Ayco’s 2018 InnerCircle Conference

The 30th InnerCircle Conference was held on August 1 – 2 at the Albany Capital Center in Albany, NY. The annual Conference provided a wonderful opportunity for Ayco to bring together benefit, compensation and human resource professionals from around the country, providing them a chance to hear about various topics of interest from peers, consultants and other industry professionals. It also provided a forum for networking amongst the attendees and presenters. Our guests included 75 participants representing 58 organizations.

Ayco’s President and CEO, and Goldman Sachs Managing Director, Larry Restieri, provided some opening comments to kick off the Conference. He spoke about what an exciting time it is to be at Ayco. Goldman Sachs continues to focus on helping to grow Ayco’s heritage services, as well as exciting new service models. With a focus on innovation and growth, Ayco’s goals are to provide effective financial counseling services and implementation strategies to all ranges of corporate America’s employee population.

Larry stressed that the Conference agenda is meant to convey the expertise of Ayco and other industry professionals, and to provide attendees with actionable items they can take back to their respective organizations.

The agenda included the following:

- Engaging Employees in Radical Transformation: The Toyota Case Study
- Views from the National Business Group on Health (NBGH)
- Evolving Financial Wellness
- Navigating Transparency in the Digital Age

Following is a summary of each of the topics addressed during the conference.

- Engaging Employees in Radical Transformation: The Toyota Case Study
  
  Cheryl Hughes, Group VP and Chief HR Officer at Toyota Motor North America, shared insights on transforming a business while creating a single, more innovative culture.

From its very beginning, Toyota has seen transformation. Toyota got its start as an automatic loom business, and over time, became an automotive company. Today its sights are set on transforming into a mobility company. To do that, Toyota’s leadership asked, “How do we position ourselves for the next 50 years to make the world a better place through the power of mobility?”

An important part of the answer, as Cheryl shared, is a strong focus on culture and people. They knew they had to become faster, nimbler and more innovative. The first step was uniting their separate sales and marketing, manufacturing, R&D and financial services headquarters into a single, neutral corporate headquarters location in Plano, TX. But, it was much more than a “pick it up and put it back down” move. “One Toyota” became the driving force to bring together these critical business units, with a refreshed culture that would support their mobility vision.
Cheryl cited four key lessons learned during the One Toyota journey:

- **Purpose Drives Passion** – Again and again, Toyota told its “purpose” story. They never talked about the need for change without talking about their purpose – to make the world a better place through the power of mobility. Team members value and respect working for a company that shares their values and has a purpose. This was woven into their calls for action and embedded in the culture.

- **Embrace a People-First Culture** – For Toyota, it’s all about their people. Throughout the One Toyota journey, they made people their priority, whether it was the 4,000 team members being asked to relocate or the 1,000-plus new hires they were recruiting. They made sure their people knew they cared about them. Their intense people-first culture resulted in nearly 70% of their team members making the move to Plano, almost three times the industry standard. And through their employer brand, Challenge What’s Possible, they created a candidate experience that helped them fill a record number of open positions in record time.

- **Involving and Empowering Leaders Drives Culture** – Creating a One Toyota culture couldn’t be viewed as HR’s job. It was everyone’s job, starting with leaders and starting at the top with the CEO. Toyota involved, included and activated leaders to be ambassadors for the cultural behaviors they needed to become a mobility company. Leaders had clear roles and direction, with the goal to inspire their teams.

- **Create Your Own Playbook** – Proactively define the culture you want for your company and people, and don’t be afraid to buck conventional wisdom along the way. Outside experts told Toyota they needed at least seven years to complete the headquarters transition; they did it in three. Outsiders told them they shouldn’t give team members too much time to decide on relocation; Toyota gave the majority a year or more. They were told to relocate and reorganize first then focus on culture; Toyota said, “No.” Today, a little over four years after announcing their plans, Toyota has 4,000 team members working side-by-side in Plano and working differently, demonstrating new cultural behaviors that will drive their future of mobility.

Cheryl’s subtext for these lessons learned: intensive communications. There was a promise to keep team members informed with no surprises. They acknowledged when things were hard and celebrated milestones, both big and small. They told, and retold, their story, linking back to their purpose. Today, they feel well equipped as an agile, innovative organization, anticipating change and helping conquer mobility challenges for all.

- **Views from the National Business Group on Health (NBGH)**

  Brian Marcotte, President and CEO of the NBGH, provided InnerCircle attendees a bit of a sneak peek into the organization’s 2019 Large Employer Health Care Strategy and Plan Design Survey results. This is the largest survey NBGH performs. This latest iteration asked employers to think more about change (e.g., the employer’s role in care, industry changes – consolidations and mergers, new market entrants, virtual care and artificial intelligence, engagement platforms, etc.). NBGH received responses from 170 employers, representing 19 million covered lives and over 14 industries. The majority of participating companies have at least 10,000 employees.

NBGH’s goals include keeping employers at the forefront of issues encompassing their interaction with the health care system, as well as the connection of well-being with business performance and productivity.

Below are some of the survey areas Brian addressed:

- **Full Replacement with Consumer-Driven Health Plans (CDHPs)** – the percentage of full replacement offerings actually decreased from 39% to 30% for 2019. Difficulties in getting employees engaged in CDHPs, a highly-competitive hiring environment and a pushed Cadillac tax are some reasons for this occurrence.

- **Health Care Strategy** – clear shift from focus on cost reduction to an element of overall workforce strategy.

- **Role of Employers** – as health care has become part of bigger corporate agendas, more employers are driving change or becoming early adopters of alternative delivery systems (e.g., Accountable Care Organizations (ACOs), High-Performance Networks (HPNs), and Centers of Excellence (COEs)).

- **Alternative Payment and Delivery Models** – employers primarily want high-quality, cost-effective providers and data reflecting how that can be done should they move toward ACOs and HPNs. COEs are growing, particularly in the cancer, cardiovascular and fertility specialties. All models are moving toward a bundled payment structure. Direct contracting is also increasing.

- **Provider Consolidation** – has often resulted in increased costs. But employers were largely uniformed as it comes to the impact on quality of care, consumer experience, data integration and value-based care models.
- **Virtual Care and Artificial Intelligence** – most employers felt these will play a significant role in the future. About 98% of the large employers currently offer telehealth.
- **Mergers** – the large employers expressed significant skepticism that mergers would lower cost and improve quality of care and the overall consumer experience.
- **Pharmaceutical Supply Chain** – 50% of the large employers believe there is need for an overhaul.
- **Manufacturer Rebates** – There is a strong movement to push rebates to consumers at the point of sale, but the rebate system was not favored by the majority of the large employers surveyed.
- **Copay Assistance Programs** – employers expressed concern over these programs dissuading patients from lower cost drug options, and that they may bypass the claims adjudication process.
- **Mental/Behavioral Health Services** – resource and service offerings are on the rise, from online resources and onsite health counselors to flexible work schedules and employee training.

> **Evolving Financial Wellness**

A panel moderated by Ayco’s Greg Bankowski, Manager, Institutional Business Solutions, discussed issues around financial wellness programs. The panel included Andrew Moline, Director of Global Benefits at Danaher Corporation, and Ayco’s Adam Hills, SVP, Institutional Business Solutions. Greg mentioned that the term “wellness” means different things to different people, but a common theme seems to be that companies are looking to make transformative change, rather than incremental, with modifications to their wellness platforms.

Andrew spoke about the wellness program at Danaher. Despite efforts to communicate and incentivize use, upon review they found employees becoming less engaged and less healthy. In moving toward enhancements, they did some significant internal data analysis in order to re-focus.

One area they re-developed was the localized wellness champion structure, which previously leveraged human resource representatives. The obvious goal was to build a better bridge between employee thoughts about wellness and how their benefits can help them achieve it. The champion roles shifted to other employees whose own personal behavior and focus naturally leaned them toward this function, which could have been related to health, finances or another topic related to the program. That resulted in a positive change for broader employee engagement.

Adam added that companies first really need to determine where they want to be. They need to be committed in order to see strong improvement in engagement. They also need to determine how their platform of voluntary benefit offerings should be constructed – how much should be for all employees? What about specific focus groups and/or issues? This should be based on their population and culture. Whether to target segments of populations as it pertains to benefits and/or communication strategies needs to be evaluated, using available metrics. Ultimately the impact of change should be measurable.

Andrew also spoke a bit about the individuality of wellness, noting that each person has their own sense of well-being. Further, as a company, surveying can help determine where and how significantly employee populations wish to be engaged. For Danaher, this resulted in a cautious progression to a delivery system focused on SMART phones and other digital channels. In today’s digitally-driven environment, that may be a path considered a natural course, employee feedback certainly can help to substantiate its implementation.

Adam also referenced the way the digital world has changed interactions between companies and their employees. Companies want to definitely see impact via areas such as reduced cost, including reduced absenteeism. They want the reliable data to show return on investment (ROI), and then continue to figure out ways to strengthen their wellness programs. With financial wellness there is often an initial review of metrics where data is determinable (e.g., HSA enrollment, retirement plan contributions), which is then combined with related communication and engagement strategies to drive employee action with the goal of proving ROI.

Andrew continued the conversation about companies analyzing data and trying to determine ROI. He indicated that for Danaher it has been focused on feedback from employees. They had surveyed the legacy benefit programs, then the new programs quarterly as they rolled out. They layered out the roll-out of program components and continuously tried to bring employees back to their App when benefit changes happened to re-engage them in a survey to see the kind of impact the change had. The desire is longevity improvement – healthier employees over time, physically, mentally and financially.

Finally, Andrew and Adam spoke about how the world of wellness will evolve in the next 10 years. Andrew felt that all benefits should focus on employee well-being in a coordinated way. Relevant data should be reviewed with
providers to evaluate how behaviors reflected in one area seem to be predictive indicators for other areas. Dedicating time, tapping into idea-generation from consultants and peers developing a solid communication campaign and connecting with good delivery partners are all key. Adam added that it is critical to consider the cost of not adding a coordinated strategy to pull all wellness goals together.

Navigating Transparency in the Digital Age
Ayco’s Tara Ryan, VP, Brand Strategy & Communications, sat down with Chris Powell, CEO of Talmix and Aaron Prebluda, COO of Kununu. Talmix helps organizations capture feedback regarding the employee experience and analyzes that data to help organizations, in part, to attract and retain desired talent. Kununu’s platform enables employees and applicants to rate companies on various categories, such as working conditions, salary, or culture. Their platform also gives employers the opportunity to profile themselves in that same environment.

The information collected and disseminated by these organizations is attempting to ultimately allow for better “fits” between employees and employers. It provides employers feedback on where existing employees and applicants desire enhancements so a company can understand where they may need to adjust culture, pay, or other policies.

Aaron spoke about how feedback and reviews have become so prevalent throughout the internet. Consumers have gained powerful resources at their fingertips for making purchasing decisions. That type of climate drove the creation of organizations like Glassdoor and Kununu. Access to websites that can provide prospective employees insight as to where they might be spending a significant portion of their future days (or even lives) has instrumental value.

Chris added to the discussion by talking about the downstream impact on companies. There is currently so much available information, companies need to focus on areas that reflect their beliefs and practices, and those should be integrated everywhere relevant in their “systems” and hiring. Companies also need to determine how transparent they feel they should be, with the backdrop of an environment that is pushing in that direction. A company’s degree of transparency combined with their ability to be nimble in reacting to sometimes challenging situations becomes of critical importance to an organization’s survival.

The panel then explored the issue of traditionally “private” companies getting comfortable with transparency. Chris indicated that small steps are probably the correct path to take. Aaron added that for those traditionally more private, they could start by looking at things like their internal communication style to see how they could become more open. The big issue facing them will be the ability to attract younger talent who are looking for more openness.

Aaron and Chris then began to talk about how transparency impacts a company’s brand. Aaron indicated that there seems to be a greater convergence of the internal employer brand, the consumer/outward brand and possibly shareholder-desired brand. If the employer brand is damaged (e.g., bad press about internal culture), then the consumer brand sentiment can very quickly follow. There can also be a significant impact on the internal brand if an event impacting the consumer brand seems counter-cultural to employees. It’s important for leadership to adequately and nimbly support pillars of brand should they be potentially damaged by internal or external events.

Chris mentioned that measurable proof to support an action or position, or why that action or position should be changed, is of great benefit. When decisions on transparency need to be made, leadership wants data. Aaron re-enforced the benefit of data, but not to forget the qualitative feedback and human elements beyond the numbers. Data should also result in measurements that can translate to action.

So what are we to look forward to as transparency builds and permeates organizational relationships with its employees and various stakeholders? Chris mentioned that there will be a lot more data as technology, such as voice recognition and artificial intelligence, help to gather and analyze data, but these are just measurement tools to help determine how transparent a company wants to be. Aaron added that he expects transparency, and support technology to help feed that transparency, to continue to grow between companies and job-seekers, generating better communications, alignments and retention.

Ayco’s Perspective of Compensation and Benefits
Ayco’s Angela Platt, SVP and Region Head, Financial Counseling, sat down with another Ayco associate, Jon Barber, VP, Compensation and Benefits, to discuss the current environment of compensation and benefits.

Angela and Jon started off by discussing the unique perspective Ayco is afforded from seeing both the employee and employer points of view on compensation and benefits.
Jon, in particular, has the advantage of seeing what peer companies are doing, is very adept at answering technical questions and understands trends and best practices. Here are his thoughts on various current issues:

**2017 Tax Cuts and Jobs Act**
- We started out by witnessing corporate reactions in the form of broad-based bonuses and enhanced 401(k) matching contributions. Now companies are moving to more long-term planning, addressing areas such as paid family medical leave.
- There is still a concern over the federal tax withholding changes, making it very important for employees to check their 2018 status. *Form W-4* (IRS draft now available) gets more complicated for 2019.
- Incentive Stock Options (ISOs) – possibly some resurrection given reduced corporate tax rates and more beneficial personal income tax provisions.
- No “Rothification” provisions...for now - in the future, however, there may be a greater focus on Roth contributions.

**Benefit and Compensation Trends**
- Student Loan Assistance Programs (see detailed panel discussion summary later).
- How to reign in the proliferation of 401(k) loans and hardship withdrawals?
- Greater interest in lifetime income options and/or annuity features in 401(k)s.

**Recent Issues/Planning Areas**
- Mobile employees and state income taxation – withholding and tax rules differ from state to state for non-residents, which can be a challenge for both the employee and employer to manage. Technology is giving state taxing authorities greater advantages in tracking down companies who may be delinquent on withholding obligations. Employers who may be concerned should make “good faith” efforts to comply.
- Non-Qualified Deferred Compensation – how can utilization be improved? More education and flexible distribution options, such as in-service distributions and separate elections for each deferral period.
- Health Savings Accounts – despite improvement, there is still a considerable amount of misunderstandings about these (e.g., Medicare disqualification rules). Given their potential expansion, the understanding needs to continue to improve.
- Roth Opportunities – planning opportunities around 401(k) after-tax contributions combined with Roth conversion options. Conversions could be accomplished in-plan, outside the plan (via withdrawal) or a plan could allow for both. This provides for much more significant long-term, Roth savings at what could be little to no immediate tax consequence.

- **Managing and Thriving in an Era of Social Change**
  Goldman Sachs’ Dane Holmes, Managing Director and Head of Human Capital Management and Pine Street, moderated a discussion panel consisting of Alan May, EVP & Chief People Officer at Hewlett Packard Enterprise; Denise Peppard, Corporate VP & Chief HR Officer at Northrop Grumman Corporation; and Sarah King, Chief HR Officer at Darden Restaurants.

In starting off the discussion, Alan expressed that the founders of Hewlett Packard focused on community work; however, responsibilities have definitely trended from regulatory compliance to making meaningful social change. Companies need to determine what their true areas of focus should be, but also need to be agile enough to adjust that focus as social issues change. Denise talked about how consideration of social issues has expanded significantly over time. Diversity and inclusion considerations have broadened, and corporate responsibility has come to the point of almost having no boundaries. Sarah rounded out the initial comments by talking about the challenges of having to manage the vast amount of internal opinions on a wide spectrum of issues.

Opinions on social responsibility impact a company from several vantage points - what employees think matters, as does customer and shareholder opinion. Alan referenced concerns of employees in the technology world over products potentially being sold that enable “bad” behavior. But even if that is the case, is there the same level of concern from shareholders? Denise mentioned that when dealing with issues that are emotionally-charged, internal strife within a company can result; and no company position on that issue will likely be deemed correct by all employees.

So how does a company deal with so many existing social issues – based on the panel insight there seems to be a combination of a core value focus, while also having to deal with other relevant social issues as they arise. What are currently “hot” issues in the world of social responsibility? Sarah mentioned immigration, which she noted carries both significant social and economic implications. Alan added the issue of gender-pay equality. Many countries where Hewlett Packard does business want to see the data proving this is happening. Another growing issue is the ethical implications and applications of machine learning and artificial intelligence – who owns the data and how is it used? Denise folded the U.K. gender pay gap
reporting rules and U.S. CEO pay ratio reporting into the conversation, emphasizing that there may be some disagreements around the details that go into these types of reporting mechanisms, but they send the right message of spotlighting bigger issues. Also, diversity and inclusion are some other key areas for Northrop Grumman.

The topic of recruitment was also discussed. Denise noted that prospective employees know a lot about a company now. Therefore companies should stay vocal and proactive about issues that are pillars of their social conscience and, to the extent possible, shouldn’t sit back and let media outlets react before the organizations when these issues are prominent in our social fabric. Dane added that companies need to be comfortable with transparency, particularly since generally we see a greater population willing to not only voice their opinions, but layer action onto those. Finally, Alan stressed how social media has “democratized” information. Anyone can now be heard. Internally, he mentioned that Hewlett Packard provides social media platforms for employees to voice opinions.

Social issues fueled by quickly moving digital mediums have definitely made the world, in general, a place where much more can be known, and many more voices can be heard. Interfacing with that world in helping to direct a corporate culture’s focus on social concerns requires considered thought on the issue of transparency. The question therefore becomes to what extent and how quickly, as a company, are you willing to make the changes necessary to keep pace.

30th InnerCircle Retrospective: Circling Back
Eric Gordon, SVP, Corporate Development & Brand Strategy at Ayco, and Angela Platt, who was also part of the discussion on Ayco’s Perspective of Compensation and Benefits, did a review of how not only the Conference, but times in general, have changed since Ayco started their InnerCircle Conference 30 years ago.

The event has gone from a small group around a conference room table, discussing primarily technical issues, to a much bigger audience with broader topics in the spectrum of compensation and benefits. Some issues, such as proxy reporting, have stood the test of time, while others – such as granting stock options within a 401(k) – it’s hard to believe in today’s environment that they were even considered. But what has remained consistent is that the Conference has always been current in addressing the pillars of compensation, benefit, talent and culture important to us and our corporate partners.

Washington Legislative Updates
Chris Gaston, Senior Policy Director at Davis and Harman, LLP, once again joined Ayco for the conference to talk about what’s going on in Washington impacting compensation and benefits.

Chris discussed that President Trump came into office with a two-page agenda on tax reform. But in less than an 8-week period of time, a substantial tax bill was first introduced and subsequently signed into law. To compare, when making a significant revamp of the Internal Revenue Code in 1986, the timetable was approximately 3 years.

Tax reform 2.0 is in process. Some items within its purview include making permanent the tax rate cuts, also with a significant focus on retirement savings. Some areas to consider are: the Rothification of “catch-up” retirement contributions; potential reduction in retirement plan contributions, benefits and includable compensation; possibly a wage cap on pre-tax contributions; changes to nonqualified deferred compensation plans; and universal savings accounts. That last point would provide for a Roth-style savings account that would allow for tax-free earnings and withdrawals for any purpose.

Chris went on to talk about the demise of the DOL Fiduciary Rule, and how in its lifespan went from strongly likely to ultimately extinguished by the Fifth Circuit Court of Appeals. The SEC has put forth their similar proposal, with its comment period ending on August 7th; however, these standards are less onerous and less broad, and would appear to be much more within the jurisdiction of the SEC.

Chris emphasized that it has been challenging to attempt to influence policy, or know what to expect, when there has been such turnover in Washington. On a related note, there is a new Assistant Secretary of Labor overseeing the Employee Benefits Security Administration (EBSA). He started earlier this year, and his focus had been the DOL Fiduciary Rule and Association Health Plans. With both of the items behind him, what’s next? The EBSA agenda has not publicly changed, but those attempting to influence policy would like to see it expanded.

Related change may also come out of Congress. Congress is looking at the following:

• Reduction of earned pension benefits for distressed plans
• Contributions to IRAs if over 70½ years of age
• Establishment of multiple-employer retirement plans
Guidance on meeting fiduciary standards as it pertains to annuity providers within defined contribution plans
Removing the auto-escalation percentage limitation
Finding missing retirement plan participants
Increasing the retirement plan cash-out limit (currently $5,000)
Electronic default delivery of retirement plan documents and statements
Health Savings Account – in part, increased contribution limits and expanded reimbursement opportunities
Student Loan Assistance – there are several current Congressional proposals, which include tax credits to employers, exclusion of taxable income to recipients of employer-provided payments, and how a repayment program might interact with a retirement plan’s match provisions

Finally, Chris discussed that it is a very interesting election season in that there are a significant number of Republican incumbents not seeking re-election, as well as a record number of House Republican Committee Chairmen not seeking re-election. What this all means for Congress after the November elections appears difficult to tell.

- Executive Compensation Panel
  Charles (Charlie) Tharp, EV of the HR Policy Association/Senior Advisor, Research and Practice of the Center on Executive Compensation, Timothy Stark, Director, Client Engagement & Corporate Governance, Equilar and Mark Trevino, Partner, Sullivan & Cromwell LLP, sat down to discuss some trending topics in the world of executive compensation.

Mark raised the issue of ISS areas of focus in 2018, and what is expected for 2019. Charlie talked about the pay-for-performance issues covered by the proxy advisory firms. In 2018, there was a real focus on the rigor of performance metrics. ISS has also been analyzing metrics closer. Charlie weaved the topic of transparency into the conversation, noting that companies could do a better job explaining the “stretch” in their metrics.

Mark noted that ISS just recently released their policy survey. It introduced an economic value added analysis, looking at share price and pay comparisons. They now have their own metrics they are trying to create, but Mark has concern that it would be something hard to broadly apply. He could see potentially in the future there being some resource created where companies could put financials though a model and figure out how their performance metrics measure up.

Tim added that metrics selected for incentives depend on the corporate goals and strategies. Therefore, different metrics could be reasonably used even between competitors in the same industry. This makes across-the-board comparisons difficult to do. He is skeptical that a deep dive into metrics is a truly feasible undertaking for proxy advisory firms.

Mark also mentioned that the ISS policy survey discussed directorship history. This would result in a member of a company’s board of directors having their prior board history follow them to a new company (which does not currently occur). Charlie discussed the fact that directors are meant to provide reputational enhancement to a company. Should poor history or low re-election rates occur, that clearly becomes a problem.

They also reviewed the impact of recent tax law changes on executive compensation. Charlie mentioned that there have been many companies making metric adjustments to account for the repatriation tax. There have also been some administrative questions raised on the issue of tracking Named Executive Officers who become permanently subject to Internal Revenue Code §162(m), even when no longer an employee. Further, without the §162(m) performance-based pay exception, companies can now focus on the greater flexibility provided in determining plan design.

The conversation switched to the issue of CEO Pay Ratio. Tim indicated that the reality is that we are dealing with one data point for each company, which is difficult to compare across companies due to the way the calculation occurs. What will likely happen will be a focus on each company’s changes from year-to-year, and how the numbers trend. Charlie added that he felt that the change in median pay will be of importance, particularly where a CEO gets a raise and other employee compensation doesn’t seem to keep pace.

Next was a discussion of executive perquisites. Tim mentioned that there was not a lot of recent change here, but there have been some shifts. Tax gross-ups are clearly being cut back, and the perks offered are those more reasonably expected, such as insurance and financial planning. Aircraft and personal security also saw little change. Country club/golf club memberships dropped. There seems to be more conversation by compensation committees about what should be considered a realistic perk package. Charlie added that companies are much more aggressive about indicating what they do or don’t do in proxies, particularly as it relates to non-performance based pay.
The panel finished up discussing trends. Charlie talked about the SEC issue around GAAP v. non-GAAP metrics in communicating to the public. More companies are providing an appendix or reconciliation of how they use non-GAAP for performance metrics vs. GAAP. He also emphasized the greater focus on the Board of Director’s proxy matrix which helps explain backgrounds and how those individuals can help inform the company.

Tim mentioned that companies are looking for new board members without as much focus on prior board experience, but rather seeking those with strong operational experience, such as in cyber security.

➢ Student Loan Programs
A panel consisting of Bruce Mont, Jr., Executive Director of the Office of Employee Benefits at the Federal Reserve System, Lydia Jilek, Director, Voluntary Benefits at Willis Towers Watson and Thomas Oksanen, VP, Employee Benefits at Liberty Mutual Insurance discussed the very prominent current topic of Student Loan Programs.

Lydia indicated that a WTW survey covering this (and many other) benefit topics was done 3 years ago, revealing that 4% of employers had implemented some form of student loan repayment program. That same survey done in 2018 asked more probing questions about what employers are providing their employees, including:

- A dashboard view to consolidate loans and rates?
- Counseling and tools to help determine how best to deal with debt?
- Ideas on consolidation, including whether to stay in the federal program to be able to avail themselves of certain benefits only available in that space?
- Refinancing options?
- Employer contributions to employees?

The latest survey showed that employer repayment programs have not grown, but there was some movement in the refinance and counseling offerings. However, results indicated that many employers are contemplating some form of repayment program by the 2020/2021 time frame. Lydia also mentioned that there are many vendors to sort through at this point. Further, there is the open tax law question, as contributions from employers toward repayment are currently taxable as compensation. How might that change?

Bruce talked about how he views benefits, such as providing value through a tax-advantaged status, or by reducing costs or enhancing services. Student loan repayment programs don’t really fall into these categories at this point. The question of parity also definitely comes up – why compensate some but not others. It leads to the question of how this type of program fits into the overall benefits package provided to employees. He sees the refinance approach as a solid benefit offering to help with the obtainment of better rates, combined with some guided education on the topic.

Tom indicated that Liberty decided without a tax-advantaged benefit, a repayment program was a non-starter. They did decide to offer a refinance program. It has seen 1,800 loans and $60M refinanced in a little less than 2 years. He sees this as a very efficient program, but feels like better communication would grow engagement. It has been a great tool for attracting younger hires. More broadly, they are also implementing a portal approach to bring all voluntary benefits together with an education component.

Lydia responded to the “what-about-me” concern from segments of an employee population not necessarily benefited by such programs. She brought up the fact that those with the fastest growing student loan debt balances are actually those closer to retirement (i.e., parent loans). Tom added that he thinks the severity of the issue also lends itself to having an offering that may be limited to a segment of an employee population. Bruce further commented that there are many other existing benefits that simply do not serve the needs of the younger population using this type of program.

Everyone on the panel felt that there would be a benefit to review metrics not only directly related to the program itself, but those connected to other benefits, such as the impact on 401(k) participation.

Thank you to those who attended our Conference this year. We hope to see you and many new faces at next year’s program.
Did You Know...

- According to a Society of Human Resource Management survey, as reported by Employee Benefits News, the following benefits are a few noted as being on the decline: preventative programs targeting chronic health conditions, healthcare FSAs, domestic partner benefits, childcare and eldercare referral services, fully/partially subsidized onsite cafeterias, defined contribution catch-up contributions and short-term disability insurance.

- To even things out, that same study reflected the fact that benefits on the rise included the following: paid maternity and paternity leave, company-organized fitness challenges, onsite stress management programs, flexible working benefits (e.g., telecommuting and flextime), acupressure/acupuncture medical coverage, critical illness insurance and standing desks.

- According to the 2018 Social Security Trust Funds Board of Trustees Report, in 2018 the program is paying out more than it is taking in through investment income and tax revenue. The projections would indicate that should we continue down this path, as of 2034 benefits would need to be reduced unless program modifications occur.

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