Willis Towers Watson

HR Focus

August 2016

HR corner

The paid sick leave law wave continues across the country

By: **Marina A. Galatro**, PHRca, SHRM-CP
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Prior to 2014, only a few paid sick leave laws were in effect nationwide. In the past two years, that number has exploded to more than 30 laws, covering five states and more than 26 cities and counties. In addition, as mentioned in the October 2015 issue of HR Focus, President Obama signed an executive order requiring that federal contractors and their subcontractors provide paid sick leave to their employees who are performing work on covered contracts beginning in 2017.[1]

The intent of these paid sick leave laws is to guarantee workers paid sick days each year for personal or family illness. The laws vary on a number of details, including:

- Which employers are covered
- Which employees are covered
- How much time is required
- When the employee is eligible to use accrued hours
- What and for whom the hours can be used
- Whether unused hours can be carried over to the following year
- Whether unused hours can be forfeited
- How the paid sick leave requirements work with a PTO plan

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While most employers offer paid time off as part of their total rewards strategy and as a way to attract new talent, they must continuously review their paid sick leave or paid time off (PTO) policies to ensure they meet the provisions of mandatory paid sick leave laws. Employers with employees located in multiple states need to pay close attention to each jurisdiction's laws and determine how to respond to these variations from a policy and enforcement standpoint. This may require a strategic choice, as follows:

- Adopting a single company-wide set of policies based on the most generous jurisdiction, which may provide administrative simplicity but increased cost
- Adopting tailored policies for each state or local ordinance and continuing to stay current as new paid sick leave laws are passed

Here are five paid sick leave tips to consider when a paid sick leave law applies to your company:

1. **Review your sick leave policy —** Don't assume that because the company already offers a paid sick leave policy, it is automatically in compliance with the law.
   a. Confirm usage terms, accrual, coverage, carry over, vesting rules, etc.
2. **Determine if a PTO policy is best —** Decide whether lumping vacation, personal and sick leave together would be better for your organization, and for which employee groups, if applicable.
3. **Does a one-size-fits-all policy make sense —** Determine which employees work in locations with paid sick leave laws and consider whether a one-size-fits-all policy or location-specific policies would be better for your organization.
4. **Review notice requirements —** Review employee notice requirements (include workplace posters and paystub requirements).
5. **Update your handbook —** Update your employee handbook and distribute to employees.

Even if your state has no paid sick leave law, it never hurts to review your paid leave programs. Make sure that a written policy for your paid leave benefits is in place and makes sense to your employees.

In case you need a reminder, here is a list of paid sick leave laws enacted for entire states and specific cities and counties. This list continues to grow. It's important for employers to comply with both state and local leave laws. For example, if an organization has employees throughout California, it would need to look at both state and local laws to ensure its policy meets the provisions of the laws. This could mean that a city law may be more generous than the state law. Note that Connecticut's paid sick leave law applies to service employees only (i.e. waiters, cashiers, hairstylists).

Entire State/District	City and County Specific
California (2015)	California
Connecticut (2012)	San Francisco (2007)
Massachusetts (2015)	Oakland (2015)
Oregon (2016)	Emeryville (2015)
Vermont (2017)	Los Angeles (2016)
District of Columbia (Amended 2014)	San Diego (2016)
	Santa Monica (2017)
	Illinois
	Chicago (2017)
	Maryland
	Montgomery County (2016)
	Minnesota
	Minneapolis (2017)
	St. Paul (coming soon)
	New Jersey
	Jersey City (2014)
	Newark (2014)
	Passaic (2015)
	East Orange (2015)
	Paterson (2015)
	Irvington (2015)
	Montclair (2015)
	Trenton (2015)
	Bloomfield (2015)
	Elizabeth (2016)
	New Brunswick (2016)
	Plainfield (2016)
	New York
	New York City (2014)
	Pennsylvania
	Philadelphia (2015)
	Washington
	Seattle (2012)
	SeaTac (2014)
	Tacoma (2016)
	Spokane (2017)

[1] https://www.whitehouse.gov/the-press-office/2015/09/08/executive-order-establishing-paid-sick-leave-federal-contractors

Five tips to gauge cultural fit during the interview process

By: **Tara Kelly**, President and CEO of SPLICE Software

The workforce today is highly mobile, with the average person holding more than 10 different positions over the course of a career, according to U.S. Bureau of Labor statistics. What makes people decide to stay at a company or seek employment elsewhere? Culture can be a major factor in the decision. And business leaders widely acknowledge that culture is a key component in an organization's success.

Determining cultural fit is therefore a crucial part of the hiring process for businesses that want to achieve a stable workforce and consistently deliver an exceptional customer experience. There are a number of ways to assess cultural fit for prospective employees. Here are five methods that have proven highly effective in a dynamic startup to medium-sized environment:

1. Use an expanded, diverse panel of interviewers. In some companies, a limited number of people are involved in hiring, with just one or two conducting interviews and making decisions. This approach can be limiting as perspectives from diverse panel members can be extraordinarily valuable in determining fit.

Workplaces today tend to be more collaborative, so it's important to make sure everyone works well together. The best way to ensure fit is to bring more people into the process, including prospective coworkers as well as representatives from other departments.

2. Look for cultural clues throughout the hiring process. Forward-thinking companies often perform multiple interviews, including one specifically designed to assess cultural fit. Determining cultural fit is an important enough task to warrant its own interview, but it's a good idea to keep it in mind throughout the hiring process.

HR professionals and prospective managers and coworkers can find valuable clues about jobseekers by assessing their résumé and cover letter. It's also helpful to keep cultural fit top-of-mind during any type of interaction with the candidate.

3. Incorporate company values into the hiring strategy. Company values are designed to reflect and reinforce the organization's culture. One way to make sure a prospective candidate is a good cultural fit is to assign each interviewer one or two company values to explore when they interact with the candidate.

For example, if a willingness to learn is a company value, an interviewer could explore how much the jobseeker knows about the company to assess the level of curiosity. If the company places a premium on driving change, an interviewer could ask about the candidate's volunteer activities.

4. Plan questions to assess capacity for teamwork and other important attributes. Traits like an ability to collaborate, a capacity for fun and a passion for success are at the top of the list for many companies. The interview process can be revelatory if designed to include questions where candidates' personalities shine through, such as inquiring about extracurricular activities and interests, along with fun questions that gauge a jobseeker's sense of humor and creativity, such as "What is your favorite candy, and why?" The goal is to go beyond the expected to get a true sense of the person.

5. Put the company's culture on display. While company representatives are interviewing candidates and assessing their potential for cultural fit, jobseekers will also be evaluating the organization's culture and determining whether it fits their personal objectives and preferences.

Interviewers should always keep in mind that cultural fit is a two-way street and, while seeking opportunities to gain insight into a candidate's suitability for the job, they should provide information about the company culture to the jobseeker as well. A review of the company values is a good place to start.

In today's hypercompetitive economy, companies that can harness the creativity of their people and consistently deliver an excellent experience to their customers will flourish. The first step toward building a great company is to create a culture that values innovation and rewards people who go the extra mile for customers.

It's not enough for company leaders to believe in these principles: they must explicitly codify these beliefs, making them a core part of the organization's values.

Once a firm establishes a strong organizational culture, it's imperative that all employees buy into it and keep it going as the company diversifies and grows. Making cultural fit a core focus of the hiring process is therefore crucial, and by following these five tips, companies can make sure they keep their cultures strong in the years to come.

Health outcomes

Vetting a workplace wellness vendor

Workplace well-being continues to be part of a total rewards strategy for employers that impacts health care costs, productivity and decreases health risks of employees. As a benefit of employer-sponsored health care coverage, most medical carriers offer a wellness platform with a variety of health assessments, physical activity and nutrition trackers, challenges, educational modules and other well-being tools. Some organizations may outgrow the carrier wellness platform as their well-being program matures and need a more robust or innovative vendor option. Additionally, organizations may want to unite their well-being efforts under one platform. Finally, organizations may not want to use the carrier's wellness platform because employees may hesitate to engage in carrier offerings.

With so many options, you may want to consider the following questions when you vet a wellness vendor:

- Who will manage the vendor relationship?
- What is the budget?
- What are the program goals and are the goals of the program clearly defined to ensure the vendor meets program expectations?
- When do you want to start the program?
- What are the internal process requirements for contracting with a vendor? Is a request for proposal required? Do you need a certain number of bids?
- What type and frequency of reporting do you want?

Vetting a wellness vendor is a time-consuming endeavor. Here are some free resources to help you with the process:

- http://depts.washington.edu/hprc/workplace-wellness-toolkit "How to Find the Right Workplace Vendor: A Toolkit for Organizations," Puget Sound Health Alliance in conjunction with the University of Washington Health Promotion Research Center, January 2012.
- http://www.benefitnews.com/news/choosing-a-wellness-vendor-tips-for-finding-the-right-match "Choosing a Wellness Vendor: Tips for Finding the Right Match," Heather Provino, *Employee Benefit News,* April 28, 2011.

These resources include checklists, templates and other tools that help you find and select a vendor that is committed to your organization's well-being program.

Legal and compliance

Inventing a better workday for better work/life balance

By **Stephan Aarstol**, BLR

What if I told you that you could work fewer hours and be paid the same, or even more? What if I told you that you could give all your employees a raise for free, and they could go home early, everyday? What if I told you that this is also the fastest way to grow your business? I doubt you'd believe me, and I don't blame you. But here's the thing: I just did it.

At my company, Tower Paddle Boards, I made one small change in 2015 that transformed my business and my life. As a result of that change, my employees and I began to enjoy our lives in a way we never imagined possible, and we also became incredibly productive in the office.

Today, my entire team is happy, our customers are happy, and business is absolutely booming. That one small change has had an enormous, positive and lasting impact on all of us.

So, what was the change we made? We shortened the workday to five hours. That's it.

This sounds like a simple change, but believe me, it wasn't an easy or fast decision. It took a lifetime of paradigm-shifting experiences, along with a solid understanding of our economic past and future, before I gained the courage to bet my entire company on this experiment.

Luckily, the experiment has worked. In fact, it's worked so well, and so far beyond my wildest expectations, that I feel the need to share it with you. I believe this could change your life, your company and possibly our entire society for the better.

Here's how a five-hour workday can improve the quality of life for your staff and yourself tenfold:

Relationship benefits

We have a real divorce problem in America, and I think our overworking contributes greatly to it. Parents are working too long, not spending enough time with each other and with their kids.

What happens if American parents were done with work at 1:00 p.m.? They can catch every game, every recital, every community event. They can have time for date nights with their spouses. Or maybe just have time to have a nice, normal, unrushed conversation over the dinner table. Time to watch a funny movie together, laugh together. Time to love each other.

Other family benefits

In addition to the happiness-generating effects of spending more time with your partner, spouse or children, the five-hour workday solves another problem: childcare. What a nightmare. Our current workday requires working parents to find (and pay for, in most cases) three to six hours of childcare every day.

Now, what changes if one parent or both parents are off work by 1:00 p.m.?

Health benefits

With an abundance of free time every afternoon, most people are going to fill their time with some form of recreation and exercise. It might be tennis, or riding a bike or any number of things. Exercise is a huge gain to energy levels and productivity, not to mention the savings for businesses on their health insurance premiums if everyone in the office becomes healthier.

Personal happiness leads to workplace happiness

When a person becomes happier outside of work, they bring that into the office with them. I can't really quantify how this helps a business, but Vishen Lakhiani from Mindvalley said it best: "Happiness is the new productivity tool."[1] I've found that to be true in myself, as well as for everyone around me.

Killing the silent killers: stress and burnout

In the current situation where half the country of knowledge workers is working more than 50 hours a week, we've got a real problem with stress and burnout. We're bending people too far, for too long, and they're breaking. It's draining society at large, with a host of social ills and health problems. Prescription drug abuse is on the rise — illegal drug abuse has been for some time. Obesity is becoming commonplace. Heart disease and other stress-related health problems are on the rise.

We've seen this problem before

In the early 1900s, it was common for factory workers to work 10 to 16-hour days, six days a week. The industrial revolution brought about massive gains in productivity, but it also raised the pace of work to unsustainable levels. Hundreds of thousands of people were dying and getting maimed on America's factory floors every year.

It became very obvious that those long hours of physical labor were not sustainable, and in 1914 Henry Ford ushered in a new eight-hour workday, and that started a movement that would ultimately increase the quality of life of an entire nation.

Today, we're in the middle of the Information Age with an equally dramatic shift in productivity for knowledge workers. Yet we're still using a workday model that was designed for factory workers more than 100 years ago.

The workday needs to evolve. The work world has fundamentally shifted. Moving to a five-hour workday may be just what the doctor ordered.

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[1] http://www.vishenlakhiani.com/

Legal and compliance

IRS releases 2017 affordability rates

The Internal Revenue Service (IRS) recently released Revenue Procedure 2016-24, which provides indexing adjustments for certain provisions under the Patient Protection and Affordable Care Act (PPACA). Of interest to employers is the index adjustment of the contribution percentage used for purposes of determining affordability under the employer shared responsibility (pay or play) mandate. Employers looking to avoid pay or play penalties will need this information to assist in the decision-making process relative to plan designs and employer funding.

Background

In order to avoid pay or play penalties, applicable large employers (ALE) must offer full-time employees minimum essential coverage (MEC) that is both affordable and provides minimum value (i.e., actuarial value of at least 60%). Under applicable rules, health care coverage is affordable if the employee's required contribution for the lowest cost self-only option offered by the employer is 9.5% (as adjusted annually) or less of the employee's household income. The statute defines "household income" as the modified adjusted gross income of the taxpayer and the members of the taxpayer's family. Modified adjusted gross income is defined as adjusted gross income — plus certain types of income that would otherwise be excluded from the taxpayer's income (i.e., foreign earned income and housing costs, tax exempt interest, and the excludable portion of the taxpayer's Social Security income).

The provision in the PPACA statute that established 9.5% of an employee's household income as the general affordability standard also provided for indexing of that standard beginning in 2015. Indexing of that 9.5% standard is done in the same manner as for the indexing of the percentages used to calculate the amount of premium subsidy payable to a taxpayer who qualifies for a subsidy in connection with the purchase of exchange coverage. In Revenue Procedure 2014-37 (issued July 25, 2014), the IRS announced the first adjustment to the household income affordability standard by increasing 9.5% to 9.56%, effective in 2015. Subsequently, on November 21, 2014 the IRS announced in Revenue Procedure 2014-62 that the household income affordability standard would increase to 9.66%, effective in 2016.

The IRS did not address the household income standard in its employer shared responsibility regulations. Instead, they established a choice of three safe harbors that employers could use to demonstrate compliance with the affordability standard — all of which limit the determination of affordability to employee self-only coverage. Those safe harbor affordability standards include the

Form W-2 Safe Harbor (based on the employee's W-2, Box 1 reported wages for that year), the Rate of Pay Safe Harbor (based on an employee's hourly rate times 130 hours per calendar month), and the Federal Poverty Line Safe Harbor (based on the annual federal poverty line for a single individual divided by 12). The final employer shared responsibility regulations had stated that each of those standards is applied by multiplying the applicable wage amount by 9.5%.

Initially, the adjustments the IRS announced in 2014 were not applicable to the 9.5% standard used in connection with the safe harbor affordability standards, since all of those safe harbors were established by IRS regulations, and those regulations did not provide for indexing. However, Notice 2015-87, issued in December 2015, confirmed that the IRS intends to issue regulations to amend the affordability safe harbors to allow those employers relying on them to use the indexed numbers.

Affordability

For purposes of the employer shared responsibility mandate, the required contribution percentage has increased for 2017 to 9.69% (from 9.66% in 2016). This means that if an employee's share of the premium (in 2017) for the lowest cost self-only option offered by the employer is more than 9.69% of his or her household income (or the applicable standard if using one of the affordability safe harbors), the coverage is not considered affordable for that employee and the ALE may be liable for a penalty if that employee obtains a premium tax credit for health coverage purchased through the public exchange.

Since you asked

What are PPACA'S 2017 out-of-pocket limits?

Willis Towers Watson's National Legal and Research Group (NLRG) was recently asked what the 2017 out-of-pocket (OOP) limits are for non-grandfathered group health plans.

The Patient Protection and Affordable Care Act (PPACA) includes among its coverage reform provisions a section that disallows cost sharing that exceeds certain thresholds on essential health benefits (EHB) under a non-grandfathered group health plan. (An overall limit on cost sharing is referred to as an OOP maximum.) For this purpose, OOP expenses include deductibles, coinsurance, copayments or similar charges, and any other required expenditure for covered EHBs.

This provision and the specified dollar limits on OOP maximums were effective for plan years starting on or after January 1, 2014. HHS announced that the 2017 PPACA OOP maximum limit will be $7,150 for self-only coverage and $14,300 for other than self-only coverage. Note that for 2016, the amounts were $6,850 for self-only coverage and $13,700 for other than self-only coverage.

Please note that effective with the 2016 plan year, the annual limitation on cost sharing for self-only coverage applies to everyone, regardless of whether an individual is covered by a self-only or other than self-only plan. An individual's cost sharing for EHBs may never exceed the self-only annual limitation on cost sharing.

Webcasts

Millennials are changing your workforce: how to survive, adapt and thrive
Tuesday, August 16, 2016, 2:00 p.m. ET

Pam Murray
Senior Human Resources Consultant
Human Capital and Benefits

Sara Ritter, M.A., SPHR, SHRM-SCP
Senior Human Resources Consultant
Human Capital and Benefits

During this session, participants will learn:

- How to understand the Millennial generation, including their characteristics, tendencies, career aspirations and goals
- How to evaluate your talent management efforts and align them within organizational goals
- Which fresh approaches (including reviewing original and flexible work arrangements) will reward and recognize top talent, appeal to Millennials and maximize your employee value proposition

Millennials have an outlook on work that many of us would secretly like to emulate in our own lives, and one we need to foster openly within our businesses. (Hint: it's about time for friends and family, a collaborative work environment, competitive wages and benefits, and professional development to name just a few.) If Millennials aren't already the largest percentage of your workforce, they will be soon. So it's time to stop wondering how to manage this cohort and time to start truly understanding them. It's time to retool your human capital strategies to succeed and grow with a workforce that will be driven by this generation.

This session will help you develop an action plan to adapt and align your employee value proposition, address potential risks and invigorate your human capital strategy with fresh ideas about work-life balance, rewards and recognition, training and succession management.

To RSVP, **click here**.

The New EEOC Guidelines: Wellness Program Compliance Under HIPAA/ACA, ADA and GINA
Tuesday, September 20, 2016, 2:00 p.m. ET

Maureen E. Gammon, JD
Assistant Vice President, Manager
National Legal and Research Group

Kerri Kearns, JD
Compliance Consultant
Health and Group Benefits

During this session, participants will learn:

- What compliance obligations the new EEOC rules impose on employers and when compliance is required
- The implications for employer-sponsored wellness plans
- How the new rules apply to common types of employer-sponsored wellness programs

What do the final EEOC ADA/GINA regulations on wellness benefits mean for your organization? Because this ruling will affect employers' use of incentives to encourage employee participation in wellness programs, employers are looking for more details so they can make any needed changes to their 2017 plans. Employers are asking themselves: "Are our current wellness programs and incentive strategies compliant with the various laws that apply?"

This session will provide a summary of the new EEOC rules and required timing, highlight the implications for health care benefit programs and provide examples that illustrate the complexities of the new rules. The EEOC final wellness regulations are relevant for any employer wellness program with the following characteristics (partial list):

- Incentives or penalties that include the completion of a health risk assessment (HRA) or biometric screening
- Incentives or penalties for tobacco use with testing
- HRA or biometric screening requirements tied to eligibility for coverage or specific health plan options

To RSVP, **click here**.

NOTE: An advance RSVP is required to participate in these calls. Registration ends one hour prior to the call start time.

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