



## Rising Health Care Costs

Washington, D.C.-based consultant Watson Wyatt Worldwide stated in a report issued on October 15, that employers will continue to have their employees share the burden of rising health care costs.

Findings have shown that employers expect health care costs to rise 13.6 percent in the next year, up from 12.2 percent increases in 2001 and 8.1 percent increases in 2000.

The report noted that one of the major rises will occur in prescription drug benefit costs, which are expected to rise an average of 17 percent. It also noted that indemnity coverage is expected to show the highest premium increases across all plan types, at 14.4 percent. Average premium increases for other plan types are 13.9 percent for HMOs, 13.7 percent for PPOs, and 12.7 for Point-of-service Plans.

Maureen Cotter, global practice director for group and health care at Watson Wyatt, said, "The economic downturn, softening labor market, and accelerating health care costs are forcing employers to carefully review their current health care strategy. In some cases, that means shifting a greater portion of the cost to employees."

It should be noted that this survey data was collected prior to the deepening of the recessionary

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## DOL Cracks down On Exempt Employee Status

■ Are you risking expensive penalties for misclassifying exempt employees

The Department Of Labor is looking more carefully at businesses that are out of compliance with federal regulations covering exempt workers. One of the most common errors being made by companies is the assumption that all managers are automatically exempt employees, and thus not eligible for overtime pay.

For example, Manpower, Inc., of Toledo, OH, was recently forced to pay out a painful total of \$24,000 in back pay for making that very mistake.

To protect your company, make sure that your exempt managers meet the DOL's basic requirements:

- Managers must direct the work of two or more people on a regular basis, and
- They must take charge of a department or other permanent unit, with the primary role of management.

Many businesses assume that any employee with a managerial title is exempt from overtime pay under the law. A title alone does not determine exemption. The DOL will look at the individual's actual job duties and consider the following: Does the manager (1) have the authority to hire and fire workers - or at least influence the decision, (2) exercise discretion and (3) spend at least 80% of their time on managerial tasks. Managers must not share responsibility for managing the same two workers. For more information go to [www.dol.gov/dol/allcfr/esa/title\\_29/part\\_541/toc.htm](http://www.dol.gov/dol/allcfr/esa/title_29/part_541/toc.htm).

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## Tuition Tax Break Now Permanent

The recently passed federal tax bill includes a provision that should simplify the process for employers to offer tax-free non-job-related tuition for employees. Tuition reimbursement provisions are commonly part of tax bills, and the provisions have expired and/or changed over the last decade, causing havoc for employers. The new bill makes permanent the \$5,250.00 tuition exclusion from taxable income and will extend the tax break to graduate courses effective January 1, 2002.

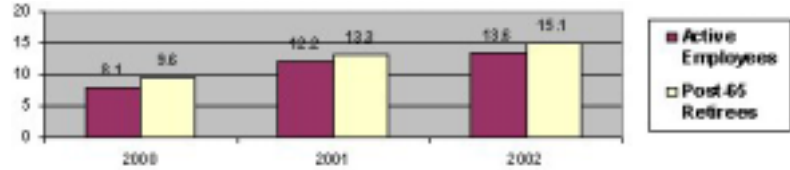
## Take Notice!

### Our 2002 Holiday Schedule

The following 2002 holiday schedule lists the days that we will be closed.

NEW YEAR'S DAY	Tuesday	January 1 <sup>st</sup>
PRESIDENT'S DAY	Monday	February 18 <sup>th</sup>
MEMORIAL DAY	Monday	May 27 <sup>th</sup>
INDEPENDENCE DAY	Thursday	July 4 <sup>th</sup>
LABOR DAY	Monday	September 2 <sup>nd</sup>
THANKSGIVING DAY	Thursday	November 28 <sup>th</sup>
	Friday	November 29 <sup>th</sup>
CHRISTMAS EVE DAY	Tuesday	December 24 <sup>th</sup>
CHRISTMAS DAY	Wednesday	December 25 <sup>th</sup>

### Health Plan Cost Trends



environment and the events of September 11, 2001, which may lead to even more rises in setting of industry rates for 2002.

Without doubt, health care costs are continuing to climb — and there is no escaping the overall trend. Many of the strategies of the past — such as migrating employees to managed care plans — do not offer employers the same promise for relief today. Traditional tactics such as plan design changes and higher employee contributions, though helpful, likely won't be enough to fully offset underlying cost increases, leaving employers with a steadily increasing budget for health care.

## Workers' Retirement Expectations

More workers have recently become pessimistic in regards to their retirement savings. This may be good news in one respect. It has long been thought that most people were overly optimistic about their savings, when in fact study after study has shown that most Americans have no idea how much they will need to retire and no where near the amount necessary. Most people don't anticipate wrinkles in their retirement planning. For example, in 2001 39 percent of workers retired earlier than they anticipated, often due to unexpected circumstances. 51 percent of those individuals retired due to health problems. While only 13 percent of workers anticipate retiring early or between the ages of 61 to 64, 29 percent actually did. 15% of those surveyed retired at age 54 or younger, while only 5% of workers expect to retire at that age.

Studies have shown that 26% percent of workers expect to spend only 20 to 24 years in retirement, 20 percent have not estimated how long their retirement must last and 15 percent expect to only spend 10 years or less in retirement. It is also estimated that only 51% of workers have actually tried to estimate what they would need to retire. Ethnic background may also figure in on retirement savings and confidence. Asian Americans are ahead in confidence and savings, while African and Hispanic Americans are definitely lagging in their savings and confidence. There is also a significant difference in Hispanic Americans savings for those born in the States and those born outside the country. Of those born in the U.S. 55 percent are currently saving for retirement while only 45 percent of those born outside of the states are saving for retirement. On average 61 percent of all Americans say they are saving for retirement. Below are some on-line retirement calculators we found that can help you evaluate your needs. If you do not have Internet access, Allegiant has a one page retirement worksheet that will help you estimate what you need to retire.

Social Security Administration:

[www.ssa.gov/retire/](http://www.ssa.gov/retire/)

New England Financial:

[www.nefn.com](http://www.nefn.com)

Employee Benefit Research Institute:

[www.ebri.org](http://www.ebri.org)

T. Rowe Price

[www.troweprice.com/retirement/retire.html](http://www.troweprice.com/retirement/retire.html)

American Savings Education Council

[www.asec.org](http://www.asec.org)

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## BOUNCING BACK

**HISTORICALLY THE U.S. STOCK MARKET** has regained lost territory or moved to new highs within weeks or months after crises in American life.

Event	Immediate Reaction	Long-term Reaction
Pearl Harbor bombed 12/7/1941	▼ Dow drops 5.8% over two days	▲ Dow ended 1942 up 7.61%
Korea invaded 06/25/1950	▼ Dow drops off 4.6% the next day	▲ Dow up 17.6% for the year
JFK assassinated 11/22/63	▼ Dow down 2.9% the next day	▲ Dow up 12.04% two months later
Iraq invades Kuwait 08/02/1990	▼ Dow down 14.3% in three weeks	▲ Dow reached a new high by early 1991
World Trade Center & Pentagon attacked	▼ Dow off 14.3% in first full week	?