

Employee Benefits in Medium and Large Firms, 1986



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In addition to the data on individual benefit plans, the survey looked at how various benefits are administered. The great majority of the insurance and retirement plans were sponsored by individual employers, and benefits typically were offered independently, rather than as part of a flexible benefits program.

Plan sponsor (table 86)

Single employers were the predominant sponsors of health, life, sickness and accident, and long-term disability insurance, and defined benefit pension plans in medium and large firms. Nearly all plan participants in life insurance, health insurance, long-term disability insurance, and defined benefit pension plans were in single-employer plans. Eighty-seven percent of sickness and accident insurance participants were in single-employer plans; most of the remaining participants were in State temporary disability benefit plans. (State disability plans are discussed in chapter 4.)

Multiemployer plans result from agreements between employers within an industry or related industries and one or more labor unions. These plans allow employees moving from one employer to another within the industry to receive the same or similar benefits. Defined benefit pension and health insurance plans were the most common benefits sponsored by multiemployer groups, and production employees were the most likely recipients of such benefits. The scope of the survey, which excludes several service industries and small firms in other industries, such as contract construction and trucking, accounts for the small representation of multiemployer plans.

Flexible benefits plans and reimbursement accounts (table 87)

Traditionally, employers have offered their workers benefit plans in a number of areas, such as health insurance, life insurance, and retirement. Employees may have a choice between one or more plans in a benefit area, for example, between a commercial health insurance plan and a health maintenance organization, but benefits in each area are offered separately. In recent years, however, a new approach to offering benefits has attracted considerable attention—flexible benefits. In 1986, the Employee Benefits Survey

looked for the first time at two arrangements for offering such benefits—flexible benefits plans and reimbursement accounts.

Five percent of employees in medium and large firms were offered flexible benefits plans, reimbursement accounts, or both. These plans were more common among white-collar workers (8 percent) than among blue-collar workers (2 percent).

Flexible benefits plans, also known as cafeteria plans, allow employees to choose between two or more types of benefits.³⁸ The most common choices offered were health, life and long-term disability insurance, pretax savings (salary reduction plans), added vacation days, and the option of receiving cash instead of benefits. Less common choices were added sick leave days, sickness and accident insurance, educational assistance, child care expenses, legal expenses, and adoption assistance. Pensions are usually fixed benefits and not part of a flexible benefits program.

A reimbursement account, also called a flexible spending account, provides employer funds, employee pretax money, or both, to be used for expenses not included in a benefits package. Typical expenses that may be reimbursed through the account include health care coinsurance, deductibles, and other out-of-pocket health expenses; and insurance premiums, child care costs, and legal assistance. Reimbursement accounts may be part of a flexible benefits plan or they stand alone.

A large majority of employees participating in flexible benefits plans or reimbursement accounts were required to contribute toward the cost of their benefits, or were allowed to contribute to obtain additional benefits. Most of these contributions were in the form of a salary reduction arrangement.³⁹

Individual benefit plans offered through a flexible benefits plan were analyzed and included in the tabulations for specific benefit areas in this bulletin.

³⁸ For this survey, a plan had to allow choices among two or more types of benefits to be classified as a flexible benefits plan. Thus, plans that permitted a selection in only one benefit (for example, a choice among several health insurance options or plans) were not classified as flexible benefits plans.

³⁹ Regulations covering section 125 of the Internal Revenue Code allow employees to designate a portion of their salary for full or partial payment of certain benefit costs. Amounts so designated are known as salary reduction arrangements and are exempt from Federal income tax.

Table 87. Flexible benefits plans and reimbursement accounts:¹ Percent of full-time employees eligible, medium and large firms, 1986

Coverage	All employees	Professional and administrative employees	Technical and clerical employees	Production employees
Total	100	100	100	100
Provided flexible benefits and/or reimbursement accounts	5	9	8	2
Flexible benefits	2	4	2	1
With reimbursement accounts	2	3	2	(²)
Reimbursement accounts	5	9	7	1
Freestanding reimbursement accounts	3	5	5	1
Not provided flexible benefits or reimbursement accounts	95	91	92	98

¹ Flexible benefits plans, also known as flexible compensation and cafeteria plans, allow employees to choose between two or more benefits or benefit options, including cash, in determining their individual benefit packages. Reimbursement (flexible spending) accounts, which are used to finance benefits or expenses unpaid by insurance or benefit plans, may be part of a flexible benefits program or stand alone (freestanding accounts). These accounts may be financed by the employer, employee, or both. The employee contribution is made through a salary reduction arrangement.

² Less than 0.5 percent.

Footnote ?
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