BENEFIT Plan Developments

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Workplace Benefits For Gay Men And Lesbians Improving

Growing numbers of U.S. employers are extending benefits to the partners of employees in same-sex relationships, and have included sexual orientation and gender identity in their nondiscrimination policies, according to the national advocacy group Human Rights Campaign (HRC) Foundation.

By the end of 2004, at least 8,250 private and public employers were providing health benefits for domestic partners, representing an increase of 13% over the previous year, according to the 2004 HRC report *The State of the Workplace for Lesbian, Gay, Bisexual and Transgender Americans*.

Among private employers, 216 Fortune 500 companies were offering these benefits by the end of last year. Some 17 Fortune 500 companies added the benefits in 2004, including General Electric Inc., Eli Lilly & Co., United Parcel Service, Aon Corp., Pepsi Bottling Group Inc., and Staples Inc.

An additional 13 of the Fortune 500 companies have announced plans to start offering the benefits in 2005, including Carmax, J.C. Penney Company Inc., and Home Depot. One company, Automatic Data Processing Inc., said it would begin offering the benefits in 2006.

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In total, the study found, 230 of America's largest companies—or 46% of the Fortune 500—either provided, or said they intended to start providing, domestic partner benefits as of March 1, 2005. Ten years ago, according to the report, only 21 Fortune 500 companies offered such benefits for domestic partners of employees.

Even among this elite group, the largest and most successful companies were the most likely to provide domestic partner benefits, according to HRC. More than three-quarters of Fortune 50 companies provided the benefits. The vast majority of these companies extended the benefits to both same-sex and opposite-sex domestic partners.

HRC researchers identified 2,867 private and public employers that included sexual orientation in their organization's primary equal employment opportunity or nondiscrimination policies by the end of 2004. This

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number, the report said, represents an increase of 4% over the previous year. Among Fortune 500 companies, 410—or 82%—included sexual orientation in their nondiscrimination policies in 2004, and another four had added it to their policies by March 1, 2005. Only one Fortune 50 company, Exxon Mobil Corp., failed to include measures banning sexual orientation discrimination in its policies.

A much smaller group of 201 private employers, colleges, and universities added the terms "gender identity" and/or "gender expression" to their written nondiscrimination policies by the end of 2004, according to the HRC report. Also by the end of 2004, 51 Fortune 500 companies also included these terms, up 89% from 2003 when 27 Fortune 500 companies had this policy. By the report's publication, an additional three Fortune 500 companies had incorporated similar language into their nondiscrimination policies.

While the number of employers addressing the issue of discrimination against transgender employees is still relatively small, HRC researchers observed that it is rising rapidly. Some very large companies have instituted gender identity nondiscrimination policies, including Ford Motor Co., Citigroup Inc., Dell Inc., IBM Corp., Microsoft Corp., and Merrill Lynch & Co.

"Corporate America knows that fair treatment is not just the right thing to do—it's good for the bottom line," said HRC President Joe Solmonese. "Nondiscrimination policies and equal employee benefits help recruit and retain the best talent while improving productivity by ensuring that all of their employees can provide for their families."

Solmonese acknowledged, however, that corporate policies supportive of same-sex couples can trigger a backlash from social conservatives. A Christian lobbying group, American Family Association (AFA), staged a nine-year boycott of Walt Disney Co. for promoting what it called a "pro-homosexual agenda," and recently threatened to boycott Ford Motor Co. for similar reasons. Responding to Ford dealer requests, the AFA said in June it would suspend the Ford boycott for six months.

Employers May Be Picking Up The Bill For The Uninsured

Employers and employees are forced to pay higher premiums for family health insurance policies to compensate health care providers for unpaid expenses incurred by the uninsured, according to a study by health care consumer advocacy group Families USA.

On average, Families USA concluded, companies that provide group health insurance to employees will pay an additional $922 per family this year in health insurance premiums to cover the costs of the uninsured. By 2010, researchers project, the additional cost per family will rise to $1,502.

Conducted by Emory University Public Health Professor Kenneth Thorpe, the study is based on an analysis of data drawn from the U.S. Census Bureau, the National Center for Health Statistics, the federal Agency for Healthcare Research and Quality, and other sources. The objective of the study was to establish who pays for the uninsured Americans unable to pay for their own care.

Results of the analysis showed that hospitals and physicians will spend $43.1 billion treating uninsured people who will be unable to pay their bills. Just 35% of the costs incurred by the uninsured are actually paid by the individuals who receive the care, the report found. These uncompensated costs are covered by three sources: federal, state, and local programs that provide partial reimbursement to health care providers; non-patient, non-government revenue sources; and higher premiums for people with private health insurance.

"The large and increasing number of uninsured Americans is no longer simply an altruistic concern on behalf of those without health coverage but a matter of self-interest for everyone," said Ron Pollack, Executive Director of Families USA. "The stakes are high both for businesses and for workers who do have health insurance because they bear the brunt of costs for the uninsured."

The cost of uncompensated care is especially high in states with large numbers of uninsured people, the study noted. In 11 states, employer-provided family health coverage costs an additional $2,000 or more annually as a result of these costs, researchers concluded. These states include New Mexico ($3,169), West Virginia ($2,940), Oklahoma ($2,911), Texas ($2,786), Arkansas ($2,748), and Florida ($2,248).

"These extra costs place unacceptable burdens on all families, as well as our small businesses, and our medical providers," said Kansas Governor Kathleen Sebelius. "We must find affordable ways to cover more workers and their families. States must work with the federal government to make such coverage a reality."

GM CEO: High Cost Of Health Care Benefits Are A Drag On Competitiveness

In June, General Motors Chairman and Chief Executive Rick Wagoner told shareholders at the company's annual meeting that the automaker would be forced to cut 25,000 jobs, in part because of the high cost of providing health care insurance to employees, retirees, and their families. The cost of health benefits alone, Wagoner said, translates to $1,500 per car or truck produced. This year, the company expects to spend around $5.6 billion on health benefits.

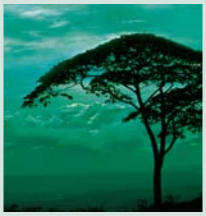
"Our $1,500-per-unit health care expense represents a significant disadvantage versus our foreign-based competitors," Wagoner said, according to press reports. "Left unaddressed, this will make a big difference in our ability to compete in investment, technology, and other key contributors to our future success. It is crystal clear that we need to achieve a significant reduction in our health care cost disadvantage, and to do so promptly."

GM is the largest private provider of health care benefits in the U.S., supplying coverage to 1.1 million current employees, dependents, and retirees at an annual cost of nearly $6 billion. GM management and the United Automobile Workers (UAW) union have been engaged in intense negotiations about reducing health care benefits, Wagoner said at the annual meeting, but no agreement has been reached.

Senate Bill Encourages Employers To Implement Automatic 401(k) Enrollment

A bipartisan bill introduced in the Senate in June aims to boost retirement savings rates by: promoting automatic enrollment of workers in employer-provided retirement plans; allowing workers to transfer unused funds from Flexible Spending Accounts (FSAs) into retirement plans; permitting individuals to direct tax refunds into Individual Retirement Accounts (IRAs); and making certain annuity contributions tax free.

Senate Finance Committee members Gordon Smith (R-OR) and Kent Conrad (D-ND) sponsored the Retirement Savings and Security Act of 2005. "The face of retirement is changing and we have to keep up with it. People are living



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longer and traditional pension plans are becoming less common," Sen. Smith said. "We need to make it easier for people to save money, and give them better options for guaranteeing a steady source of income in their golden years."

The proposed legislation would offer retirement plan sponsors relief from nondiscrimination testing and top-heavy rules in exchange for adopting automatic enrollment, automatic deferral increases, an accelerated vesting schedule, and a specified contribution level. The bill also clarifies the legal issues surrounding automatic 401(k) enrollment, and calls upon the U.S. Dept. of Labor to provide guidance on appropriate default options for auto enrollment programs. According to Sen. Conrad, the automatic enrollment of workers into employer-sponsored plans could produce 5.5 million new 401(k) participants over five years.

Employees who use tax-advantaged FSAs to pay for health care would benefit from a provision in the bill allowing them to transfer up to $500 a year in unused FSA funds to a retirement plan or IRA. Electronic transfers of tax refunds into IRAs would also be permitted. The proposal, it is hoped, will encourage retirees to invest in life annuities by making a portion of certain annuity payments free from taxation.

In addition, the bill extends to 2010 the Saver's Credit, a tax credit for low- and moderate-income earners who contribute to employer-provided retirement plans or IRAs. The credit is currently scheduled to expire next year.

The move to offer tax incentives for annuity investment was praised by retiree advocacy group Americans for Secure Retirement. "We applaud Senators Smith and Conrad for having the vision to recognize that true and complete solutions to today's retirement security challenges will come not only from encouraging people to save more for retirement, but also by providing Americans with better tools for managing those savings so they last a lifetime," said the organization's spokesperson, Shannon Hunt. "The inclusion of a tax incentive for people to put a portion of their after-tax savings in a lifetime annuity will go a long way toward providing true retirement security for all Americans."

The Principal Financial Group applauded the bill's automatic enrollment provision. "The personal savings rate in this country is alarmingly low and trending downward," said Larry Zimpleman, president of Retirement & Investor Services at Principal. "The Smith-Conrad bill would encourage more employers to offer the auto-savings tools we know can help turn that trend around: automatic enrollment and automatic deferral increases. Those 'do-it-for-me' options have proven to dramatically increase participation and savings in employer-sponsored plans but unclear rules are preventing widespread adoption. By simplifying and clarifying complex regulations, this proposal paves the way for more employers, particularly in small and medium sized businesses, to put these successful savings tools into action."

The American Benefits Council also said it welcomed the proposals. "We hope this balanced, bipartisan legislation will quickly gather widespread support of other senators," said Council President James A. Klein. "The Council applauds Senators Smith and Conrad's hard work on this measure and their commitment to preserving and protecting Americans' retirement income security."

Klein added, "As the defined benefit pension system has declined, defined contribution retirement plans have grown in importance for so many Americans' financial future. We know that … enactment of the Smith-Conrad legislation will encourage many more employers to offer these programs and help create a culture of savings in America."

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