre-tax contributions to Roth contributions are required to pay taxes on those amounts at the time of conversion
 - Under prior law, these individuals had a limited ability to re-characterize the conversion to avoid such taxes, i.e., decide to retain the original characterization of the saved amount

What's New? No Individual Mandate!

- Affordable Care Act individual responsibility payment reduced to zero
 - Effectively eliminates the individual health insurance mandate for tax years beginning January 1, 2019
 - Change does not directly impact employer-sponsored medical plans, nor does it impact the “employer mandate”
 - May cause a slight decline in younger, lower-paid workers electing coverage in 2019

What's New? Missing Participant Program!

- Provides a voluntary alternative for terminating non-PBGC-insured plans for missing participants until the DOL or IRS issue further guidance
 - Eliminates the ongoing maintenance and distribution charges associated with IRAs
- A transferring plan must send all accounts to the PBGC
 - \$35 per missing participant
- Notifying plan informs the PBGC of where benefits are held (such as in an IRA or under an annuity contract)
 - There is no charge for notifying plans

What's New? DOL Penalties!

- The DOL has slightly raised—by approximately 2%—civil penalties for companies that violate ERISA mandates
 - The per day maximum penalty for failing to file a Form 5500 is raised to \$2,140 (from \$2,097)
 - The per day maximum penalty for a failure to provide notice of a defined contribution plan blackout period is raised to \$136 (from \$133)

What's New? Disability Claims Regulations!

- Effective April 1, 2018
- Meant to promote fairness and accuracy in the claims review process
 - Applies to ERISA plans that provide “disability benefits”
 - Group health plans *and* pension plans
- Time limits and disclosures
- “Independent Review” process

What's New? IRS Correction Fees!

- Employee Plans Compliance Resolution System (EPCRS).
 - Revenue Procedure (Rev. Proc.) 2018-4 details the new VCP fee schedule, which contains fees ranging from \$1,500-\$3,500
 - VCP fees previously ranged from \$500 to \$15,000 based upon the number of participants

What's Coming?

- Repeal of more than 200 IRS regulations (including longstanding temporary and proposed regulations)
 - President Donald Trump's 2017 executive order created a "Treasury Regulatory Reform Task Force"
 - Comments from taxpayers and practitioners will be instrumental in ensuring that seemingly obsolete regulations do not still have effect in other areas or negatively impact tax reporting position
- IRS and DOL political appointees

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Moderated Group Discussion (Including Voluntary Benefits)

Jacob Mattinson, Associate, McDermott Will & Emery LLP

March 15, 2018

ERISA and Voluntary Benefits

- Why should we care if voluntary benefits are subject to ERISA?
 - Many employers never think about this until they are sued.
 - First step is to decide whether you care if ERISA applies.
 - ERISA application could implicate HIPAA, COBRA, reporting requirements, participant disclosures, claims rules, fiduciary obligations, state law preemption, participant requests, etc.
 - If incorrectly treated as exempt from ERISA, penalties could apply (e.g., failure to file Form 5500).

ERISA and Voluntary Benefits

- Very broad definition of employee welfare benefit plan in ERISA
 - any plan, fund, or program which ... established or maintained by an employer ... for the purpose of providing ... through the purchase of insurance or otherwise ... medical, surgical, or hospital care or benefits, or benefits in the event of sickness, accident, disability, death or unemployment, or vacation benefits, apprenticeship or other training programs, or day care centers, scholarship funds, or prepaid legal services....

DOL Safe Harbor for Voluntary Plans

- DOL regulations contain a safe harbor exception from the ERISA plan definition. Applies to group/group-type insurance programs offered by an insurer to employees if:
 - No contributions are made by an employer;
 - Participation the program is completely voluntary for employees ;
 - Employer's sole functions with respect to the program are, without endorsing the program, to permit the insurer to publicize the program to employees or members, to collect premiums through payroll deductions or dues checkoffs and to remit them to the insurer; and
 - Employer receives no consideration in the form of cash or otherwise in connection with the program, other than reasonable compensation, excluding any profit, for administrative services actually rendered in connection with payroll deductions or dues checkoffs.

DOL Safe Harbor for Voluntary Plans

- Breaking down the safe harbor:
 - Employees pay full cost
 - Employer has minimal involvement
- Whether ERISA applies is determined on the facts and circumstances of each case, largely guided by DOL Advisory Opinions and case law.

Survey Results

What voluntary benefit programs does your organization offer?

- Group accident insurance – 66%
- Critical illness insurance – 0%
- Pre-paid legal services – 17%
- Long-term care – 17%
- Hospital indemnity – 0%
- Pet insurance – 17%
- Student loan repayment benefit – 34%
- Identity theft protection – 17%
- Wellness programs – 50%
- Continuing education / online learning – 50%
- Financial wellness (training and/or services) – 34%
- Discount purchase programs – 34%
- Automobile insurance – 0%
- Homeowners insurance – 0%
- Concierge services – 0%
- Cancer insurance – 0%
- Whole life – 0%
- Other
 - Bright Horizons (back up care) & Health Advocate - claims assistance
 - Term life and AD&D, mass transit and parking

Survey Results

- What voluntary benefit programs are you (or your organization) interested in learning more about?
 - Financial wellness
 - Online programs, coaches, live programs, etc.
 - Student Loan Repayment Benefit
 - Enhancing adoption benefit to cover surrogacy for all couples (including same-sex)
 - Home/Auto Insurance
 - Everything 😊

Survey Results

- Are all of the voluntary benefits your organization offers exempt from ERISA under the voluntary plan safe harbor?
 - Yes, all – 17%
 - Yes, some – 0%
 - No, none – 0%
 - Not sure – 83%
 - Not applicable – 0%

Survey Results

- Does your organization offer a telemedicine / telehealth benefit?
 - Yes – 83%
 - No – 17%
 - Not sure – 0%

Survey Results

- Does your organization use a third party benefits education tool, portal, app, or similar to educate participants about benefit options and/or enrollment?
 - Yes – 17%
 - No – 83%
 - Shared vendors:
 - Iota - balanced benefits education tool

Survey Results

- Did your organization make any benefit enhancements as a result of tax reform?
 - Yes, increased 401(k) match or profit sharing contribution
 - Yes, employee bonuses
 - **No – 100%**

Survey Results

- One of the sessions during the March 15, 2018 Benefits Emerging Leaders meeting will be a moderated group discussion. What topic suggestions, if any, do you have for the group to discuss during that session?
 - How to communicate effectively with employees. I mean which method works the best (email, text, flyers in kitchen, etc.).
 - How to make the most of relationship with your benefit broker.
 - Emerging trends and potential pitfalls
 - All topics of interest

Some Discussion Topics for Today

- What steps has your organization taken to reduce prescription drug costs?
- What unique wellness programs has your organization implemented?
- How are you complying with the New York state paid family leave act?
- What changes has your organization made to comply with tax reform?
- What voluntary benefits have you found to most successful?
- What voluntary benefits are you planning/considering implementing?
- What challenges have you faced in implementing hospital indemnity, critical illness, or similar types of voluntary benefits?
- What percentage of your workforce is participating in your telemedicine benefit?

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Thank You!