



West Sound Human Resource Management Association

West Sound Happenings

September 2006

Save The Date

Monthly Luncheons

Next Luncheon:
10/11/2006

Half Day Conference
11/08/06

Holiday Luncheon
12/13/06

Look for details soon!



Please continue to check our website at www.wshrma.org for updated information on the above events.



WSHRMA MONTHLY LUNCHEON *An Executive Overview - Workplace Ethics & Compliance*

SILVERDALE BEACH HOTEL

SEPTEMBER 13, 2006

SPONSORED BY:



Keep Your Company in Compliance and Out of Jail for Ethics Violations



The myriad of new laws related to workplace ethics is complex and challenging. Moreover, the new federal sentencing guidelines make clear that organizations can be found criminally and civilly liable for the ethical misdeeds of their employees -- even despite the organization's best efforts to prevent wrongdoing in its ranks! Indeed, individual criminal liability may be imposed on an executive even if he or she did not know that corporate transgressions violated the law.

But there is good news! The sentencing guidelines and related statutes such as SOX establish detailed ethics and compliance guidelines by which the risk of

Sept 13 Program—Cont. Page 3

RSVP by September 8, 2006

Date: September 13, 2006
Time: 11:45 a.m. to 2:00 p.m.

NOTE EXTENDED TIME

Price: \$20.00 Member*
\$30.00 Non-Member*

RSVP: wshrma@artanderson.com
360-479-5600 x2265

SILVERDALE BEACH HOTEL

3073 NW Bucklin Hill Road
Silverdale, WA 98383

360-337-8800

*Add \$10 with no reservation. Cancellations must be received at least 2 days prior to receive refund.



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IN THE NEWS - SHRM.ORG



Become A Member

Are you interested in a SHRM Membership or transferring your membership to our chapter? Please give Linda Corpe, VP of Membership a call with any questions: 360-373-2686 or e-mail to lcorpe@amiinter.com

AFFILIATE OF



Job Bank

Please check out our website at www.wshrma.org for current job openings. If you would like to advertise an open HR position in the WSHRMA job bank, please contact Debbie Laudenslager at 360-415-6533 or e-mail to dlaudenslager@kpshealthplan.com

HSA's Preferred over HRAs, Survey Suggests; Success Factors Identified

By Stephen Miller, August 2006

[From the SHRM Compensation & Benefits Focus Area]

Health savings accounts (HSAs) better contain health care costs than do health reimbursement accounts (HRAs), and they're also more popular among employees, a national survey of employers indicates.

Buck Consultants' study, conducted in the second quarter of 2006, analyzed responses from more than 130 U.S. organizations that offered their employees a high deductible health plan coupled with either an HRA or an HSA.

Health reimbursement accounts (HRAs) are employer-sponsored plans that are similar to flexible spending accounts, except that employees may roll over unused balances at year's end. They are funded with employer dollars, not employee salary reductions, and are not portable when employees leave. Instead, they are forfeited back to the employer.

Health savings accounts (HSAs) are portable accounts consumers can use to pay for qualified medical expenses. Both employers and employees can contribute to HSAs. For employees, the pre-tax contributions reduce their income taxes while allowing them to set aside money for their health expenses. Employees accumulate tax-free interest on their HSA balances and do not pay any taxes when using the money to pay for qualified medical expenses. Unused HSA balances can be carried forward from year-to-year, rolled over if the individual changes jobs, or even used for post-retirement health expenses.

Nearly half—46 percent—of respondents said they believe that HSAs can control health care costs more effectively than HRAs, while just 13 percent believe that HRAs—which have been offered to consumers longer than HSAs—do a better job. In addition, a majority of employers said they believe employees prefer HSAs over HRAs.

Critical Success Factors

Survey respondents considered the following components crucial to a successful consumer-directed health care program with an HSA:

- **Aggressive and coordinated education campaigns.** Among respondents, 81 percent believe a key challenge in implementing a successful consumer-directed health care program is achieving true employee understanding. Companies that "strongly support" their consumer-directed programs experience a 17 percent participation rate vs. a 2 percent participation rate for companies that were neutral or showed only mild support.
- **Employer contributions.** Higher rates of participation may be achieved if the employer pre-funds the HSA account at the start of the year, and the employer pays the HSA administration fees. More than three-quarters—76 percent—contribute to employees' HSAs.

Sept 13 Program—Cont from Page 1

corporate liability for ethical misdeeds can be substantially reduced. These standards apply to all organizations, not just publicly-traded companies, and require periodic training on workplace ethics and compliance. Now, by being proactive, taking preventive steps and complying with the guidelines established by these new laws, HR professionals, executives and managers can dramatically decrease the likelihood of being penalized for a corporate ethics violation.

This session will address some of the more serious challenges facing a modern organization, such as: which corporate practices pose the greatest ethical risks; who is responsible for maintaining an ethical workplace; and, what are the best methods to ensure comprehensive ethical compliance?

In an engaging and informative presentation, our attorney-speaker will review the key laws driving an organization's ethics compliance efforts and will set forth practical steps for achieving compliance accountability at the highest organizational levels.

Please join us and guest speaker, Katherine Cooper Franklin, as we examine practical ways to understand the new web of ethics laws and to learn innovative ways to avoid the hazards of civil and criminal liability that lurk within this developing legal tapestry.

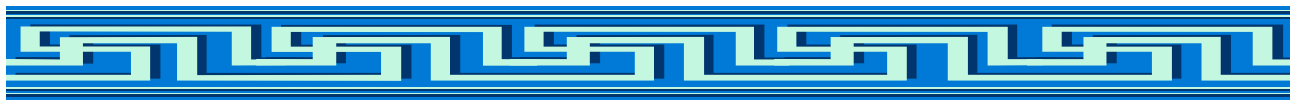
Guest Speaker: Katherine Cooper Franklin
Little Mendelson
701 Fifth Avenue, Suite 6500
Seattle, Washington 98104-7097
(206) 623-3300 kfranklin@littler.com

Ms. Franklin represents employers in all types of employment litigation and provides counsel on a variety of employment law matters. She is an experienced litigator and trial attorney, representing employers in wrongful discharge and discrimination litigation for more than 20 years. Ms. Franklin has successfully advised clients in the implementation and maintenance of proactive employment practices. She has extensive experience investigating harassment, workplace discrimination for both public and private employers.

¹ U.S. Sentencing Guidelines, § 8B2.1(b)(4)(A)

² Organizational Guidelines Overview, Paula Desio, Deputy General Counsel, United States Sentencing Commission

³ See, e.g., June 1, 2005 DOJ Opinion Letter; United States v. Dotterweich, 320 U.S. 277 (1943).



HRCI STUDY GROUP—STARTING SEPTEMBER 28TH!

The WSHRMA study group for the Human Resource Certification Exam will begin meeting on September 28th at 5:15 p.m. at Olympic College (room information to follow). If you are interested in joining the group contact Annie Davis at 360-479-0781 or e-mail Adavis@oc.ctc.edu

You may access detailed information on the HRCI exams, including cost, application process, registration deadlines, and other valuable information by visiting the website www.shrm.org/hrci. You must be a SHRM member to be eligible to participate in the WSHRMA study group.

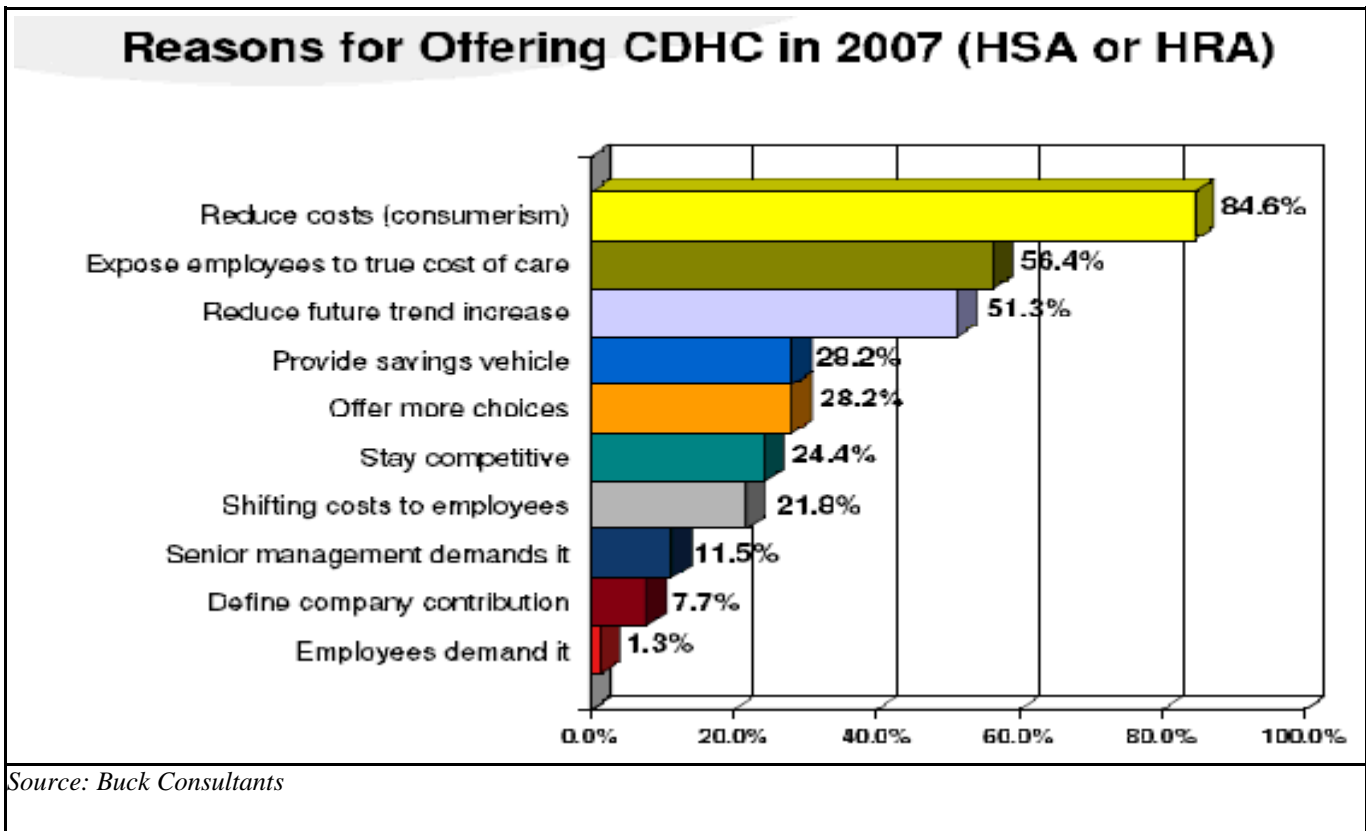
Fees: WSHRMA members— free.

All other SHRM Members (at large and other chapter members)— \$125 for the Winter/Spring Session

HSA's Cont. from Page 2

- **Claims integration.** The health plan and the HSA custodian must work together to fully integrate claims payment, relieving the employee of the burden to pay providers directly from the HSA.
- **Multiple investment fund choices.** A large majority—92 percent—provide mutual funds or other equity-based investments for their employees HSAs.

The most frequently-cited reasons for offering consumer-directed health care plans are reduced costs (nearly 85 percent) and exposing employees to the true cost of health care (just over 56 percent).

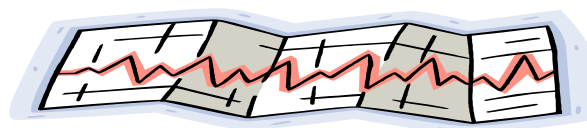


“The majority of employers believe health care costs will decline if employees purchase care with funds deposited into an HSA they control,” said Robert Burnett, principal in Buck’s health and welfare consulting practice. “Our survey shows an increasing confidence among plan sponsors that HSAs can help drive participant behavior change.”

Respondents are felt that:

- HSAs control costs more effectively than HRAs (46 percent vs. 13 percent).
- HSAs are more attractive to employees than HRAs (52 percent vs. 23 percent).

“Clearly, the ability to invest funds held in HSAs and the fact that employees can roll over their balances when they leave employment help make HSAs more attractive than HRAs,” said Burnett.

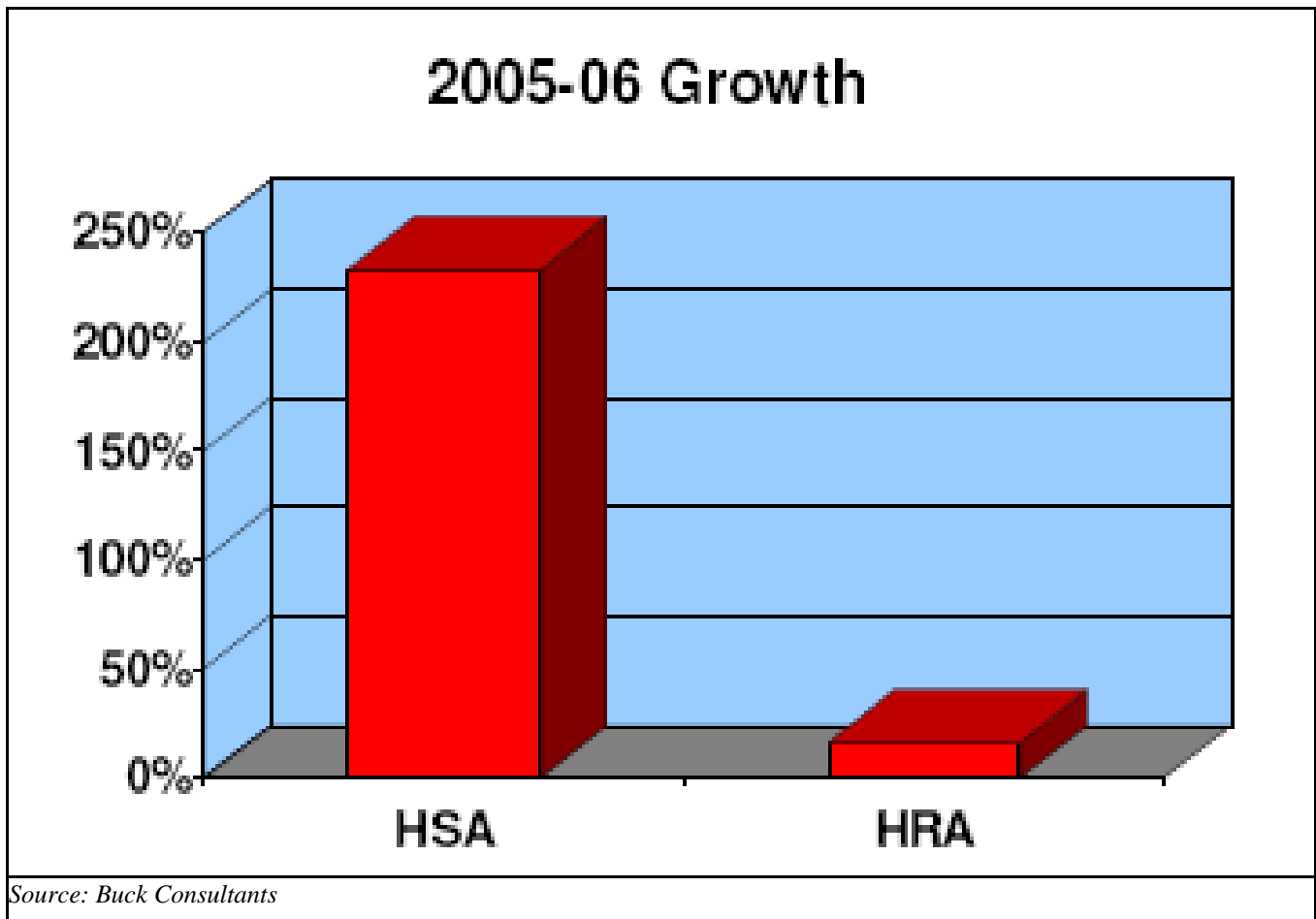


HSA's Cont. from Page 4

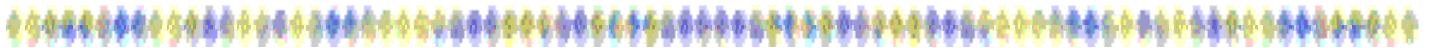
HSA Growth

HRA plans have been offered for two to three years longer than plans using HSAs. But HSAs may soon eclipse their somewhat older cousin:

- While 55 percent of survey respondents will retain their HRA plans, 30 percent of those with HRAs will add an HSA option.
- But 5 percent plan to replace their HRAs with HSAs.



The survey found consumer-directed health care plan enrollment increases as average salary increases. Companies with average salaries of more than \$60,000 exceeded a 20 percent average participation rate, compared to an overall consumer-directed plan average participation rate of 14 percent.



SHRM Webcasts Available for Viewing On-Demand

The following webcasts are available free of charge for on demand viewing by SHRM members. Go to <http://www.shrm.org/webcast/>

- **Fear of Feedback: Managing Performance Improvement**
- **Get Ready, Get Set—Recruit!**
- **Making the Business Case for Training and Performance Initiatives**

Free to Members
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LEGISLATIVE UPDATE—PAGE 1 SEPTEMBER 2006

STATE ISSUES

Employer Workers' Compensation Coalition has formed to address 2007 legislation to "improve" workers' comp

The Department of Labor & Industries has embarked on an aggressive and adventurous process to bring together business, labor, and other interests to discuss a package of "improvements" to the workers' compensation system in anticipation of submitting a package of legislative proposals to the Legislature in the 2007 session. In late April, the Department solicited and received ideas for improvement from the business and labor communities and throughout the summer has been conducting twice-weekly meetings with stakeholders to discuss the contents of a legislative package. If you would like to learn more about how you can be involved, contact Kris Tefft at AWB at KrisT@AWB.org.

FEDERAL ISSUES

House Passes Health Information Technology (IT) Legislation

The House of Representatives passed H.R. 4157, the Health Information Technology Promotion Act of 2005 on July 27 by a vote of 270-148. The legislation is designed to expedite the use of health information technology (IT) leading to potential cost savings and improved coordination of care.

SHRM actively advocated in support of the bill through direct meetings with members of Congress, SHRM member advocacy visits conducted during the Employment Law and Legislative Conference and the SHRM Annual Conference and Exposition, and numerous chapter visits to Capitol Hill. In addition, SHRM members communicated with their congressional delegations by sending over 800 letters in support of health IT legislation.

H.R. 4157 includes the following key provisions to:

- Establish an Office of the National Coordinator for Health Information Technology within the Department of Health and Human Services and prescribes its role as coordinator of federal government activity regarding health IT and nationwide interoperability;
 - Provide "safe harbor" from prohibited payment restrictions and allows hospitals to provide physicians with information technology and related training services;
 - Direct the Secretary of HHS to study and report to Congress on whether pertinent state laws and current federal standards should be conformed to create a single set of national standards to preserve and protect the security and confidentiality of patient health information;
 - Amend the Social Security Act to provide for the establishment of uniform confidentiality and security standards with respect to individually identifiable patient health information; and
- Require the Secretary of Health and Human Services to develop a strategic plan to coordinate implementation efforts for health IT standards, HIPAA transaction standards and new coding systems.

The House also agreed to several amendments that were considered during floor debate on the bill, including amendments designed to:

- Require a study that provides benchmarks for best practices and cost effectiveness for the use of health IT in medically underserved areas;
 - Require the Secretary of Health and Human Services to submit a report to Congress demonstrating the impact of health IT on disease management for chronic disease patients in the Medicaid population; and
- Clarify that the purpose of any changes to medical coding is for diagnosis documentation or billing use.

Pension Reform Bill Passes House & Senate

Late on July 28, the House of Representatives passed H.R. 4, the Pension Protection Act of 2006, by a vote of 279 to 131. The



LEGISLATIVE UPDATE—PAGE 2 SEPTEMBER 2006

House-Senate conference committee on pensions had largely reached consensus on details of the pension provisions, but were debating whether to include unrelated tax extenders on the pension bill. In the absence of agreement, the House moved forward with a separate measure, H.R. 4, which contains the pension reform provisions but does not include the tax extenders. H.R. 4 was passed by the Senate on August 3 and sent to President Bush to sign into law.

SHRM actively advocated in support of pension reform. In addition to conducting independent advocacy, SHRM participated with other businesses and associations as part of the Pension Coalition urging reform and as part of a group advocating for EG-TRRA permanency. SHRM communications emphasized certain pension-related provisions, all of which were included in H.R. 4 as follows:

Automatic Enrollment

The bill allows employers the choice to automatically enroll employees in a 401(k) plan. The bill clarifies that automatic contribution arrangements meeting certain requirements are treated as meeting the nondiscrimination rules for 401(k) plans and matching contributions and as meeting the top-heavy rules. The requirements include that the plan may provide for automatic elective contributions of up to 10% of compensation but at least 3% in the first year the employee participates rising to 6% thereafter. The contribution percentage must be applied uniformly to all employees. The employee must be informed of the ability to opt-out of the pension plan. The provision also preempts any state law that would directly or indirectly prohibit or restrict the inclusion in a plan of an automatic contribution arrangement.

EGTRRA Provisions

The bill makes permanent the pension provisions that were part of the Economic Growth Tax Relief Reconciliation Act (EGTRRA) and were set to expire in 2011. These provisions:

- Increase the annual contribution limits for IRAs and qualified pension plans;
- Allow additional catch-up contributions for individuals age 50 and older;
- Provide incentives for small employers to offer pension plans;
- Extend permanently indexing to inflation the “Savers’ Credit” which would have expired at the end of 2006. This credit allows eligible low income individuals who make contributions to an IRA or pension plan to receive a federal “match” in the form of an income tax credit for the first \$2,000 of annual contributions.

Investment Advice for DC Plans

The bill permits qualified fiduciary advisors to offer personally-tailored investment advice to help employees manage their 401(k) and other defined contribution retirement options. Fiduciary advisors for employer-sponsored plans, like 401(k)s, must base their recommendations on a computer model that is certified and audited by an independent party. Fiduciary advisors for non-employer sponsored plans, like IRAs, must charge a flat rate fee for one year but need not use computer modeling. During that time, the Departments of Labor and Treasury will study whether a computer model exists to tailor professional investment advice taking into account the full range of investment options including IRAs. The bill also requires fiduciary and disclosure rules designed to ensure that advice provided to employees is in their best interest.

SHRM also advocated for including the Flexible Spending Account (FSA) rollover provisions which were, unfortunately, not included in the bill. The FSA provision would have allowed employees who participate in health flexible spending accounts to carry over up to \$500 annually in unused FSA balances or roll the unused balances to Health Savings Accounts.

The bill contains many other provisions addressing defined benefit plan funding, at-risk designations, hybrid plans, increased plan contribution limits, and additional disclosures to plan participants. Additional detail on these provisions can be found in the August Insider available at SHRM online.

Jenifer Lambert, SPHR
(Legislative Director, Washington State Council of SHRM)
TERRA Resource Group/Talentum Search Partners
Vice President, Senior Recruiter

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