

BENEFIT

Plan Trends



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Women's Retirement Savings Patterns Lag

Although women participate in employer-sponsored retirement plans at roughly the same rates as men, women are less likely than their male counterparts to accumulate sufficient retirement savings because women tend to contribute less, are more likely to default on loans taken out of their retirement savings, and have longer life expectancies, according to a study released in August 2013 by human resources consultancy Aon Hewitt.

The analysis of more than 140 defined contribution plans representing 3.5 million eligible employees showed that while women are participating in their employers' retirement plans at the same rates as men, they contribute an average of 6.9% of pay, compared to 7.6% for men. Nearly one-third (31%) of women, compared to one-quarter of men, contribute below the company match

threshold. As a result, women across all salary ranges have average plan balances that are significantly lower than those of their male counterparts—\$59,300 for women, compared to \$100,000 for men.

Researchers warned that many women who are currently trying to save for retirement are likely to find themselves woefully underprepared: Whereas full-career contributing women should have saved 11.2 times their final pay in order to meet their retirement needs, they are actually on track to accumulate only 8.6 times final pay, leaving a shortfall of 2.6 times pay. By contrast, men have a projected shortfall of only 1.9 times pay.

The results further showed that taking funds out of retirement savings prematurely contributes to women's retirement savings shortfall. While women and men take loans from their retirement savings at similar rates, women are more likely to default on a loan at job termination than men: 71% of women who terminated employment with an outstanding loan defaulted on the loan, compared to 64% of men.

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Dodd Consulting, LLC

One Landmark Square, 8th Floor, Stamford, CT 06901-2603

Phone: (203) 504-3633 Fax: (203) 504-3639

E-mail: info@doddconsulting.net

Website: www.doddconsulting.net



Companies that have been recognized for their outstanding approaches to health and safety outperformed the S&P 500 for the 15-year period 1997-2012.

Researchers suggest that women who are not currently saving enough take action to start building a larger retirement nest egg. This may include investing more and starting to invest earlier, taking full advantage of employer matching contributions, making use of features such as automatic contribution escalation, avoiding tapping into funds prematurely, and taking advantage of the tools and advice offered by their employers.

Employee Health Linked To Company Performance

Companies that create a culture of health by focusing on the well-being and safety of their workforce yield greater value for their investors. In these companies, employee health appears to be linked to marketplace performance, the results of an analysis conducted by HealthNEXT, a developer of population health strategies, have shown.

Published in September 2013, the aim of the study was to objectively measure the relationship between workforce health and safety and the marketplace performance of large employers. The results showed that companies that have been recognized for their outstanding approaches to health and safety by the American College of Occupational Medicine's (ACOEM) Corporate Health Achievement Award outperformed the S&P 500 for the 15-year period 1997-2012, and for the 13-year period 1999-2012.

The hypothesis was tested against four model scenarios, with each tracking a \$10,000 investment in a portfolio of 29 award-winning companies using simulation and past market performance. The winners of the award were found to have outperformed the S&P 500 in every scenario, with excess annual returns ranging from 3.03% to 5.27%. According to the

study's authors, these findings advance a growing body of evidence indicating that corporate efforts to reduce health risks and mitigate complications from chronic illness can produce positive effects on worker productivity and performance, and can also reduce health care expenses.

While stressing that this evidence seems to support the idea that building cultures of health and safety provides a competitive advantage in the marketplace, the researchers acknowledged that the study may have also uncovered an association between companies that focus on health and safety and companies that manage other aspects of their business equally well.

"Engaging in preventive efforts to mitigate the complications of chronic illness in the workplace is a must for employers and an imperative for the future stability of our economy," said ACOEM president Ron R. Loeppke, MD, MPH. "Our study suggests that there are clear financial benefits for employers and their investors who follow this path."

"Passionate" Employees Boost Company Performance

Instead of focusing on recruiting employees with specific skill sets, companies should seek to hire and nurture "explorers," or people who bring passion to their jobs, embrace challenges as opportunities to learn new skills, and who strive for rapid improvements in performance, a report by human resources consultancy Deloitte has recommended.

The September 2013 report's findings are based on an analysis of the results of a survey conducted in the fall of 2012 of 3,000 full-time U.S. workers from 15 industries and across various job levels that measured their levels of "passion," a quality that goes beyond mere engagement. The report noted that although

employee engagement—defined as a general emotional commitment to work—may have been sufficient in a world of predictability that was designed to optimize scalable efficiency, engagement alone will not be enough in a world of unpredictability, constant change, and disruption.

According to the report, the three main attributes of an “explorer” who is passionate about his or her work are: a long-term commitment to a specific domain, or an ability to remain focused on long-range goals despite short-term disruptions; a questing disposition, or a tendency to embrace challenges as opportunities to learn and become stronger; and a connecting disposition, or a tendency to seek to build the kind of strong, trust-based relationships that are essential for collaboration and rapid feedback. The survey showed that only 11% of respondents possess all three of these explorer attributes.

The results also indicated that while differences in the level of passion across industries are not statistically significant, these characteristics are not equally distributed across the workforce. For example, explorers were found to be more likely to work for smaller companies (13%) than for organizations with more than 1,000 employees (9%). Explorers are drawn to management (17%) and marketing (16%) roles, and are least likely to work in the areas of customer service (5%), accounting/finance (7%), human resources (7%), and manufacturing (7%). The survey also revealed that passion of the explorer correlates with compensation: 44% of respondents who reported earning more than \$150,000 were categorized as passionate, compared to 15% of those earning \$100,000-\$149,999, and just 4% of those earning \$20,000-\$34,999.

In addition, the study found that explorers tend to approach their work differently from those who lack the qualities associated with explorers. When asked to rank on a seven-point scale if they try to incorporate outside perspectives into their work, the average response of the explorers was 6.0, compared to 4.9 for the rest of the employees surveyed. Explorers also reported more engagement with customers

to innovate on new product and service ideas (5.6 versus 4.4) and more collaboration with outside experts (5.3 versus 4.4) than the other respondents.

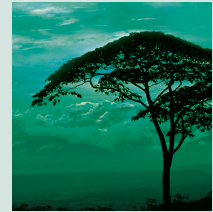
Researchers emphasized that while recruiting employees with all of these characteristics is the ideal, workers with any of these characteristics can contribute to organizations. They also stressed that employers should not view passion as a given quantity, but rather as a set of attributes that can be cultivated and expanded over time. For example, employers should ask whether their organization rewards or punishes failure, encourages workers to collaborate on projects, and communicates how each individual can have an impact on the company, and on the broader industry or domain.

Americans Value Health Plans, Not Overall System

While a majority of U.S. workers report that they are satisfied with their own health insurance plan, more than half give low ratings to the American health care system as a whole, and most are very concerned about the rising cost of care, according to a study recently published by the nonpartisan Employee Benefit Research Institute (EBRI) and Greenwald & Associates.

The report was based on the results of a survey of 1,014 U.S. workers conducted in June 2013, as well as on the findings of another survey with data spanning 1998-2012. The two surveys examined a broad spectrum of health care issues, including workers' satisfaction with health care today, their confidence in the future of the health care system, and their attitudes toward benefits in the workplace.

When asked to rate the U.S. health care system, a majority of the workers surveyed in 2013 described it as poor



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(21%) or fair (34%). By contrast, just under one-third of respondents consider the system good (31%), while only a small minority rated it as very good (12%) or excellent (2%). Looking across the survey data, the study found that the percentage of workers who rated the health care system as poor doubled between 1998 and 2006 (rising from 14% to 32%), but that the percentage of workers with a negative view of the health care system had declined, as the percentage of workers who rated the health care system as fair or poor decreased from 61% in 2006 to 55% in 2013.

Despite these concerns, the study found that workers are generally confident that their employers or unions will offer health insurance in the future. In 2013, nearly two-thirds of the workers surveyed said they are extremely (28%) or very confident (37%) that their employers or unions will continue to provide coverage, and 28% are somewhat confident. By contrast, only 8% said they are not too (6%) or not at all confident (2%) that their employers or unions will continue to offer health insurance.

In addition, workers' ratings of their own health plans continue to be quite favorable: slightly more than half of the respondents in 2013 with health insurance coverage indicated they are extremely (12%) or very satisfied (39%) with their current plans, 37% are somewhat satisfied, and only 10% are not too (8%) or not at all (2%) satisfied.

At the same time, however, the 2013 survey showed that many workers are very concerned about the affordability of health care: just one-quarter of respondents are extremely (8%) or very (17%) confident in their ability to afford health care without financial hardship, while 29% are somewhat confident, and almost half are not too (30%) or not at all (17%)

confident. Similarly, just 13% indicated they are extremely (4%) or very (9%) satisfied with the cost of their health insurance plans, and only 11% are extremely (3%) or very (8%) satisfied with the cost of health care services not covered by insurance.

Moreover, 61% of respondents with health insurance coverage reported that their health care costs had increased in the past year. When asked if rising costs are changing the way they use the health care system, 79% said increased costs have led them to try to take better care of themselves, and 70% choose generic drugs more often. In addition, more than half reported that they go to the doctor only for more serious conditions or symptoms (61%), talk to the doctor more carefully about treatment options and costs (53%), and delay going to the doctor (53%).

The findings also suggested that some workers are adjusting their budgets and savings habits to accommodate rising health care expenditures. When the respondents who had experienced cost increases in their plans in the past year were asked if they had shifted their financial resources as a result, 32% said they have decreased their contributions to retirement plans, and more than half (57%) have decreased their contributions to other savings.

The results further showed that confidence in the health care system decreases as workers look to the future: Only around one-quarter of the workers surveyed in 2013 are confident that over the next 10 years they will be able to get needed treatments (28%) or that they will have enough choice in who provides their medical care (24%). Moreover, just 18% are confident they will be able to afford health care without financial hardship over the next decade.



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