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GENERATION Z – WHO ARE THEY, AND WHAT DO THEY WANT?

Over the last several years, much attention has been focused on the Millennial generation, which is identified by the Pew Research Center as individuals born between 1981 and 1996. Their struggles with student loan debt, their decisions to delay or forgo home ownership and starting a family, and their effect on the workplace are well-documented. But a new generation, typically dubbed "Generation Z," is fast coming up behind them. The oldest members of Generation Z, born in 1997, are completing their education and entering the workforce. What impact are they likely to have?

Obviously, defining groups of people by birth year involves some oversimplification. Individuals differ according to their personalities and personal circumstances. However, because they have experienced the same events and trends at the same time, at approximately the same age, generations do tend to share certain characteristics. Therefore, the following general conclusions can be made about Generation Z in the United States.

They have never known a world without terrorism and school shootings.

Even the oldest members of Generation Z are unlikely to have strong memories of the terrorist attacks of September 11, 2001. Keep in mind that the previous three generations did not experience such a large-scale attack on American soil until September 11, 2001. Generation Z has never known such security, nor lived in a country that is not continually at war.

Similarly, it has been almost 20 years since the mass shooting at Columbine High School in Colorado. There have been numerous, and even more deadly, school shootings since then. While their grandparents may have hidden under desks during Cold War drills, Generation Z is being taught to stay quiet and hide in the event a gunman enters their classroom. It is not unreasonable to say the existential threats facing Generation Z dwarf those of even their Millennial siblings.

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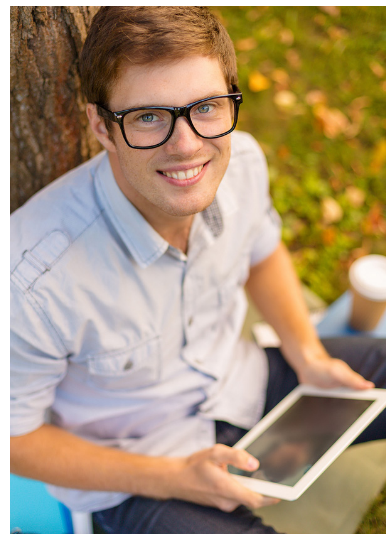

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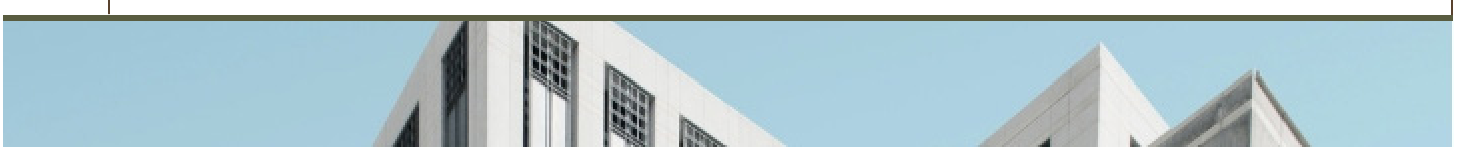

As a result, Generation Z reported worse mental health than all other generations, according to the 2018 Stress in America™ survey conducted by the American Psychological Association (APA). Roughly three-quarters of Generation Z members surveyed indicated that mass shootings and school shootings are a "significant" source of stress. Further, 68 percent are stressed about the nation's future.

They are significantly more diverse than older generations.

Unlike earlier generations, "multiculturalism" is not a buzzword for Generation Z. According to a 2018 Pew Research Center report, almost 50 percent of Generation Z are from racial or ethnic minorities. Unsurprisingly, they are more likely than previous generations to have friends and romantic partners from other ethnic backgrounds.

America has traditionally been viewed as a "melting pot," and Generation Z is taking that theme to its logical conclusion. Diversity isn't about fulfilling quotas or creating a new archetype – it's simply a way of life for them.

They can't imagine life without the internet and mobile technology.

The oldest members of Generation Z were still in grade school when the original iPhone was introduced in 2007. They have had access to smart devices and a plethora of wireless services and social media almost from the cradle. Technology is not just a tool for them, but an intrinsic part of their existence. It's their source for news and education, and plays a significant role in their relationships and social life.

DID YOU KNOW

- 65 percent of graduating college seniors in 2017 had student loan debt.
- Borrowers owed an average of $28,650, one percent higher than the 2016 average.
- Graduates from lower-income families are five times as likely to default on their loans.
- First-generation college graduates were more than twice as likely to default within 12 years as graduates whose parents had attended college.
- Student debt levels varied widely across states. Debt is highest in the northeastern states, and lower in the west.

Source: The Institute for College Access and Success, 13th Annual Report, "Student Debt and the Class of 2017"

However, the tools preferred by Generation Z, such as Skype and FaceTime, involve face-to-face communication, and are thus less impersonal than texting and instant messaging. Generation Z is as comfortable dealing with people "in real life" as in the more anonymous virtual world.

WHAT DOES THIS MEAN FOR EMPLOYERS?

Generation Z is already in the workforce. In fact, an October 2018 article in VICE Magazine indicated that high school students are taking a closer look at career and technical education, in order to get training in skilled trades while avoiding crippling college debt. Having experienced the Great Recession of 2008, and watched their parents struggle financially, Generation Z takes a more pragmatic approach to both education and financial management.

Employers would do well to appeal to their practical side through a comprehensive total wellbeing program. To begin, focus on career and skills development, and include mentoring, on-the-job training, and online skills-building. Generation Z may be more loyal to an employer that is investing in their continued personal and professional growth, and offers them varied opportunities within the organization. Personal success and a desire for stability are critically important to them, so look for ways to acknowledge and foster that.

Financial wellbeing is key, with Generation Z being more careful with money and debt than earlier generations. Offering them a retirement savings plan is just the beginning. Provide them with the tools and training to build their overall financial acumen.

Next, ensure that you offer robust mental health coverage through your health plan, and publicize that. If you have an employee assistance program, promote its services frequently. Generation Z has unusually high rates of anxiety and depression, but they are also more likely than previous

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generations to seek help. Mental health can also be a focal point in your wellbeing program.

A company's branding and reputation are important differentiators in a marketplace competing for top talent. Generation Z looks to Glassdoor, an employer review website, when job-seeking. As the most diverse generation, they will also expect to see an organization reflective of their values of inclusion. A company that has minorities and women in positions of leadership, and where they can be their authentic selves rather than an anonymous cog in a corporate machine, will have the greatest appeal.

Use new and effective technology in all ways, from recruiting and training to your benefits program. Generation Z is connected to both their mobile devices and people, so a combination of machine learning and face-to-face discussion can be deployed in myriad ways, such as distance mentoring. Seek their input when designing communication materials. For example, does the "traditional" employee handbook meet their needs?

Generation Z is a welcome addition to the work world. Their diversity and technological expertise bring a fresh and unique perspective into any industry, from an office environment to the factory floor. They truly represent the 21st century, and a new paradigm that can benefit all generations. MMA

21ST CENTURY TECHNOLOGY AND HUMAN RESOURCES

Anyone who has worked in human resources (HR) or employer benefits for more than 10 years has witnessed significant technological advancement – and challenges – during that time. From sophisticated online systems replacing paper enrollment forms, to growing concerns over cyberattacks, the environment has changed dramatically. What other new technologies are on the horizon for HR and benefits professionals?

Artificial Intelligence (AI) Can Improve Efficiency and Engagement

Many organizations already use AI for recruitment and performance appraisals, to better streamline processes, minimize bias and provide a more tailored experience for the individual. The same capabilities can be applied to employer benefits.

For example, an HR department may be understaffed or working on strategic initiatives. There is limited time to educate and assist employees with their benefits during the work day. A virtual assistant, available 24/7, can fill this gap. A virtual assistant not only provides accurate information to employees, but will do so in a "human" way, by using natural language processing. An employee can speak with a virtual assistant and be understood, and receive a personalized response that is equally colloquial in manner. The virtual assistant is simply like another member of the HR staff.

Even employers who don't require this level of AI support can use a more basic form to engage employees. A great example is an online decision-making tool available to new hires and during annual enrollment. Employees are unlikely to read written enrollment materials in depth, but may find it

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YOUR QUESTIONS

Q. Our company is eliminating coverage for spouses, effective with our renewal. We will no longer cover spouses at all, just employees and their eligible children. Do we need to offer COBRA to spouses covered on the plan today?

A. No, the spouses are not eligible for COBRA in this situation. This may seem surprising, as they are losing eligibility for your plan due to the exclusion. However, that alone is not a COBRA-qualifying event.

Under the regulations, a spouse is eligible for COBRA continuation coverage if he or she loses eligibility due to divorce, legal separation, the employee's death, or the employee enrolling for Medicare and terminating coverage. Otherwise, COBRA is extended to the spouse if the employee also loses coverage due to employment termination, a reduction in hours or the employer's bankruptcy.

This situation is similar to an employee dropping a spouse from coverage following annual enrollment. The spouse loses coverage when the new plan year begins, but is not eligible for COBRA.

TREND TIDBITS

- $ The average total health benefit cost per employee rose by 3.6 percent in 2018.
- $ The increase for small companies (with 10 to 499 employees) was higher, at 5.4 percent.
- $ CDHP enrollment increased from 30 percent to 33 percent of covered employees.
- $ Thirteen percent of mid-sized and large employers offered a CDHP as a full replacement to other health plans, an increase from 10 percent in 2017.

Source: 2018 Mercer National Survey of Employer-Sponsored Health Plans

fun to interact with a virtual benefits counselor who explains the benefit offerings and their costs in an engaging manner. The counselor will be more "scripted" than a virtual assistant, but still provides a tailored approach based on the employee's age, family status, geographical location and other indicators. Employees who use such tools generally come away with a better understanding of the available benefits, and more confidence that they've made the right elections.

Blockchain Creates Transparency in Record-Keeping

Blockchain technology was invented over 10 years ago as the public transaction ledger for Bitcoin. However, its potential usage extends far beyond cryptocurrency, including into human resources and benefits administration. With blockchain, there is no centralized database; it is instead a distributed digital ledger that is accessed by approved participants in a network. The blocks in the chain are linked together and cannot be altered; instead, new blocks are added. When a participant executes a transaction on a blockchain, it is validated through a consensus protocol called mining. The technology itself eliminates the need for a master administrator. This is why it's more difficult to hack a blockchain than a centralized database.

HR and benefits professionals should begin to familiarize themselves with blockchain, as it is likely to have a significant impact on their work processes within the next several years. For example, blockchain may improve the review process for documents like summary plan descriptions for the benefit plans. All parties, including HR, the carrier and the broker, would have access to the document for review, and updates would be made by adding blocks. This means everyone would have access to the same document, at the same time, rather than having different iterations circulating. It significantly reduces the risk of one person referring to an incorrect or outdated document.

Blockchain may streamline recruiting. Employers spend significant time trying to confirm candidates' educational and professional credentials. Having this information available on a public blockchain would make the vetting process nearly instantaneous. Further, even if candidates falsify or stretch the truth on their social media profiles, the information stored on the block chain would be accurate and trustworthy.

Wearable Technology Can Literally Open Doors

People are routinely using wearable technology to track their steps, measure their heart rates and chart their sleep patterns. Consequently, many employers have already incorporated devices like FitBits into their wellbeing programs.

But wearables have the potential to go beyond a removable device on one's wrist. The next step may involve microchip implants in the body. Employees could open doors or sign into the company network via the chip implanted between their fingers. While this seems like science fiction today, at least one company, Three Square Market in Wisconsin, has already piloted this technology.

But could employers also use implants to check employees' whereabouts, even outside of work hours, or to keep tabs on their productivity while on the clock? In addition, how will employers address concerns over privacy, data security and health, and deal with religious objections to implants? Before this type of technology becomes as ubiquitous – and acceptable – as today's fitness trackers, many legal and ethical questions need to be answered.

Human resources departments are generally not a first adopter of new technology, especially in smaller companies, but they will eventually catch up over time. Stay on top of what's trending, as even the most radical advancements are likely to have applicability to day-to-day administrative functions in the not-too-distant future. MMA

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Technical Corner

More employers are delivering required documents electronically, as they attempt to reduce paper use and streamline delivery to employees who are geographically dispersed. While this method is quick and cost-effective, certain steps must be taken to ensure compliance with ERISA.

What documents can be distributed electronically? ERISA requires the distribution of a number of documents, including summary plan descriptions (SPDs), summaries of material modification, and summary annual reports. Several others, including the HIPAA notice of special enrollment rights, summaries of benefits and coverage, and the notice regarding the ACA Marketplace, can also be distributed electronically.

Is the employees' consent required? If the plan participants have regular access to electronic documents at work, and if such access is part of their job responsibilities, then consent may be considered automatic. For some companies, this could encompass all active employees.

However, other plan participants, such as employees not issued a company computer and non-employees like COBRA beneficiaries, do not have such regular access. Therefore, they must first provide affirmative consent before receiving electronic documents. The employer should advise them of the software and hardware requirements and the procedures for withdrawing consent or changing their information with the employer. Consent can be withdrawn at any time, for any reason.

Employers may find it a hassle to distribute electronic documents when formal consent is required. They must send a letter or consent form to the plan participants, track responses and subsequent withdrawals of consent, update email addresses when necessary, and ensure delivery via a return receipt. For such individuals, sending paper versions of the documents may be more efficient, even after calculating printing and postage costs.

How must the documents be delivered? To begin, be aware of the required timeframe for the document's delivery. That does not change, whether the document is provided electronically, hand-delivered, or mailed. For example, an SPD must be given to a new plan participant within 90 days of the individual's coverage effective date.

Do not simply send the document with no explanatory information. Include a brief notice that advises of the purpose and importance of the document, and a statement that a free paper copy can be requested at any time. If the documents are instead accessed online, include the same information, perhaps as a splash page.

If the documents are being emailed, the employer must ensure they are actually received. Send the documents with a return receipt, which will flag any delivery failures. At that point, providing a paper copy to the individual may be necessary. This will not be an issue if the documents are accessed through the company intranet, a website, or a benefits administration system.

As always, employees' confidential information should be protected. Make sure that information like Social Security numbers is not included in the documents.

There should be no variation between the paper and electronic versions of the document. They should be in the same style and format. Sending the electronic document as a PDF should enable the formatting, such as pagination, to remain the same.

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LIABILITY LESSON

Could a cyber-attack be considered an act of war? That's the question the Spanish food giant Mondelez corporation has asked a federal court in Illinois to answer. (Mondelez Int'l, Inc. v. Zurich Am. Ins. Co., No. 2018-L-11008).

Like many businesses around the world, Mondelez sustained losses as result of the "NotPetya" cyber-attack that occurred in 2017. Mondelez maintained a cyber insurance policy with the Zurich Insurance Company and sought coverage for its damaged servers, laptops and data.

The U.S. government said the NotPetya cyberattacks were the work of the Russian military and part of the "Kremlin's ongoing effort to destabilize Ukraine and demonstrates ever more clearly Russia's involvement in the ongoing conflict."

While the insurance policy covered "physical loss or damage to electronic data, programs, or software" by way of "the malicious introduction of a machine code or instruction", Zurich denied coverage by relying on the Act of War exclusion. This is typically described as a hostile or warlike action in time of peace or war.

"As cyber-attacks continue to grow in severity, insurers and insurance buyers will revisit the issue of whether the war exclusion should apply to a cyber incident," said Matthew McCabe, senior VP of Marsh. "For those instances, reaching the threshold of "warlike" activity will require more than a nation-state acting with malicious intent [...] most nation-state hacking still falls into the category of criminal activity."

Policyholders are advised to review the terms of their cyber policies and to seek a carve-back for coverage under the war exclusion for acts of cyber terrorism. MMA

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