



BY GARY BOTTOMS, CLU, CHFC  
CHIEF EXECUTIVE OFFICER  
gbottoms@thebottomsgroup.com

## A REFLECTION AND THREE UPDATES

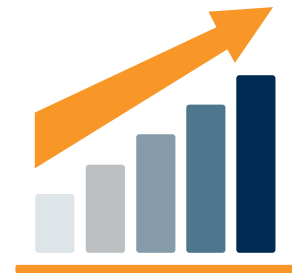
As an engaged to be married Georgia Tech senior, a wise mentor helped me create a vision of what I wanted in my future career. I wanted to be an entrepreneur. I wanted community roots and independence. I think most importantly, I wanted relationships allowing me to help others with something important to them - being a part of delivering something they want.

From the beginning, determining what our clients “want” in their future and helping them get there has been a common theme with individual insurance and employee benefits. Wants and needs vary according to circumstances and philosophy; nevertheless, there are several common themes that we see regularly as we interact with our clients. For this article, I have identified three “wants” that we commonly see along with developments that may be of interest.

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## EMPLOYER INVESTMENT IN HEALTH CARE BENEFITS DRIVE SIGNIFICANT RETURN ON INVESTMENT

BY DAVID BOTTOMS, REBC, RHU, CLU, CHFC  
PRESIDENT  
dbottoms@thebottomsgroup.com



A recent study by the healthcare consulting firm, Avalere Health, has confirmed what most employers already intuitively knew to be the case...employer investments in their employee benefits programs drive significant return on investment (ROI).

The Avalere study closely examined the impact of employer sponsored health benefit plans on a variety of employer cost components including direct medical costs, productivity, recruitment, retention, disability claim costs, and tax benefits. The findings of the study are eye-opening with the final analysis indicating that “employer sponsored insurance will provide an estimated 47% ROI to employers with 100 or more employees in 2022 and a 52% return in 2026.”

While the prevalence of employer sponsored health insurance, and the reality that 155 million non-elderly Americans are currently covered on employer sponsored health insurance, is proof enough that most employers believe there to be value in the provision of health insurance to employees, the fact that investments in benefit coverage result in strong and clearly observable ROI is significant.

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**About TBG:** The Bottoms Group, LLC, has for decades been listening to clients and developing employee benefits, insurance and estate planning solutions customized to their unique and changing needs. The Bottoms Group is a locally owned firm that is affiliated with two national “invitation only” organizations, that function as large back offices for us, and they are focused on our two specialties. First, NFP Benefit Partners is for our employee benefit clients. Secondly, we are an equity owner of Lion Street for our individual clients who have a need for life insurance, disability insurance, or long-term care coverage. For more information about TBG, visit [www.thebottomsgroup.com](http://www.thebottomsgroup.com).

Lion Street Financial, LLC., member FINRA and SIPC. The Bottoms Group, LLC and Lion Street Financial are not affiliated.



**BY JAMIE JONES**  
SENIOR ACCOUNT EXECUTIVE, BENEFITS  
jjones@thebottomsgroup.com

## COMPLIANCE: FORM 5500

Compliance is essential for any organization especially when having to abide by annual government regulations. One major compliance function that companies must be aware of each year is the Form 5500 reporting process which is mandated by the Department of Labor (DOL). Below is a filing guide answering commonly asked questions around the Form 5500 annual data collection process.

### What is a Form 5500?

The Form 5500 Series is an important compliance, research, and disclosure tool for the Department of Labor, a disclosure document for plan participants and beneficiaries, and a source of information and data for use by other Federal agencies, Congress, and the private sector in assessing employee benefit, tax, and economic trends and policies. The Form 5500 Series is part of ERISA's overall reporting and disclosure framework, which is intended to assure that employee benefit plans are operated and managed in accordance with certain prescribed standards and that participants and beneficiaries, as well as regulators, are provided or have access to sufficient information to protect the rights and benefits of participants and beneficiaries under employee benefit plans.

### Who is required to file a Form 5500?

Under ERISA federal law there are certain Retirement Plans and Health and Welfare Benefit Plans in which Plan Sponsors are obligated to file an annual report each year.

- If the plan has more than 100 participants enrolled on the very first day of the plan year
- If the plan is a small funded plan/trust plan
- If the plan is required to file a Form M-1: MEWA (Multiple Employer Welfare Arrangement). Typically, a MEWA is managed by multiple employers.

### Who is not required to file a Form 5500?

Under ERISA federal law there are some scenarios in which Plan Sponsors are not required to file an annual report each year.

- If there are fewer than 100 participants enrolled on the very first day of the plan year.

- If the plan is a church plan
- If the plan is an apprenticeship/training plan
- If the plan is managed outside of the United States
- If the plan is a governmental plan
- If the plan is unfunded/insured for a select group of management
- If the plan is managed only to meet the terms with workers compensation, unemployment compensation, or disability insurance laws

### When is the Form 5500 due?

Below is a Plan Year Timeline showing when the Form 5500 is due to the Department of Labor (DOL), which is on the last day of the seventh month after the plan year ends. The Department of Labor will allow a 2 ½ month extension if the Form 5500 is not e-filed by the proposed due date.

- January 1 – December 31 (*Due Date: July 31*)
- February 1 – January 31 (*Due Date: August 31*)
- March 1 – February 28 (*Due Date: September 30*)
- April 1 – March 31 (*Due Date: October 31*)
- May 1 – April 30 (*Due Date: November 30*)
- June 1 – May 31 (*Due Date: December 31*)
- July 1 – June 30 (*Due Date: January 31*)
- August 1 – July 31 (*Due Date: February 28*)
- September 1 – August 31 (*Due Date: March 31*)
- October 1 – September 30 (*Due Date: April 30*)
- November 1 – October 31 (*Due Date: May 31*)
- December 1 – November 30 (*Due Date: June 30*)

### What is a SAR?

The Summary Annual Report (SAR) is an annual statement summarizing financial information included on the Form 5500 regarding the benefit plan. The Plan Sponsor is required to supply the SAR report to all employees, including COBRA members, if they participated in the plan at any time during the Plan Year.

*Information presented above was gathered from the DOL Website & Wrangle*



## EMPLOYER INVESTMENT IN HEALTH BENEFITS DRIVE SIGNIFICANT RETURN ON INVESTMENT *(Continued from page 1)*

While the study itself is replete with helpful data and observations, some of the most striking insights relate to the fact that, in 2022, employers offering group health insurance coverage are projected to have 53.3% higher productivity, 3.9% higher retention, and 23% higher tax-related benefits relative to those who do not.

Furthermore, the study found that “industries where firms generally made greater investments in employer sponsored health insurance tended to result in larger ROI.” In other words, employers who go beyond just “checking the box” and intentionally invest in their health insurance and wellness programs actually saw their ROI increase quite significantly relative to those employers making smaller investments into their health insurance programs.

While the Avalere study focused exclusively on health coverage, there is no question that “employers of choice” go beyond just providing health coverage to curate a well-balanced benefit program including additional benefit elements which employees have grown accustomed to receiving from other employers in the market. Examples of these essential benefit plan categories include retirement benefits, dental insurance, vision coverage, short and long-term disability protection, and employer funded life insurance.

Last but not least, once employers provide an ample baseline of employer-funded benefits, rounding out the employee benefit offering through the implementation of supplemental, employee-paid benefits is a logical next step. Common supplemental benefit offerings include additional life insurance, critical illness coverage, accident coverage, etc. The provision of a robust employer-funded benefit package further enhanced by the thoughtful inclusion of supplemental benefits provides both current employees and prospective new hires with the sense that the employer is “invested” in providing a strong benefit plan aligned with the diverse needs of its employee population.

Given the recent convergence of inflationary pressures on the heels of an already tight labor market, it is essential that employers be strategic as they deploy resources within their businesses. To that end, the potential for thoughtful investments in employee benefit programs to result in higher employee productivity, more effective employee retention, and greater tax efficiency should catch the attention of any business owner or CFO looking to gain a competitive advantage in the current market.

BY DAVID BOTTOMS, REBC, RHU, CLU, CHFC  
PRESIDENT

[dbottoms@thebottomsgroup.com](mailto:dbottoms@thebottomsgroup.com)





## EMPOWERING EMPLOYEES DURING OPEN ENROLLMENT AND BEYOND

The Bottoms Group stands ready to lead you and your employees through a successful open enrollment, creating an experience designed to meet, and potentially exceed expectations. In addition to helping you, as the employer effectively communicate available benefits and coverage, TBG strives to ensure a smooth enrollment process during Open Enrollment and beyond by helping you empower your employees with the confidence and knowledge of the enrollment process.

### **Preparing for Open Enrollment**

Once you have chosen a benefit package and set a timeframe for Open Enrollment, early engagement with employees, communicating reasonable deadlines, and setting expectations will be essential to a successful Open Enrollment.

In the past, it was common for employers to provide paper copies of plan summaries and enrollment forms. While TBG is happy to continue providing paper Open Enrollment packets, many of our clients are now having their employees complete Open Enrollment and future enrollment changes via an online enrollment system. Regardless of which enrollment method you choose, early engagement with employees can ensure you start off on the right foot to a successful enrollment process. Our clients utilizing online enrollment systems have access to automatic email reminders to send out to employees, along with confirmation email notices once employees have made changes. Employees also have the capability to view electronic copies of plan summaries and other documentation at any time throughout the year. Being in regular contact with your employees with reminders of deadlines can have a great impact on the success of Open Enrollment.

Empowering employees with knowledge and confidence can be essential to ensuring a smooth Open Enrollment along with future enrollment changes. In addition to contacting employees directly, many of our clients find

benefit fairs and in-person or video conference benefit meetings helpful. Regarding benefit fairs in particular, representatives are available to answer insurance carrier specific questions, and provide hands-on enrollment assistance. Similarly, in-person or video conferencing enrollment meetings can have the same effects while being easier for clients to accommodate. Benefit meetings can also give employees the chance to learn about offered benefits and ask questions. As a way to encourage participation, many clients elect to have attendees entered into a giveaway. This not only encourages participation, but can also increase morale among employees.

### **Completing Open Enrollment and Navigating Challenges**

Once Open Enrollment has been completed, continued communication remains an important way to navigate any challenges that may arise. The most common challenge our TBG HelpDesk sees from employees is when changing to a new insurance carrier. Continuing to communicate expectations even after Open Enrollment has concluded can help provide reassurance. Following Open Enrollment, our TBG HelpDesk receives questions most often about ID cards and the transfer of medical deductible accumulations to a new plan.

First, when deciding on an Open Enrollment deadline and communicating it to employees, it is important to stick to the chosen date to avoid delays. When Open Enrollment is completed by a reasonable deadline, insurance carriers are able to provide ID card information to employees before the start of coverage. Even if employees do not have physical ID cards in hand, they are still able to download electronic copies from carrier websites or smart phone apps. Once ID cards become available, employees then need to be sure to provide the updated coverage information to their doctors and other providers to prevent delays in claim processing.

Secondly, employees are understandably concerned about mid-year plan changes and how any accumulated deductibles may be affected. Our TBG HelpDesk understands these concerns and we stand ready to assist with following up on any accumulations being credited to new medical plans, and with any claims affected.

### **Beyond Open Enrollment**

Once Open Enrollment has concluded, it can be helpful to make notes on what went well, and how the process can be improved in the future. Additionally, keeping the above in mind will be advantageous as newly hired employees become eligible for coverage, and when existing employees make changes due to qualifying life events (i.e.: marriage, birth of child, change to other coverage, etc.). In addition to communicating the enrollment process to new employees enrolling for the first time, it is also helpful to continue communicating expectations throughout the year. Some clients elect to send quarterly or semiannual messages to employees to remind them to submit life event changes to coverage timely, and to prompt members to update beneficiaries as needed.

Empowering employees with clear communication and access to information allows them to take full advantage of their coverage and ensures that your employees are able to get maximum worth from the employee benefit package offered. As always, TBG and our HelpDesk are available to help every step of the way; from Open Enrollment to any enrollment changes needed throughout the year, along with your employees' benefit and claims questions. We are happy to assist.



**BY BETTY MABERRY, JORDAN SMITH, AND ASHLEY TAPP**  
THE HELPDESK TEAM  
[helpdesk@thebottomsgroup.com](mailto:helpdesk@thebottomsgroup.com)



## THE BENEFITS OF ANCILLARY PLANS

While the majority of benefits discussions are usually centered around the Medical plan designs, there are additional group benefits that offer added protection and value to employees, enhancing the employee benefits package. These benefits are important because they show additional value with products such as Dental, Vision, Employer-Paid Life/AD&D, Disability coverage and more. Most of the time, if an employee is offered a benefit on a voluntary basis or is offered a partially employer-funded plan they will elect and utilize the benefit. This offers employees a sense of appreciation by providing more options to employees and their families, thus improving the overall experience of employee benefits through their employer.

While many employers offer Dental, Vision, Life/Accidental Death & Dismemberment, Short-Term Disability and Long Term Disability in addition to the Medical plan, other options include Voluntary products such as Accident, Cancer/Critical Illness and Hospital Indemnity policies. While these options can be offered at no cost to the employer, employees see the offer as a positive option and feel valued. In many cases, Medical carriers will offer additional discounts to the rates by bundling the ancillary benefits, sometimes up to 4% depending on the plans offered and the insurance carrier.

Many Medical carriers are offering telemedicine within the medical policy for a more efficient access to care in a virtual setting. In addition to the medical plan offering this coverage, there are also separate companies that offer specific benefit packages including legal needs, counseling, financial benefits, pharmacy discount services and more.

Group Dental policies have the option of being employer funded or voluntary; there are usually greater discounts on premium

when the employer funds a portion of the premium since the participation would be greater. Many employees take advantage of the preventive care that is covered at 100% on the dental plans while the basic and major services are usually covered at a percentage after a deductible.

Vision policies may also be employer-sponsored or voluntary. Most employees will use the benefit allowance on frames or contacts while also taking advantage of an annual eye exam with just a copay. The most common vision networks include EyeMed and VSP, while many carriers use their own robust vision network and reimburse a portion of out of network expenses.

The most common employer-paid options which typically cover 100% of employees are Life/AD&D, Short-Term Disability, and Long-Term Disability. It is important that these benefits are made aware to employees since the disability benefits would offer some financial protection if an employee is unable to work for a certain period of time. The Life insurance benefit for an employee if they were to pass away would be available to assist the family. If a death is also considered an accident, the AD&D insurance would also be available to the beneficiaries.

While employer-funded options are common, it is becoming more prevalent to offer voluntary benefits as it allows the employer to provide more offerings while allowing employees the option to select policies that best fit their needs.



**BY KELLY THOMPSON**  
SENIOR ACCOUNT EXECUTIVE, BENEFITS  
kthompson@thebottomsgroup.com



## A REFLECTION AND THREE UPDATES

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BY GARY BOTTOMS, CLU, CHFC

[gbottoms@thebottomsgroup.com](mailto:gbottoms@thebottomsgroup.com)

**Our clients want to avoid surprises with term life insurance policies.** Term life insurance is known as limited duration life mortality protection. You might say that this is the low-cost, efficient, and commoditized portion of the plan. It may be that the policy can be continued into the older ages, but the premium structure makes the arrangement economically painful.

The increasing premium may not be a problem if the coverage is no longer needed - the coverage can be discontinued. However, if the coverage is needed beyond the low-cost years, the conversion feature becomes important. Conversion means the policy can be transformed from a temporary policy to a different type of coverage designed to last into the older ages or possibly for a lifetime. The original underwriting class typically carries forward even though the insured may be uninsurable for new coverage. Most term policies have an embedded conversion arrangement so we can check the box that the feature exists, but the details matter.

The conversion feature protects insurability going forward and it is a valuable right. The ability to convert to any product the insurance company is offering at the time of conversion is rapidly disappearing. Increasingly, companies are restricting conversion to a special conversion only policy or reducing or eliminating the ability to convert to a competitive policy. The conversion only policies are expensive because significant health conditions are assumed to be present. A long window of opportunity to convert to any "street product" the company is offering at the time based upon the original health status is a valuable feature.

**Cash accumulation within a life insurance policy is a priority for some of our clients.** Within a properly structured life insurance policy, the accumulated cash grows on a tax-deferred basis, and policy withdrawals and loans can be made on a tax favored basis. To qualify for these advantages there must be a certain amount of death protection included given the amount of premium being paid. The U.S. Tax Code defines what the government deems to be a legitimate life insurance contract for tax purposes.

In early 2021, the tax code changed the portion of the formula for designing life insurance policies that had been unchanged since 1985. The change was a result of the continuing low interest-rate environment. The change affects some types of coverage more than others and it is designed to float over time to generally reflect the prevailing interest-rate environment.

The bottom-line effect of the change is that the amount of death protection included in the pricing formula for the policy can be decreased which allows more of the premium paid to be oriented toward cash accumulation.



180 CHEROKEE STREET NE, SUITE 200  
MARIETTA, GA 30060-1610  
770-425-9989

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It may be that a continued rising interest rate environment will eventually cause a change in the formula to be enacted which will move the numbers back towards the original formula. In the meantime, clients that wish to accumulate cash within life insurance policies should consider taking advantage of formulas in place presently.

**When long duration death protection is needed, our clients want meaningful guarantees.** Since 1981, we've been in a persistently declining interest-rate environment - longer and lower than most anyone envisioned. Several years ago, when interest rates were higher than they are presently, some major life insurance companies introduced guaranteed death benefit universal life. This type of coverage was refreshing because the death benefit would remain in place even if the cash value declines to zero as long as the initial required premiums were paid according to schedule.

As the low interest-rate environment continues, insurance companies have become more conservative in offering long-term death benefit guarantees on new policies. So, the recent rise in interest rates is helpful to the concept of offering strong guarantees. Returns on some types of coverage are based upon the portfolio rate which means that the present higher turns will be somewhat slow to appear because the "new" money will be mixed in with the "old" money with lower returns.

Several major insurance companies are now offering a guaranteed death benefit on variable universal life. As long as the required premium is paid on schedule, the death benefit remains in place even if the underlying assets fall to zero. This relatively new twist to life insurance can be designed to offer various funds, a fixed account, and indexed accounts all in one flexible chassis.

Please reach out and we will be happy to help in any way.