HUMAN CAPITAL PRACTICE

Willis HRFocus

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HR CORNER

MASSACHUSETTS PASSES MANDATORY PARENTAL LEAVE LAW THAT EXTENDS PROTECTIONS TO MALE EMPLOYEES

BY DANIEL MARGOLIS, PHR
SR. CONSULTANT, WILLIS HR PARTNER

On January 7, 2015, Governor Deval Patrick signed into law the Parental Leave Bill, effective April 7, 2015. This Bill replaces the current Massachusetts Maternity Leave Act (MLA) and provides parental leave for both men and women. Previously, only female employees received eight weeks of job-protected maternity leave for the birth or adoption of a child. Furthermore, the Bill expands coverage to employees not already covered under the Family Medical Leave Act (FMLA). Presently, FMLA covers employers with more than 50 employees and applies to both male and female employees. Now, all Massachusetts male employees, regardless of their employer's size, will be protected under the new law.

This legislation requires most Massachusetts employers to provide eight weeks of parental leave; and employees must be reinstated to the same or similar position they held before the leave.

When more than eight weeks of leave is granted, an employer must notify the employee at the start of the leave that they will be denied reinstatement and may lose other rights and benefits. If this notification is not made in a timely manner, the employer cannot deny the employee his rights under the law.

The new law also expands the FMLA as follows:

- **Parents Working for the Same Employer:** Clarifies that any two parents with the same employer are entitled to a total of eight weeks of combined parental leave.
- **Court-Ordered Placement of Child:** Employees with court-ordered child placements are covered.
- **Probationary Period:** If an employee is required to complete a probationary period, then the period cannot exceed three months.
- **Employee Notification:** Employees must provide notice of their need to take the Parental Leave "as soon as practicable if the delay is for reasons beyond the individual's control."

Continued on page 2

HR CORNER

HEALTH OUTCOMES

LEGAL AND COMPLIANCE

SINCE YOU ASKED

Preparing for the new Parental Leave Law

Massachusetts employers should consider updating their maternity and/or parental leave policies to ensure compliance and revising their employee handbook to include these changes. Employers should also ensure they comply with the new notice requirements. Click **here** for a detailed summary of the new law, including all of its requirements.

COMPENSATION MANAGEMENT AND STRATEGY: CAN YOURS COMPETE?

BY PAMELA MURRAY
SR. CONSULTANT, WILLIS HR PARTNER

No matter what business you are in, your people are your most important asset. They're often your largest operating expense as well. Yet, all too often, the compensation programs that affect your workforce have not been reviewed to determine if they still align with your goals. Organizations can no longer afford to be reactive when addressing pay issues. To safeguard the evolution of their total compensation strategy, they *must* be proactive.

Building an effective compensation program isn't easy. In fact, many industry experts agree it's one of the most challenging projects human resource professionals undertake.

Your compensation program may need a makeover if:

- **You have not conducted a compensation review or adjusted your salary structure in a few years.** Regular reviews help ensure you're aware of competitive market practices so you can make informed pay decisions. Performing a comprehensive and competitive assessment can also provide trend data to help you update your structure and stay current with market trends related to high-demand skills and critical talent.
- **You find that hiring top-performing, critical talent is more challenging than before.** This could be a sign that you need to revisit your total compensation philosophy – examining both base pay and incentive opportunities. Your first step should be looking at market data trends more frequently for roles and/or areas where the market price is increasing at a faster rate than in the rest of the market. And if you hope to retain those new recruits, you should review how the organization values, recognizes and rewards those who have the greatest impact on organizational success.
- **Variable pay is a foreign concept.** The days of retiring on-the-job and just showing up are over. Every employee must "produce value" for your organization to remain competitive, and your top performers want to be recognized and rewarded for the value they bring. To achieve or sustain solid performance – and to be able to reward employees for this performance over the long term – wise organizations must create a culture that rewards performance.
- **Your applicants and employees know more about compensation than your managers.** Employees and job seekers approach the employer-employee value exchange as informed consumers who believe they deserve fair and competitive rewards. Managers need to approach compensation discussions *knowing* how they stack up against the market and what the process and procedures are for determining pay and salary increases. Companies that remain rooted in spreadsheet-based processes (rather than those that are technology-driven) will inevitably be left behind in the competition for talent.
- **Employee engagement and pay satisfaction are low.** The true value of your total rewards program is often colored by how your employees and applicants perceive it. Research tells us that how employees feel about their pay is a significant contributor to their level of engagement and can be even more important than their actual pay levels. Employees who understand the company's overall compensation strategy, philosophy, pay-setting processes – and the rationale behind each pay component – are more likely to feel valued as employees and comfortable with their total compensation package. Total rewards communication should be an ongoing process, from the date of hire until the employee leaves the company.

Continued on page 3

HR Corner – continued from page 2

Your compensation program is crucial to your human capital strategy in two ways: as a critical part of the employer value proposition and as a valuable tool in ensuring that your organization has the right talent in place to serve your customers' needs and achieve business objectives. Organizations need to review their base pay administration practices, variable pay programs, the use of technology and their communications strategy to ensure they can attract key talent – but also retain, motivate and develop that talent for the future.

HR PROFESSIONALS...ARE YOU PLANNING ON EARNING THE NEW SHRM CERTIFICATION?

BY MARINA A. GALATRO, PHR-CA, SHRM-CP
SR. HR CONSULTANT, WILLIS HR PARTNER
WILLIS NORTH AMERICA HUMAN CAPITAL PRACTICE

In Willis's August 2014 *HR Focus* article "SHRM Announces New HR Certification at SHRM's Annual Conference & Expo," I provided information about the new SHRM certification – well, at least what was provided at last year's SHRM conference and what was available on the SHRM website.

If you had visited the SHRM website shortly after the article, you would have found little information about the cost of the new certification and noticed that most of the links on their website did not work – and perhaps been left with more questions about the cost of the certification process, exam schedules, recertification requirements, etc.

According to SHRM's *HR Magazine* (January/February 2015 edition), here are the reasons why you should earn the new SHRM-CP or SHRM-SCP:

- Demonstrate mastery of the competencies and knowledge most important to organizations as defined by the SHRM Body of Competency and Knowledge (SHRM BoCK™)
- Boost your confidence and recognition in the workplace
- Expand your scope within the HR field and bring new ideas to drive business success in your organization
- Protect your organization from risk by ensuring regulatory compliance
- Stand out from other HR candidates in a job search

What if you currently hold a certification? HR professionals that currently hold their PHR, SPHR, GPHR, HRBP or HRMP are eligible to earn the SHRM-CP or SHRM-SCP at **no** cost if they complete the following three steps before December 31, 2015:

1. Document that current certification is in good standing
2. Sign the Code of Ethics
3. Complete a brief online tutorial focusing on HR competencies, which takes approximately one hour

Once the process is complete, individuals will earn the new SHRM credential and begin a three-year recertification cycle. Beginning sometime this year, SHRM will offer recertification credits for the new SHRM certification.

What if you are seeking certification? Preparation materials for the new SHRM Certification are available now and registration for the first exam began on January 5. The spring exam window is from May 1 through July 15, 2015 with an application deadline of March 13 and the winter exam window is from December 1, 2015 through February 15, 2016 with an application deadline of October 16.

> "DEMONSTRATE MASTERY OF THE COMPETENCIES AND KNOWLEDGE MOST IMPORTANT TO ORGANIZATIONS AS DEFINED BY THE SHRM BODY OF COMPETENCY AND KNOWLEDGE (SHRM BOCK™)"

Similar to the PHR, SPHR, GPHR and other certifications, individuals can choose the SHRM Learning System that suits their learning style:

- Self-study program
- SHRM-CP/SHRM-SCP certification preparation seminar (3-day in person, 7-week virtual)
- Organizational training & development programs
- SHRM educational partner programs

My thoughts on the new certification. I know how much time and money is invested in studying and preparing for the PHR, SPHR or other HR certifications. I have held the PHR certification since 2008, the California HR certification since 2009 and am attempting to earn the SPHR. It is a commitment and a well-recognized achievement in the HR profession.

I am not sure yet how I feel yet, but I did take advantage of the "no cost" SHRM certification and earned the SHRM-CP on January 20.

If you do decide to earn the new SHRM certification, you must earn 60 professional development credits (PDCs) within a three-year recertification cycle (recertification application fee is $100 for SHRM members) or take a certification exam. You will not lose or have to give up your current credentials to earn the new SHRM certification.

For more information about the new SHRM certification, visit **www.shrmcertification.org.**

HEALTH OUTCOMES

ROI VS. VOI AND THE BUSINESS VALUE OF A HEALTHIER WORKING POPULATION

BY RONALD S. LEOPOLD, MD, MBA, MPH
PRACTICE LEADER, WILLIS HEALTH OUTCOMES

Employers today have three key business concerns: health risks across their workforce, medical costs and lost productivity. So the debate on employer return on investment (ROI) for wellness programs is louder than ever. It's time to end the clamor. Traditional medical-cost-based ROI methodologies have been challenged as overly optimistic, and sometimes flawed. What's actually working and how do we know? What are employers actually getting for their money? What's the real business value of a healthier working population?

The truth is that the industry is seeing decreased medical costs as a result of deploying smarter health and wellness programs.

To get the full picture of your health and wellness programs' financial viability – and how they are more broadly affecting company costs and operations – you need to take a different perspective. Rather than focus on the ROI, consider the value on investment, or the VOI, if you will.

How did we get to this point?

According to a Kaiser 2013 survey, the gaps between cost, contributions, earnings and inflation started to widen as early as 2004, precipitating the trend of shifting cost to employees – well before the 2010 health care reform launch.[1]

The Integrated Benefits Institute shows that health and productivity can be viewed in these proportions: 20% wage replacement, 40% medical and pharmacy costs, and 40% lost productivity. All told, the poor health of employees costs employers $576 billion a year.[2]

Health care costs continue to grow for several reasons, some of which are manageable and some of which are not. Despite the reasons, there are many ways for employers to mitigate increasing health care costs. By integrating health management practices, such as value-based benefit design, health and safety policies, and population-specific programs to promote prevention and risk avoidance, organizations can proactively address the health and productivity of their workforce.

Looking beyond medical costs to increased value overall

While many companies are hyper-focused on medical and pharmacy costs, they may fail to realize that some employee health issues impact productivity – and ultimately the bottom line – beyond their initial spend.

There's a growing body of evidence suggesting that when companies invest in comprehensive health and wellness programs, they see better business returns and greater profitability, compared to peer companies that have not made such investments or who provide *ad hoc* programs.

A recent literature review by the American Journal of Health Promotion, which included 51 studies, evaluated the financial impact of workplace wellness programs. It found that program ROI differs based on the quality of the methodology used to evaluate it and the way in which ROI was calculated. Businesses in Western nations typically calculate ROI as benefits divided by costs, whereas economists typically calculate ROI as benefits minus costs divided by costs. The economists' calculation method produces an ROI estimate that is 1.0 less than the Western business method. The review employed calculations using the economists' method and concluded that mean weighted ROI in the programs demonstrated a positive return.[3] This shows that worksite wellness programs make good business sense – when implemented effectively.

Continued on page 5

Health Outcomes – continued from page 4

Additionally, wellness programs bring a host of other dividends over time, such as improved workforce morale and lower employee turnover, less absenteeism and increased presenteeism (and their attendant costs), improved day-to-day operations – and more.

The discussion surrounding the return on investment for wellness programs is not new; however, one recent trend will likely alter the path of workplace wellness programs. Employers are beginning to focus their efforts on decreasing absences and increasing productivity. More companies realize that increasing employee morale, engagement and productivity will improve their culture and their bottom line. Many employers are moving away from looking solely at their medical cost trend and are more interested in boosting productivity. The latest *Working Well* survey found that 15% – 30% of companies are measuring wellness outcomes in such areas as safety, productivity and reduced absences.[4]

Shaking off the standard ROI mindset and embracing a VOI approach to health and wellness programs can help employers not only address their concerns about workforce health risks and related cost but also improve productivity — and in turn, their bottom line.

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[1]Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2013; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2013 (April to April). Accessed on October 22, 2013, available at **http://ehbs.kff.org.**

[2]Aggregate Estimates Using IBI Full Cost Estimator. Integrated Benefits Institute, 2012.

[3]Siyan Baxter, Kristy Sanderson, Alison J. Venn, C. Leigh Blizzard, and Andrew J. Palmer (2014) The Relationship Between Return on Investment and Quality of Study Methodology in Workplace Health Promotion Programs. American Journal of Health Promotion: July/August 2014, Vol. 28, No. 6, pp. 347-363.

[4]Human Resource Executive Online: **http://www.hreonline.com/HRE/view/story.jhtml?id=534357536**.

THE VOI IN HEALTH AND WELLNESS PROGRAMS MANIFESTS ITSELF BY:

- **Improving workforce morale and engagement**
- **Reducing employee absences due to sickness**
- **Improving workplace safety**
- **Improving worker productivity**
- **Maintaining employee workability**
- **Strengthening organizational mission and values**

AND YES, REDUCING HEALTH CARE OR INSURANCE PREMIUM COSTS.

LEGAL AND COMPLIANCE

CHIP MODEL NOTICE REVISED

The Department of Labor's (DOL) Employee Benefit Security Administration (EBSA) has released an updated Children's Health Insurance Program (CHIP) model notice. The revised notice can be found here: **http://www.dol.gov/ebsa/chipmodelnotice.doc**. A printable version is available (**http://www.dol.gov/ebsa/pdf/chipmodelnotice.pdf**). The DOL also makes the notice available in Spanish (**http://www.dol.gov/ebsa/chipmodelnoticesp.doc**).

Employers who already fulfilled the CHIP notice requirement prior to the release of the new notice are not affected by the revised notice (redistribution of the notice is not required). However, employers who have not yet complied with the notice's annual distribution requirement should use the most recent notice.

Background

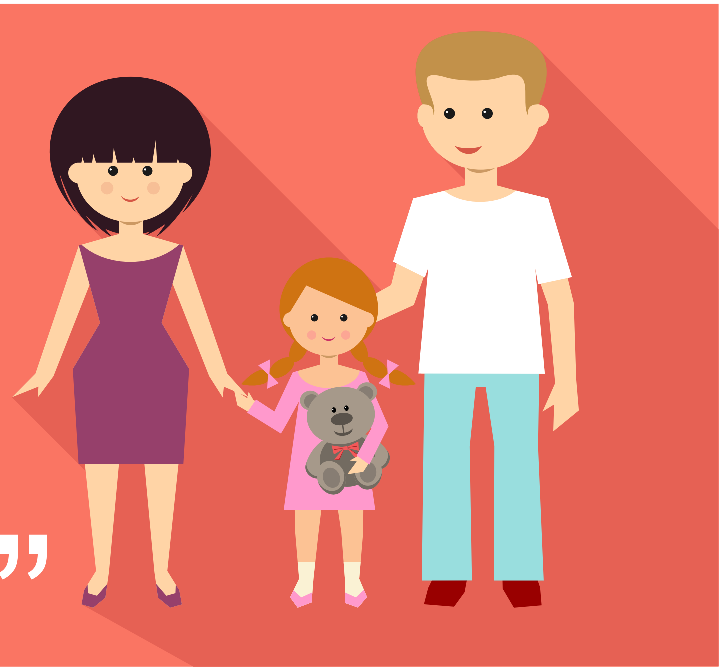
An employer is required under the Children's Health Insurance Program Reauthorization Act (CHIPRA) to provide a CHIP notice if it maintains an insured or self-insured group health plan under which it offers benefits in a state that provides a premium assistance subsidy under Medicaid or CHIP. An employer must provide the CHIP notice to employees who reside in these states, regardless of the employer's location or principal place of business (or the location or principal place of business of the group health plan, its administrator, its insurer or any other service provider affiliated with the employer or the plan), and regardless of an employee's enrollment status in the employer's group health plan.

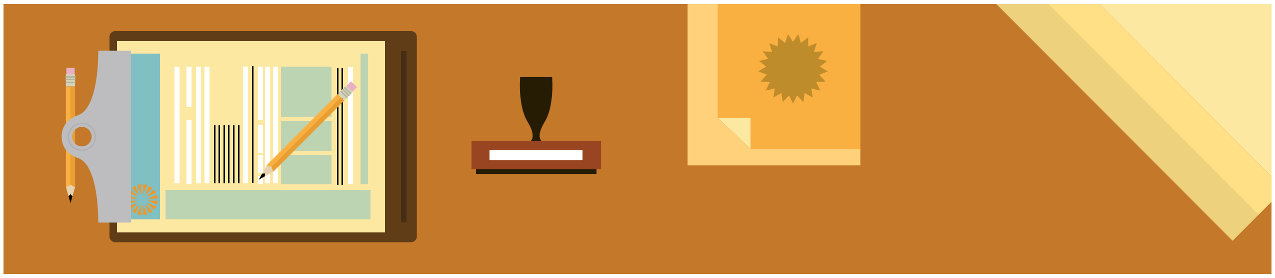
Employers were required to provide an initial CHIP notice by the later of either (1) the first day of the first plan year after February 4, 2010 or (2) May 1, 2010. After distributing the initial CHIP notice, employers must provide the notice annually.

REMINDER: CERTIFICATES OF CREDITABLE COVERAGE NO LONGER REQUIRED

The Patient Protection and Affordable Care Act (PPACA) prohibits group health plans from imposing preexisting condition exclusions on any plan enrollee, effective for plan years beginning on or after January 1, 2014. This eliminates the need for health plans to issue certificates of creditable coverage, which are used to document a plan participant's prior period of health plan coverage and offset that period against any preexisting condition exclusionary time period under the participant's subsequent health plan. As a result, the HIPAA portability regulations were amended to state that health plans will no longer need to issue certificates of creditable coverage, beginning December 31, 2014.

> "HEALTH PLANS WILL NO LONGER NEED TO ISSUE CERTIFICATES OF CREDITABLE COVERAGE BEGINNING DECEMBER 31, 2014."





SINCE YOU ASKED

MUST EMPLOYERS PROVIDE FORM 1095-C TO EMPLOYEES FOR THE 2014 TAX YEAR?

The National Legal & Research Group (NLRG) has received several questions regarding an employer's obligation to provide documentation to employees, upon request, verifying that the employee had minimum essential coverage through the employer-sponsored plan for the 2014 calendar year.

Background

The Individual Shared Responsibility provisions of the Affordable Care Act (ACA) require all individuals to maintain minimum essential coverage for each month of the calendar year, or pay a penalty when filing his or her federal income tax return if he or she is not eligible for an exemption. This requirement went into effect on January 1, 2014, with reporting of minimum essential coverage on federal income tax returns occurring for the first time in early 2015. The ACA also established certain reporting requirements for entities that provide health coverage. Through the completion of reporting by the entities providing health coverage, the individual will receive proof of minimum essential coverage in the form of Form 1095-A, Form 1095-B, or Form 1095-C.

Discussion

With the ACA's Employer Mandate, the ACA added Section 6056 to the Internal Revenue Code, which requires an applicable large employer to annually file reports with the IRS and provide a statement to its full-time employees detailing the health insurance coverage it provided to employees. This reporting is completed through the use of Form 1094-C and 1095-C, and was originally intended to begin in 2015 for the 2014 calendar year. Later, however, transitional relief delayed the effect of this mandatory reporting, making reporting for 2014 optional. Accordingly, the first time most employers will provide a copy of Form 1095-C to their full-time employees as proof of minimum essential coverage is February 1, 2016 (January 31, 2016 falls on a Sunday).

The transitional relief that delayed these employer-reporting requirements until 2016 for the 2015 calendar year, however, has created some tension with the employee's Individual Shared Responsibility reporting obligations. While the Employer Shared Responsibility reporting requirement has been delayed for the 2014 calendar year, the employee is still required to report his or her minimum essential coverage for the 2014 calendar year.

Following several employee requests for Form 1095-C to aid in the completion of 2014 federal income tax returns, NLRG has received numerous inquiries regarding whether an employer is obligated to provide an employee with Form 1095-C, regardless of the transitional relief, in 2015 for the 2014 calendar year. Due to the transitional relief, the employer is not required to provide Form 1095-C to its full-time employees for the 2014 calendar, even when requested for 2014 federal income tax return preparation.

If, however, the employer would like to assist its employees in establishing proof of minimum essential coverage, the employer could point the employee to the following documents in lieu of Form 1095-C:

- Form W-2 – Box 12, Code DD
- Income statements showing payroll deductions for health coverage
- Benefit enrollment confirmation
- Insurance carrier or third-party administrator records

Additional information regarding Employer Shared Responsibility and Individual Shared Responsibility obligations can be found in the IRS **Questions and Answers on Reporting of Offers of Health Coverage by Employers (Section 6056)** and **Questions and Answers on the Individual Shared Responsibility Provisions**, respectively.

WEBCASTS

HOW TO USE A PRIVATE EXCHANGE TO SUPPORT YOUR HUMAN CAPITAL GOALS

TUESDAY, MARCH 17, 2015 2 PM EASTERN
Presented by:
Rob Harkins, Practice Leader
Private Exchanges
Human Capital Practice

Employers have a multitude of concerns, including the rising cost of health care and how to best address changing regulations emerging out of the evolving health care environment.

At the same time, they're focused on maintaining a human capital strategy that addresses external demands and continues to provide competitive benefits that will attract and retain employees. Is there a role for private exchange in all of this?

That's what this session will explore. We'll look at feedback from the early adopters. Lay out exactly what a private exchange is. Discuss how it can address health care cost drivers. Examine how it can add dimension and direction to your human capital strategy. From the pros to the cons, this "how-to" session will cover it all.

And if you decide a private exchange is right for your organization? This session will show you how to get started.

During this session participants will learn:

- The features and value of a defined contribution model with a private exchange
- What constitutes a private exchange and how it can help drive a Human Capital strategy
- What motivated some employers to migrate early—and how the private exchange model can (and cannot) address health care cost drivers

To RSVP, click here.

NOTE: Advance RSVP is required to participate in this call. Registration ends 1 hour prior to the call start time.

HOW TO BUILD A PAY STRUCTURE THAT ALIGNS WITH THE MARKET AND CONTROLS COSTS

TUESDAY, APRIL 21, 2015 2:00 PM EASTERN
Presented by:

Pam Murray
Senior Human Resources Consultant
HR Partner, Human Capital Practice

Megan Gaddy
Human Resources Consultant
HR Partner, Consulting Human Capital Practice

As the marketplace has become more competitive, organizations are recognizing they can no longer be reactive in addressing pay issues or making pay decisions based on hearsay. Companies need to understand the boundaries of pay in the marketplace to ensure they neither underpay nor overpay for key benchmark jobs.

Pay structures are an important component of effective compensation programs and help ensure that pay levels for groups of jobs are both externally competitive and internally equitable. An effective salary structure allows management to reward performance and the development of skills, while controlling overall base salary cost by providing a cap on the range paid for particular jobs or locations.

This interactive "how to" session describes the process for developing a market-based pay structure that aligns closely with your company's business goals and reflects your unique organizational culture.

During this session participants will learn:

- Methods used to design salary range structures
- Three types of pay structure alternatives and the pros/cons of each
- How to use survey data to build pay ranges
- Key steps on "how to" design a market-aligned pay structure
- Key policy considerations when implementing a pay structure

To RSVP, click here.

NOTE: Advance RSVP is required to participate in this call. Registration ends 1 hour prior to the call start time.

*Each of the above programs has been approved for 1 recertification hour toward PHR, SPHR and GPHR recertification through the Human Resource Certification Institute (HRCI). For more information about certification or recertification, please visit the HRCI homepage at **www.hrci.org**.*

KEY CONTACTS

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904 562 5552

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614 326 4722

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248 539 6600

Grand Rapids, MI
616 957 2020

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262 780 3476

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763 302 7209

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602 787 6078

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858 678 2132

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