

Solutions Spotlight

April 2010

Notice Requirements Under CHIPRA

On February 4, 2009, President Obama signed into law the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). The law provided for two new special enrollment rights under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Effective April 1, 2009, if the employee or dependents experience one of the following events, they have 60 days from the event to notify the group health plan administrator and enroll in the group coverage mid-year:

- The employee or dependents lose eligibility under Medicaid or a state children's health insurance program (CHIP).
- The employee or dependents become eligible for a state premium assistance subsidy from Medicaid or state CHIP that would assist them in paying the group health plan premiums.

Employers must provide notice of the premium assistance subsidy to employees who reside in a state that has such a program. On February 4, 2010, the Employee Benefits Security Administration (EBSA) released a model notice for this purpose.

CHIPRA Frequently Asked Questions:

Does the requirement apply to both self funded and fully insured employee benefit plans? Yes, the notice requirement applies to both self funded and fully insured plans.

Who is responsible for distributing this notice — the insurance carrier or the employer? The employer is responsible for distributing the notice. A carrier could agree to send the notice on behalf of an employer plan sponsor, but the ultimate responsibility for the notice lies with the employer.

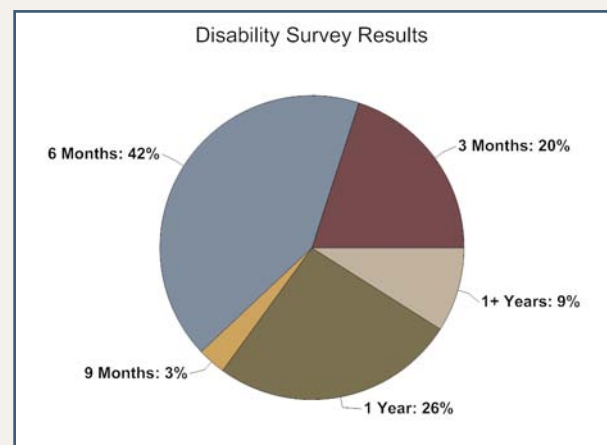
To whom does the notice need to be sent? The notice should be sent to any individual who is eligible to be covered under the group plan and who resides in one of the following states: AL, AK, AZ, AR, CA, CO, FL, GA, ID, IN, IA, KS, KY, LA, ME, MA, MN, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OK, OR, PA, RI, SC, TX, UT, VT, VA, WA, WV, WI and WY.

When does the notice need to be sent? The notice must be sent by the beginning of the next plan year. For plan years beginning on or after February 4, 2010, through April 30, 2010, the notice must be distributed to eligible participants by May 1, 2010. For plan years beginning on or after May 1, 2010, the notice must be distributed by the first day of the next plan year. This means that calendar year plans would not have to distribute the notice until January 1, 2011.

Article courtesy of NFP.

Disability Survey Results

Many thanks to everyone who participated in our brief survey in March. We asked, "If your organization has an employee out on disability, at what point do you terminate their employment?" More than 40 percent of you said six months.



The results also revealed that the larger the organization, the longer the employee has before termination. Of those who terminate after one year or longer, 50 percent are large hospitals or health systems.

For questions about this survey or for help evaluating your current benefit plans, contact Michelle Braddock at mbraddock@whafs.com.

Record Retention: What to Keep and for How Long

When it comes to plan-related document storage, remember that your primary goal should be to preserve materials in a format allowing for quick and easy retrieval. It's appropriate to store plan records electronically whenever possible. Also, be sure to retain an executed copy (or countersigned copy, as applicable) of each record, not the unsigned original that may have been sent to you for signature.

We encourage you to follow your company's internal procedures for disaster recovery for your plan documentation. Disaster recovery plans may include protocol for off site backup storage, retrieval, and inputting and tracking each document's retention requirements. While most vendors can provide reports and current plan documents, the plan administrator ultimately remains responsible for retaining adequate records that support the plan document reports and filings. In addition, you are required to maintain records sufficient to determine the amount of benefits accrued by each participant.

Document Type Retention Requirements:

- **Plan Documents** (including Basic Plan Document, Adoption Agreement, Amendments, Summary Plan Descriptions and Summary of Material Modifications). Should be retained for at least six years following plan termination.
- **Annual Filings** (including 5500, Summary Annual Reports, plan audits, distribution records and supporting materials for contributions and testing). Should be retained at least six years.
- **Participant Records** (including enrollment, beneficiary and distribution forms; QDROs). Should be retained at least six years after the participant's termination.
- **Loan Records** should be retained at least six years after the loan is paid off.
- **Retirement/Investment Committee** meeting materials and notes should be retained for at least six years following plan termination.

Article courtesy of NFP.

Common Pitfalls of Retirement Plan Investment Committees

Vanguard's Insights newsletter recently contained a column on best practices with investment committees. An interesting portion of the column contained a listing of the "seven deadly sins" of investment committees.

1. **Group Think.** Typically, committee members want to avoid conflict in meetings and will move in the general direction the group is moving. This is evident in all types of committees at an organization, not just investment committees.
2. **Group Polarization.** Groups tend to make either more conservative or riskier choices than individual members would have made on their own. Investment committees can offer a diversity of opinions, but it's important for those opinions to be heard.
3. **Overconfidence.** Group members often think they are better (at investing) than they actually are. A recent study showed that 90 percent of drivers think they are "above average" when it comes to driving, yet most of us have opinions to the contrary during our daily commutes. The same can be said with investment knowledge.
4. **Confirmation Bias.** Members will often look for data in meetings that confirms their view of the world, while ignoring other important information. An example could be focusing on investment returns for a fund, without taking into consideration style consistency and volatility of the fund manager.
5. **Herding.** Sometimes members will decide not to stake a claim or opinion, and instead actually make a decision to not be different than the pack, even if its done on a subconscious level.
6. **Action Bias.** Sometimes members want to do something, as opposed to doing nothing at all. This has been an issue with the market volatility over the past 18 months and sometimes committee members feel they need to take action in lieu of letting the markets settle.
7. **Social Loafing.** Committees are influenced by size and sometimes members of large committees will not participate while others, the vocal minority, often end up directing the movements of the committee.

Remember that one of the primary roles of committee members is to make decisions that are in the best interests of the participants and their beneficiaries. Any of the above pitfalls could lead a committee astray from that central mandate. If you have questions about the structure of your investment committee, please contact Forrest Ross at fross@whafs.com.

Article courtesy of Retirement Plan Advisory Group.

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