Employee Benefits Report

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Employee Vacation Time Benefits Employers Too

Is all work and no play good for American workers? Evidence suggests that vacation time is important for both mental and physical health.

It's no secret that Americans generally get less time off than their counterparts in other industrialized countries. Employees in European Union countries get four weeks of paid leave by law, for example, while most U.S. workers must work full-time for more than a year before earning two weeks of paid leave — a benefit that is not required by law.

Worker Health and Productivity

Vacations mean more than just time off for fun. They also provide valuable mental and physical health benefits.

Regular vacations lowered risk of death by almost 20 percent in middle-aged men, according to a study published in 2000 by the State University of New York at Oswego. Twenty years' worth of data from the Framingham Heart Study found that women who took two or more vacations a year cut their risk of a fatal heart attack by half. Evidence also shows that physical ailments can decrease or go away entirely during vacations, and they tend to stay away for a period after an employee returns to work.

Employee vacations benefit employers as well. Employee burnout rates decrease signifi-

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This Just In…

Employers are maintaining employee health benefits but changing their plans in response to the Patient Protection and Affordable Care Act (PPACA), found a recent survey by the International Foundation of Employee Benefit Plans.

- **40 percent are increasing employees' share of premium costs**
- **29 percent are raising in-network deductibles**
- **28 percent are increasing employees' proportion of dependent coverage cost.**
- **27 percent plan to increase out-of-pocket limits**
- **25 percent plan to increase copayments or coinsurance for primary care**

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cantly during vacations, and life satisfaction increases. After a vacation, many employees find their work more interesting and become more efficient at their jobs, and the rate of absenteeism actually decreases. Conversely, when people don't take the time off that they need, their health deteriorates — emotionally and physically — often resulting in medical expenses and more time away from the job.

The current competitive job market and tough economy affect employees' attitudes toward vacation.

In a recent survey by CareerBuilder, nearly one-quarter (24 percent) of full-time workers said they couldn't afford to take a vacation in 2011, citing financial constraints and demanding work schedules. Another 12 percent reported they could afford a vacation, but didn't plan to take one this year. Even among those who take a vacation, 30 percent will not be completely off-duty, planning to contact their office during vacation.

Workers worry about losing their jobs, and many feel that if they take a vacation, they could be replaced. Some fear they'll be seen as lazy for taking time off. But taking time off has nothing to do with commitment, as workers who take time for themselves are actually better employees. Employers need to communicate that message, and develop policies that are consistent with that message.

Paid Time-Off Plans

Both workers and employers have begun to view flexible time-off plans as the best way to ensure that employees take days off when they need them. A paid leave bank combines personal, sick and vacation days into one pool; details vary by employer. Some add a number of paid holidays, with the total number of days off based primarily on tenure. Organizations frequently permit rollovers into the following year, with a cap on the number of days that may be saved. Some employers allow employees to "buy" or "sell" a certain number of additional days each year to take unpaid leave.

From 2002 to 2010, the proportion of employers offering paid leave banks jumped from 28 percent to 40 percent, while the proportion of employers offering traditional sick leave and vacation leave packages declined from 71 percent to 54 percent.

Flexibility Counts

Flexible time-off plans provide advantages to both workers and employers. Employees like the plans because they can take leave for whatever reason they require. The employer can eliminate situations where employees call in at the last minute pretending to be sick, when in fact they could have requested time off in advance.

Most companies do require that all time off be pre-approved and, as a rule, limit the number of employees who may be out on a given day. This may reduce scheduling flexibility, especially for employees without seniority. But employers say that having this control allows them to balance workers' time off so that it does not adversely affect productivity. While there will always be those who still call in at the last minute, flexible leave programs can help foster an environment of mutual respect between the employer and employee.

Regular vacations are preventive medicine — they cut down on stress-related illness and save healthcare dollars. If you want to attract and keep loyal, committed and healthy employees, make sure your company supports time off, both in policy and in practice. ■

How do U.S. vacation benefits compare to other countries? See Page 5

- **33 percent are putting increased emphasis on high-deductible plans with a health savings account (HSA), or assessing the feasibility of these plans.**

Healthcare reform has also spurred interest in wellness and disease management among survey respondents:

- **18 percent adopted or increased wellness initiatives in the last 12 months, and 27 percent plan to do so in the next 12 months**
- **38 percent are using more financial incentives to encourage healthy behaviors**
- **27 percent are adopting or expanding disease management programs.**

401(k) Fees: What Do Plan Sponsors Need to Know?

Families who save their retirement funds in high-fee accounts could end up with one-quarter less money in retirement than those saving in low-fee accounts, according to the Congressional Research Service.

Investigations by the Congressional Research Service found that fees of 2 percent or higher are not uncommon in retirement plans. For couples who save their entire lifetime, the CRS study found that an annual fee of 2 percent rather than a more reasonable 0.4 percent could reduce savings by nearly $130,000.

Employers who sponsor retirement plans have a fiduciary duty to assess plan fees not only when you first hire investment consultants, money managers and other providers, but again every few years. But do you really know what you're paying, let alone if the assessment is fair? Here's a rundown of typical fees.

Investment management fees are typically the largest portions — often 70 to 80 percent — of total plan costs. Generally calculated as a percentage of assets invested, these fees are deducted directly from investment returns, and are not specifically identified on investment statements. Investment products that require significant management, research and monitoring services usually will have higher fees — which may or may not mean better performance. These fees are the most manageable and predictable costs to reduce, as employers typically have a number of funds to select from that meet their 401(k) plan needs.

Plan administration fees involve expenses for basic functions such as record keeping, accounting, legal and trustee services. The plan also may offer investment advice, customer support systems, and electronic access to plan information, online transactions or other services. Administrative costs may be covered by investment management fees and deducted directly from returns. When billed separately, you may cover them or they may be charged against plan assets. For a plan with individual accounts, fees are either allocated among individual accounts on a pro rata basis, or charged as a flat fee against each participant's account.

Individual service fees are associated with optional features offered under an individual account plan. Fees are charged separately to the accounts of those who choose to take advantage of a particular plan feature, such as a loan from their account assets.

Revenue sharing. While "hard dollar" fees charged by providers are detailed in service agreements, many more fees go undisclosed. With few exceptions, mutual fund families pay marketing agents and administrators money—referred to as "revenue sharing"—for using their funds as investment options. Paid out of plan assets, these fees

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total as much as $1.5 billion annually. Despite the recent publicity about hidden fee arrangements, revenue sharing remains an entrenched if questionable practice. It's legally permitted if disclosed, but often it's not and nondisclosure is rarely enforced. Revenue sharing mostly affects small and mid-sized plans serviced by bundled providers. Large plans have the size and expertise to negotiate low fees, but small plans pay a higher percentage of assets in fees.

What Can You Do?

Try a fee audit. These audits are in-depth investigations that aim to uncover any hidden fees, determine a plan's total costs and, if possible, negotiate waived or reduced costs going forward. While audits don't necessarily lead to recovered funds, plan sponsors that undertake them at least find out if they're being overcharged.

Experts advise plan sponsors to hire a fee-only, non-commissioned professional who has no other interest in the plan. Consultants stress the importance of asking the right questions — and knowing if you receive straight answers. Few service providers volunteer revenue-sharing data. Some will provide it when asked, and up to a certain point. If they refuse to provide the information you need, use publicly disclosed amounts in your calculations—and note the lack of cooperation from the vendor(s).

Armed with information about the true costs of their plans, you can often negotiate lower fees and/or additional services. Experts advise that no plan should pay more than 1.5 percent of assets, inclusive of everything. If negotiations don't work, it may be time to shop for a new vendor.

Vision Care: A Clear Choice

According to the most recent U.S. Department of Labor National Compensation Survey, just 26 percent of companies offer vision care benefits. In comparison, 72 percent offer medical benefits, 68 percent offer prescription drug benefits and 46 percent offer dental benefits.

Companies that don't offer vision care may want to rethink their strategy. Vision disorders carry a hefty price tag for employers. They can result in a marked decrease in productivity, costing businesses an estimated $8 billion annually, according to a report by the Vision Council of America (VCA).

"Uncorrected vision problems are costing employers billions of dollars," said Ed Greene, CEO of VCA. "Direct medical costs associated with vision disorders exceed similar medical expenditures for

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breast cancer, lung cancer and HIV, yet few Americans get regular eye exams or have vision coverage in their health plans," said Greene.

The employees most at risk for developing vision problems that affect their work performance include engineers, construction workers, stockbrokers, software developers, accountants and administrative assistants. The VCA report found that an estimated 11 million Americans have uncorrected vision problems, ranging from refractive errors (near- or far-sightedness) to sight-threatening diseases such as glaucoma or age-related macular degeneration. Nearly 90 percent of those who use a computer at least three hours a day suffer vision problems associated with computer-related eye strain.

Another study cited in the *Journal of the American Optometric Association* found that in the presence of very little visual degradation, such as glare on a monitor, employees show an efficiency decline of four percent to 19 percent in accomplishing standard tasks. Translating that percentage into dollars, just a four percent improvement in efficiency of an employee earning $30,000 per year would be worth $1,200. And here may be the most telling statistic of the VCA report: employers gain as much as $7 for every $1 spent on vision coverage.

Types of Vision Benefits

Vision benefits typically come in the form of either vision insurance or a discount vision plan. Typically, vision insurance provides enrollees with eye care services in exchange for an annual premium, a yearly deductible for each enrolled member, and a co- pay each time a member accesses a service. A discount vision plan provides eye care at discounted rates after an annual premium or membership fee. The participant pays the total bill, less the applicable discount, at the time of service. Both kinds of vision plans can be custom-designed to meet the different requirements of a wide range of customers, including small and medium-sized businesses, non-profits, associations, school districts and unions.

Vision insurance generally covers the following basic services:

- ✔ Annual eye examinations, including dilation
- ✔ Eyeglass frames
- ✔ Eyeglass lenses
- ✔ Contact lenses
- ✔ LASIK and PRK vision correction at discounted rates.

Vision insurance costs vary for employers, depending on the size of the company and program design. It may even be offered at no cost to the employer as part of a voluntary (employee-paid) benefits program. Typically, vision plan premiums range between $5 and $15 per employee per month, depending on benefits selected. If your organization has a cafeteria plan, employees can save taxes by paying premiums through the plan, further lowering their costs. For both employees and employers, vision care costs only a fraction of the cost of vision problems or impairment. For more information, please contact us.

How Do Vacation Benefits in the U.S. Compare?

In the European Union and Australia, employees get four or more weeks of paid annual leave; Canadians get a minimum of two weeks of paid vacation after each completed year of employment.

The U.S. is one of nine countries that do not require employers to provide employees with paid vacation time. Employers determine whether to provide paid vacation, and how much, to their employees. According to 2010 U.S. Bureau of Labor Statistics data, after one year of full-time employment, 37 percent of workers in private industry got five to nine paid vacation days, and 38 percent got 10 to 14. Among part-timers in private industry, 48 percent earned five to nine paid vacation days after a year of employment.

Handling Vision Problems in the Workplace

If you suspect an employee has a vision problem that could affect safety or productivity, how should you handle the situation?

As you are probably aware, the Americans with Disabilities Act (ADA) and its amendments strictly limit the circumstances under which an employer may ask questions about an employee's medical condition or require the employee to undergo a medical examination. Generally, you may ask an employee for medical information if your company has reason to believe that there is a medical explanation for some change in the employee's job performance or if the employee's medical condition might pose a direct threat to safety, according to US Equal Employment Opportunity Commission.

Here's an example: a data entry clerk has recently been making numerous errors when entering information into a computer system. For example, he seems to be confusing the numbers 1, 7 and 9. The clerk's supervisor also has begun to see the clerk rubbing his eyes frequently and looking more closely at both his computer screen and printed materials. Your company has a reasonable belief based on objective evidence that the employee's performance problems are related to a medical condition (i.e., an eye problem) and, therefore, you may ask for medical information.

You can also ask an employee with a non-obvious vision impairment, who has requested a reasonable accommodation, for documentation demonstrating that he has a disability and needs the accommodation. In addition, you can ask an employee with a vision impairment to justify the use of sick leave by providing a doctor's note or other explanation, as long as you require all employees to do so. Finally, you can collect medical information about a vision impairment if it's part of a voluntary wellness program.

For more information on how vision care benefits can improve employee health, productivity and safety, please contact us. ■

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