

Employee Benefits

Financial Services

Municipal Advisors

Employee Administrative Services

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The Professional Seminar Series From Cornerstone!

Benefit Trends to Reduce the Bottom Line

Thursday, October 18, 2007
 Michigan State Conference Center/
 MSU Management Center
 811 W. Square Lake Road
 Troy, Michigan 48098
 9:30 – 11:30 am

Registration at 9:00 am with Continental breakfast

What every HR person needs to know about current benefit trends...don't miss it!

- **Blue Cross Rates** - Are they a mystery to you? Learn from Blue Cross representatives what factors are considered – and what you can do to lower your rates.
- **Prescription Drugs** – Hear about the latest in prescription drug trends that can help reduce prescription costs. We'll take the mystery out of terms like "formulary" and "step therapy".
- **Health Savings Account** – The answer to the rising cost of health care? We'll help you determine if this trend toward consumer driven health care is right for your company.
- **Wellness Initiatives** – Is there something to this – or is it just the latest buzz? Learn about these new plans and how they can impact your bottom line.

RSVP: Trudi Knust - 248-641-2670
 tknust@cornerstonebenefits.com

Healthcare & Retiree VEBA's – A Recipe for Long-Term Success

A Complete Look at a Fully Functional VEBA Plan
 Thursday, October 25, 2007
 The Westin Southfield Detroit
 1500 Town Center
 Southfield, Michigan 48075
 9am – 11:30am

Registration & full Breakfast Buffet Begin at 8:30 am

Check www.cornerstonemunicipal.com for complete description. *Please contact Jayne Brown at 248-641-2892 for more information or to RSVP.*

Cornerstone Financial Advisors Upcoming Events:

CPA meetings are held on the 3rd Thursday of each month at Dave & Busters in Sterling Heights, Michigan from 8:00 am to 10:00 am. If you, your CPA or anyone on your staff is looking for a fun and easy way to obtain required CE credits, *please contact Mike Kaline or Scott Prechtel at 248-641-3600.*



Did you know that Cornerstone Group is available to host educational meetings at our office or onsite at your location? Call us if you are interested in educating your employees on a range of topics including asset allocation, college planning, retirement planning and the importance of planning for your future. This is a valuable free employee benefit and just another way Cornerstone Group thanks you for your business.

Contact Elaine Kenny at 248-641-2732 for more information.

Is Your Drug Plan Hard to Swallow?



How much do you know about your prescription plan? Do you understand the benefits the plan provides? Knowledge is the key to greater satisfaction with your health plan, and the prescription coverage it provides.

Employees who understand their benefits make more informed choices about their medical services, and can reduce the amounts they are required to pay by simply choosing less expensive alternatives. Making cost-effective choices also helps to keep employer costs down by reducing premium increases.

Generic vs. Brand Name Drugs

Your health plan probably offers you some type of incentive to choose generic drugs over brand name drugs. You may have to pay a smaller co-payment when your pharmacist dispenses generic drugs instead of brand name.

However, many people question whether generic drugs are as good, effective, or safe as brand name counterparts. The perception is that since many generic items found in grocery stores tend to be of lesser quality, the same must be true for medications. These types of concerns cause people to hesitate to choose generic drugs, although generics are more

cost-effective for both patients and their employers.

Fortunately, in the case of prescription and over-the-counter medications, generic substitutes are the equivalent of brand name drugs. The U.S. Food and Drug Administration (FDA) regulates the chemical equivalency of generic drugs to ensure they are as safe and effective as the brand name drugs they mimic.

According to FDA regulations, generic drugs must:

- Contain the same active ingredients as the brand name drug;
- Be equal in concentration or strength to the brand name drug;
- Require the same dosage;
- Have the same rate of absorption into the body and provide similar blood levels;
- Have the same labels (precautions, indications, etc.); and
- Be made under the same FDA Good Manufacturing Practice regulations as the brand name medication.

Not all medications have generic equivalents. Most new drugs have a period of time under which they are protected by a patent, and generic drugs are therefore not permitted. After the patent expires, other pharmaceutical companies can manufacture that drug under its generic, or chemical, name. Generic drugs are usually less expensive than the brand name versions, usually due to lower development and marketing costs.

This lower cost is the reason your health plan provides you with a financial incentive to choose a generic drug over a brand name drug when a generic drug is available. In the long run, consistently choosing generic drugs is the best way to help your employer keep health plan costs down.

What is a Formulary?

A formulary is a list of preferred medications in a prescription drug plan. A formulary allows coverage for generic drugs as well as those on the list. These drugs are selected because they are therapeutically appropriate and cost effective.

An incentive formulary takes this idea one step further. While this option allows coverage for generic drugs and



those on the preferred list, it also allows a level of coverage for non-formulary or non-preferred drugs. The participant, however, is required to pay the difference between the generic copayment and the cost of the non-formulary drug. Some formularies allow for coverage if the doctor has requested that the prescription be Dispensed as Written, or DAW.

Formularies are dynamic - meaning that they change regularly with the introduction of new drugs that are more effective and may replace existing drugs on the list.

What is Step Therapy?

Step Therapy is a program designed to provide safe, effective treatment while keeping costs as low as possible. Usually, step therapy is used for ongoing conditions, and is usually combined with self funded drug programs to ensure that the lowest possible alternatives are utilized.

The program provides a path approved by the doctors including these steps:

- **Generic drugs are usually the first step** providing prescription drugs at the lowest cost.
- **Brand name drugs are usually in the second step.** If the first step drugs have already been tried, or the doctor decides a different drug is medically necessary, authorization from the prescription plan will be required. If the authorization is approved, the prescription is filled with a higher copayment. If the authorization is denied because established clinical criteria has not been met, the prescription would be full cost to the patient.

Communication is the Key to Success

With increasing emphasis placed on the patient as a consumer, it is more important than ever to ask questions. A patient should always check to see if a generic substitute is available and if side effects or interactions could pose problems.

In addition, poor patient compliance has historically cost billions of dollars in medical bills, resulted in lower quality patient health, and even caused unnecessary deaths.

Statistics show that nearly half of all dispensed prescriptions are taken inappropriately. Patients may: Take medica-

tions at the wrong time of day; stop the medication too soon; share prescriptions with others; mix medicines with alcohol, tobacco, or other drugs; and fail to fill or re-fill prescriptions altogether.

Not taking a prescription in accordance with the doctor's orders can result in a serious and costly consequences.

In Conclusion

Prescription drugs are one of the most costly elements of employer sponsored health care plans. As drug costs rise, employees must do their part to ease the burden. Information and communication is the key to controlling cost in the long run.

For more info on Employee Benefits contact Frank Mayer at 248-641-2731.

Retraction and Correction

On the cover of our Summer 2007 Newsletter, the City of Troy was listed as selecting Cornerstone as their broker of record. Although we have a consulting agreement to administer their Retiree Drug Subsidy program, we are not their broker of record. Our sincere apologies for this error.

Tips on Riding Out Market Slumps and Avoiding Mistakes in a Bull Market

Are you prepared for the market's next big move?

At any particular time, no one knows, of course, if the market will soar to new heights or suffer a sudden setback. But investment professionals say that with a little advance planning, you can avoid some major mistakes — no matter which way the stock and bond markets move.

The first step is to have a clear idea of what your long-term goals are. Many financial advisers suggest writing a list of your goals. Be specific because it helps to have a clear picture of what you plan to do with your nest egg (this can also help you pursue your savings and investment goals). Next, jot down the reasons you've chosen your investments. Keep your list handy so you can refer to it when the market moves dramatically.

Examine your asset allocation — how you have your assets invested, such as large-cap stocks, small-cap stocks, bonds or cash — and make sure your portfolio is diversified. You don't need to spread your retirement investment dollars across dozens of funds to be well-diversified. In fact, Ron Meier, a professor at the College for Financial Planning in Denver, states that you need only four to seven funds to have a well-diversified portfolio.

If you have a clear idea what your goals are and why you chose your funds, and if you have diversified appropriately, you've got a good start toward avoiding missteps during major market moves.

Avoiding mistakes in a bull market

Some investors mistakenly think they don't need to do anything when the stock and bond markets are strong and the value of their holdings is rising. But there are at least two major mistakes you could easily make in a bull market.

The first is forgetting to watch your asset allocation. In recent years the market's upward movement has been driven by



segments of the market such as growth stocks, which in turn have gained strength from narrow sectors such as tech stocks. But if just one segment of the market is providing all your gains, you could end up with an unbalanced portfolio.

"Ask yourself what percentage of your assets you originally intended to have in a category," Meier says. "If the value of one part of your portfolio has gone up, you have too many of your assets in that one area. You may want to start paring it back so you don't leave yourself exposed to a potential downturn."

There's another possible problem with bull markets, says Albert Fredman, a professor emeritus of finance at California State University in Fullerton and co-author with Russ Wiles of *How Mutual Funds Work*. "It's the so-called 'house money effect,' where people feel they're investing with 'house money' (money they 'won' from the house). They become very aggressive and are more willing to speculate than they used to be." When the market is strong, some investors lose sight of their long-term goals and focus just on how much they're making in the short run, he says. But if you start focusing on the short term, you might take on more risk than you should.

Riding out a slump

Many investors believe they'll be able to ride out a downturn without worry. No one really knows how they'll react, though, until the market starts to slip.

That's why it's important to understand that a market decline isn't all bad, says Fredman. If you're like most people investing for retirement, you're a long-term investor. You're probably making regular, periodic purchases and buying when prices are both rising and falling. Of course, investing steadily can't guarantee a profit or prevent a loss in a down market, but a steady approach to investing can help you avoid two big pitfalls — jumping in and out of the market as you try to time the highs and lows and not getting started at all because you're nervous that the market may decline.

Even the best investment pros can't time the market's ups and downs, and financial advisers warn that you could easily make a mistake if you abandon a steady approach and try to move out of the market just before a downturn or back in just before a big run-up.

Investing steadily, on a regular basis, is also an excellent way to overcome jitters caused by the market's volatility. Then you won't have to worry that you've put all your money in at the market peak.

A market downturn also may expose weaknesses in your portfolio and may be an opportunity to adjust your asset allocation. But most investment experts say that you should move cautiously and only after checking with your financial adviser.

A bear market is also a good time to check your list of long-term goals and remind yourself of the reasons you chose your investments. If you sell everything when the market is down, you run the risk of missing the next big upturn.

The hardest thing, financial experts say, is simply being patient. It helps to remember the most important rule of investing for retirement: You're investing for the long term, not to get rich tomorrow.

Note: Be sure to discuss these issues with your financial adviser before making any changes to your financial plan.

IMPORTANT: CREDITABLE COVERAGE – WHAT YOU NEED TO KNOW

MEDICARE PART D

If you provide prescription drug coverage to Medicare eligible individuals, please read this important information

Creditable Coverage Disclosure to Medicare Part D Eligible Individuals

MMA (Medicare Prescription Drug, Improvement, and Modernization Act of 2003) mandates that employers offering prescription drug coverage disclose to all Medicare Part D eligible individuals whether such coverage is “creditable.” This information is essential to an individual’s decision whether to enroll in a Medicare Part D prescription drug plan.

Disclosure of whether prescription drug coverage is “creditable” provides Medicare Part D eligible individuals with important information relating to their Medicare Part D enrollment. Those individuals who are not covered under a creditable prescription drug plan and who choose not to enroll in a Part D plan when they become eligible may pay a higher premium on a permanent basis if they subsequently enroll in a Part D plan.

Please find the modal creditable and non-creditable coverage disclosure notices at <https://www.cms.hhs.gov/Creditable-Coverage/> under “Creditable Coverage” located on the left side of the website, then by clicking on the “Creditable Coverage Guidance and Model Disclosure Model Disclosure Notices to be used after February 15, 2007” link.

Medicare Part D Creditable Coverage Disclosure Guidance

*Please Note: This section does not apply to those employers who have been approved for the Retiree Drug Subsidy (RDS) program. In this circumstance, the employers RDS application serves as the disclosure to CMS.

Employers that provide prescription drug coverage to Medicare Part D eligible individuals must disclose to CMS (Centers for Medicare & Medicaid Services) whether their coverage is creditable or non-creditable prescription drug coverage. This disclosure is required whether the employer’s coverage is primary or secondary to Medicare and must be provided to CMS on an annual basis.

A prescription drug plan is deemed to be creditable if it:

1. Provides coverage for brand and generic prescriptions;
2. Provided reasonable access to retail providers and, optionally, for mail order coverage;
3. Is designed to pay on average at least 60% of the employees prescription drug expenses; and
4. Satisfies at least one of the following:
 - a. The prescription drug coverage has no annual benefit maximum benefit or a maximum annual benefit payable by the plan of at least \$25,000;
 - b. The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare eligible individual;
 - c. For employers that have integrated health coverage, the plan has no more than a \$250 deductible per year, has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000, and has no less than a \$1,000,000 lifetime combined benefit maximum.

Employers must disclose creditable coverage status to CMS using the online “Disclosure to CMS Form” which can be found at <https://www.cms.hhs.gov/CreditableCoverage/> under “Related Links Inside CMS”.

For more info, contact Cornerstone’s Jayne Brown at 248-641-2892.



MUNICIPAL EMPLOYERS & GASB 45 If You Wait, It Could Cost You More

Do you offer post-retirement health and welfare benefits?

If the answer is yes, start planning now for the new Government Accounting Standards Board (GASB) accounting rules that will dramatically change the way you account for the costs of post-employment benefits for employees.

Although it may seem like you have time to respond, the effective dates are right around the corner. If you are proactive in addressing the impact of GASB 45 by looking at funding and other options, you can soften the financial impact in the future.

What is GASB 45?

Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not

be received until after their employment with the government ends through retirement or other reason for separation. The most common type of benefit is a pension. As the name suggests, other post-employment benefits (OPEBs) are benefits other than pensions. OPEBs are generally defined benefit health insurance, dental, vision, prescription drug, or other health care benefits. It may also include life insurance, legal services and other benefits.

Governmental employers were exempt from this reporting obligation until the issuance of GASB Statement 45 in August of 2004.

What is GASB requiring?

The value of the promise made to provide retiree benefits must now be actuarially calculated and accrued during the working years of employees and recognized as a financial obligation of the employer

as the OPEB Cost. This amount must be reported on the financial statements of all public sector employers. The OPEB Cost is derived from an actuarial calculation that must be done every two or three years depending on employer size.

The largest component of OPEB Cost is retiree health care benefits. According to The Kaiser Family Foundation's Employer Health Benefits 2006 Annual Survey, 82% of public sector employers employing more than 200 workers offer some form of retiree health care benefits.

Does the GASB require funding of the OPEB Cost?

Although there is no requirement that the employer actually fund the OPEB Cost, not doing so could have a significant impact on the employer's overall credit rating. Any Net OPEB Obligation needs to be reported as an unfunded liability on financial statements.

How can the obligation be reduced?

A well designed GASB 45 OPEB strategy involves several different risk management and funding techniques. First, any defined benefit promise by the employer should be funded, at least partially, in a qualified trust to enable actuaries to use a long-term discount rate during calculations. Second, consider your funding sources such as issuing OPEB obligation bonds or pooled financing to fund all or a portion of the Actuarial Accrued Liability. Lastly, combine the first two steps with an effective strategy to migrate to a defined contribution approach over time by blending a defined benefit approach with a defined contribution strategy.

GASB accrual standards apply to defined benefit OPEB plans but NOT to defined contribution OPEB plans. Defined contribution OPEB plans are considered "funded" as the employer cost equals the required contribution. Changing the way you pay for retiree health care benefits can reduce, or even eliminate, the unfunded OPEB liability.

As experts in the municipal arena, we can assist you in creating a strategic plan, understanding your options, and ultimately identify solutions.

For more info, contact Cornerstone's Mark Manquen at 248-641-2786.

Your MyWave Portal - Click + Connect + Communicate!!

Looking for Something Special?

The Web is a great resource, but with over 100 million Web sites, it can be a challenge to find exactly what you want. That's why we've gathered everything you need, in one easily accessible place. MyWave® is your one stop for everything from benefit information to wellness and survey benchmarking! Best of all - it's all available at no charge to CornerstoneGroup clients!!

Click + Connect + Communicate

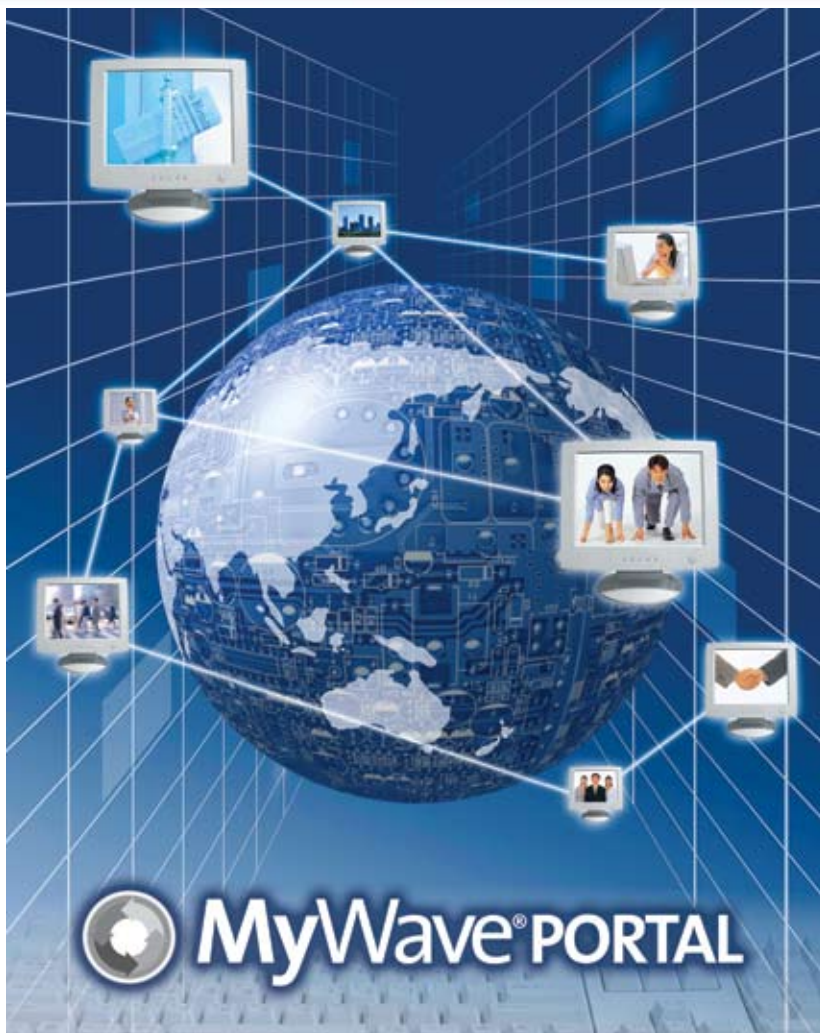
MyWave® is your personalized Web site that allows you to effortlessly click, connect, and communicate. It offers you time-saving tools that build convenience into managing your work tasks. Whether you want to collaborate with our agency online, access information, or connect with over 200,000 peers in your industry, this is the place to be.

MyWaveHR : Your Electronic Human Resource Assistant

MyWaveHR is the helping hand you need for all your Human Resource needs. Access readily available legislative information, employee communications, industry-related Web sites, or consumer-related healthcare information, in one convenient location.

Legislative Guides

Looking for quick answers to tough legislative questions? MyWaveHR's Legislative Guides have what you need. Directly link to an exclusive set of comprehensive guides full of federal legislation including COBRA, HIPAA and FMLA. Within each guide, you will find Related Articles, Q&A, Forms, and Quick Reference. A search function is also available to help you easily find information.



Documents on Command

When you need resource information fast, the Documents on Command section of MyWaveHR® provides instant access to a library of downloadable articles covering a variety of topics. Articles are conveniently grouped by general category and include: Benchmark Surveys & Statistics, Compliance & Plan Designs and Employee Communication & Education — to help you easily locate all the resources available to you.

Resources

MyWaveHR's Resources provides useful links and articles to industry-related Web sites. You can use the helpful search function to quickly find all the information you are looking for or you can use the convenient "Contact your Broker Representative" help link.

HealthShop

Want professional health-related articles to give to your employees? MyWaveHR supplies you with HealthShop — comprehensive consumer information, in ready-to-print newsletters. General health related information as well as numerous wellness tips will keep your employees up to date.

For more info on Employee Administrative Services contact Rachel Schumaker at 248-641-3605 or Trudi Knust at 248-641-2670.

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To find out more about Cornerstone Group and our services, visit www.cornerstonebenefits.com

