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## Is Retirement at Age 65 Still Ideal?

Planning for retirement at age 65, your grandparents knew they could count on a Social Security benefit to supplement grandpa's pension and their savings. They probably ended up living on their benefits for only a few years.

Healthier lifestyles and medical advances have resulted in something grandma and grandpa didn't anticipate: Many Americans live for many, many years after that magical age of 65.

In fact, more Americans are attaining the age of 100 now than ever before, leaving some an astonishing 35 years of post-65 life. While Grandma and Grandpa's income easily outlived them, will your employees' incomes do the same?

Barbara Butrica, a senior research associate at the Urban Institute ([www.urban.org](http://www.urban.org)), has a suggestion that some call crazy: delay retirement. Even one extra year in an individual's working life could have startling positive results, both for the individual and for society, she says.

In the Urban Institute's discussion paper, *Working for a Good Retirement*, Butrica and her co-authors assert that workers can increase their annual income by an average of 5 percent from age 50 onward for each additional year they work.

We spoke with Butrica about the Institute's findings, and why employers may want to encourage their employees to postpone retirement.

### Can They Afford to Retire?

"Many people are nearing retirement concerned about their ability to maintain the standard of living they had before retirement," Butrica says. "The Baby Boomers in particular have been

bombarded with doom and gloom messages. I think a lot of them are realizing that they may not be able to retire at a young age—that they need to work a little bit longer. To the extent that employers are aware of that and are willing to keep them on at older ages, or to hire older workers, this is a good thing."

"One of the points we make in the paper, which I think is really key, is that when Social Security first became payable, the average worker retired at about age 68. To have the same number of retirement years now would mean that the average retirement age today would be 74, because people are living longer," Butrica says.

She isn't suggesting that the normal retirement age change to age 74, of course. "In our simulations, we talk about delaying retirement by 1 to 5 years. People think we're crazy. In fact, people are living longer and healthier lives, so if they're physically able, I think it's a realistic possibility."

Workers on the lower end of the pay scale stand to benefit most from delaying their retirement, according to Butrica. The lowest-earning one-fifth of workers could increase their annual consumption at retirement by 16 percent with one additional year of work and by 98 percent for an additional 5 years of work. Middle-income workers benefit somewhat less, but still more than their wealthier counterparts.

"Our paper shows that by delaying retirement, you have additional years of earnings which build up toward more wealth, both in private pensions and in Social Security, and the earnings themselves," says Butrica.

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## 7 Things to Consider When Implementing Or Improving a PTO Policy

by Curt Finch, CEO, Journyx

Many companies—especially small ones—ignore paid time-off (PTO). They're casual about vacation and emergency absence time, as well as its tracking and accrual, but as they grow, PTO can become a significant expense that must be managed. Here are some things to think about as you develop or improve your PTO plan.

### 1. Talent—How to Get It

Controlling and understanding PTO expense allows you to recruit better talent. You can promise and allow people more vacation than your competitors if you know that it's controllable. This allows you to build a better team than your competitors.

### 2. Laws and Agreements

The first question businesses need to answer when creating their PTO plan is what to do about employees who quit or are terminated. Many states require that the balance of vacation pay be paid when an employee leaves the firm *unless the company has a policy that states otherwise*. In some states, the default policy is employer friendly.

### 3. Cost/Benefit and Ethics

If you choose to disallow vacation time to resigning employees, this allows you to reallocate the PTO that those who leave might have used in favor of those that stick around. This is especially helpful if your company is in an industry like retail or food service where turnover is traditionally high. In essence, you can offer more generous PTO packages when recruiting than your more-lenient competitors can offer—at no additional cost. This is arguably more ethical. After all, employees deserve benefits commensurate with their loyalty, do they not?

### 4. How to Accumulate

Companies have many different formulas for the accumulation of PTO based on hours worked,

seniority, title, and geographic location, and institute different policies to reclaim unused PTO at the end of various time periods (usually the fiscal year, the calendar year, or on the anniversary of the employee's hiring). Plans that allow unused PTO balances to roll over year after year can build up a larger liability, since when the employee takes the vacation long after earning it and after several pay changes, it will be taken at a *higher pay rate* than earned.

### 5. Administrative Considerations

Generalized PTO plans are simpler to understand and administer than plans that separate sick, vacation, and personal days. They also favor healthy employees. Employees with absenteeism problems often get a better benefit under traditional plans with dedicated sick days.

Healthy workers prefer PTOs because they can take some of the days that were formerly classified as emergency absence days as vacation. And then there's the "honesty dividend." People needn't call in sick when they're really going shopping. And HR doesn't have to play policeman on employees' reasons for taking time off.

On the other hand, as your company exceeds 50 employees and is covered under the Family and Medical Leave Act (FMLA), you may want to split FMLA accruals from other PTO in order to ease the task of meeting federal reporting requirements.

### 6. Automation

Many companies—especially small ones with highly skilled workers—have a casual attitude toward PTO. But as your company grows to exceed 50 workers or so, having an automated system to help manage this benefit can be beneficial in two ways.

First, it can help you curtail the intent of employees who would take more

than their fair share of PTO. Letting an automated system control this for you makes your job emotionally easier; you needn't play the heavy *all* the time.

Second, it can allow you to have a better understanding of who is *not* taking time off. You probably already know who needs time off. Who's the grumpiest sourpuss in your office right now? How much of their vacation have they used?

### 7. How Much Time Should You Allow?

There's evidence that the European habit of taking 6 weeks of vacation every year leads to higher productivity. The statistics back this up: Europe had a higher productivity growth rate than the United States in 14 of the 19 years between 1981 and 2000, according to the U.S. Federal Reserve Board.

According to a recent Expedia.com study on U.S. vacation habits, in 2002, a typical American was granted 16 vacation days, but only took 14 days off, handing back more than \$21 billion in unused vacation days to employers. In Europe, by contrast, the average is 30 days. So, be generous when you hire. They probably won't use it all anyway.

Everybody needs a vacation once in a while; "workaholicism" is unsustainable long term. You may occasionally have to encourage people to "vacate." On the other hand, a few employees with serious absenteeism problems can wreck the morale of your good employees. Controlling PTO appropriately leads to a smoother operating workforce. It curtails the malingerers and shines a spotlight on the unsustainable workaholics.

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