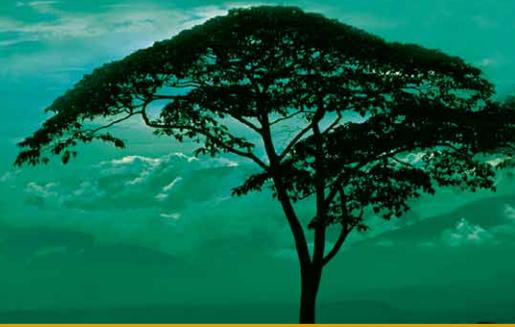


BENEFIT

Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

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Employers Offer Workers Extra Paid Leave

Recognizing that employees may need time off to deal with unanticipated life events, a survey released in March 2012 by Compdata Surveys showed that a substantial number of companies are offering additional paid leave to workers under special circumstances, such as an illness or a death in the family, or the need to fulfill military or jury duty obligations.

Based on information collected from nearly 4,500 benefit plans covering over six million employees, the survey found that one-third (33%) of companies offer employees paid time off for jury duty or for a death in the family. Employees who took time off for a death in the family were granted an average of 3.4 days of paid leave. The findings also indicated that

17.2% of organizations offer paid days for military leave; 8.6% provide paid time for maternity leave, paternity

leave, or adoption; and 5.1% offer paid leave for family illness.

The number of paid days off granted an employee varies by region, with companies in the Southeast providing an average of 83.2 paid days off for military leave, compared with 76 days in the Midwest, 71.4 days in the West, 65.8 days in the South Central, and 53.6 days in the Northeast. Further, 62% of companies reported no limit on the number of days for paid military leave that employees can take.

Nearly one-quarter (24%) of employers offer leave assistance programs designed to help employees who have exhausted their paid leave. For example, 6.8% of companies said they offer leave bank programs, which allow employees to pool unused,

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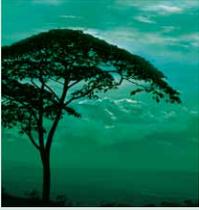
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accrued time off into a bank to be drawn by employees who need it; while 5.5% reported offering leave transfer programs, which allow employees to transfer unused paid time off directly to another employee.

“Emphasis on creating a work-life balance has been an increasingly important issue for employees for several years now,” said Amy Kaminski, director of marketing at Compdata Surveys. “While some companies have responded by offering flexible schedules and telecommuting, it will be interesting to see how paid time-off programs are affected as well; particularly as women in the workforce are waiting longer to start families and more households are becoming responsible for the care of an aging relative.”

Valued Employees Are More Engaged And Loyal

Employees who feel valued at work are much more likely to say they will remain with their current employers than others who do not feel appreciated, and are also motivated to do a good job, according to the results of a 2012 survey released by the American Psychological Association (APA).

The online survey conducted among 1,714 adults found that employees who feel valued are more likely to report better physical and mental health, as well as higher levels of engagement, satisfaction, and motivation, compared to those who do not feel valued by their employers.

More than one in five (21%) respondents do not feel valued at work. In addition, many of the workers surveyed experience chronic stress, with two out of five (41%) saying they typically feel tense or stressed out during the workday. When asked about the causes of their work stress, respondents cited low salaries (46%), lack of opportunities for growth or advancement (41%), too heavy a workload (41%), long hours (37%), and unclear job expectations (35%).

Meanwhile, almost all surveyed (93%) who reported feeling valued said they are motivated to do their best at work, and 88% reported feeling engaged. By contrast, just 33% of those workers who do not feel valued said they are motivated to work hard, and only 38% said they feel engaged. Among employees who feel valued, just one in five (21%) said they intend to look for a new job in the next year, compared with 50% of those who feel undervalued.

The survey also found a variety of factors that are linked to feeling undervalued at work, including fewer opportunities for involvement in decision making (24% of those who report feeling valued at work, as opposed to 84% who say they do not feel valued), being less satisfied with potential for growth and advancement (9% vs. 70%), fewer opportunities for flexible work arrangements (20% vs. 59%), and being less satisfied with their monetary compensation (18% vs. 69%) and with non-monetary rewards (16% vs. 65%).

“The business world is in the midst of a sea change,” says David W. Ballard, PsyD, MBA, head of APA’s psychologically healthy workplace program. “Successful organizations have learned that high performance and sustainable results require attention to the relationships among employee, organization, customer, and community.”

Executive Incentive Levels Expected To Stabilize In 2012

Amid ongoing economic volatility, shareholders, governance advocates, regulators, and legislators continue to demand pay-for-performance and enhanced disclosure on executive compensation. However, nearly two-thirds of companies expect 2012 annual incentive plans to fund at or above target levels for 2011 performance, according to the results of a new survey released by Mercer, global human resources consultancy firm.

The survey of more than 280 U.S. and Canadian organizations conducted in December 2011 examined how companies are addressing a range of compensation decisions, including annual incentive payouts, changes to annual and long-term incentive programs, and expected long-term grants for 2012. The survey also asked companies about the importance of succession planning.

The findings indicated that, while executive compensation decisions remain subject to scrutiny, nearly two-thirds (63%) of the companies surveyed expect annual incentive plans to fund at or above target levels for 2011 performance. Although the majority of companies surveyed reported making changes to plan performance measures in 2011, more than half said they are stabilizing their annual and long-term incentive programs for the coming year, despite renewed market volatility in the latter part of 2011: Only around one-quarter of respondents said they anticipate changing the weighting of performance measures in annual incentive plans (26%) or the measures used in performance-based long-term incentive plans (24%).

Further, findings indicated that the top drivers for making changes to both annual incentive and long-term incentive programs will align with industry or peer group practices and best practices, as well as reward or retain top talent.

“As a result of the ongoing global economic uncertainty, companies are still being cautious about making significant changes to their executive compensation programs,” said Barry Buck, partner in Mercer’s talent, rewards, and communication business. “However, the changes being considered clearly recognize the importance of maintaining best practices and differentiating pay to retain top talent.”

Researchers observed that, as companies adjust to the “new normal” of unpredictable market volatility, they are “staying the course” regarding long-term incentive grants. The report showed that of the 74% prepared to report on their 2012 long-term incentive grant levels, 70% anticipate that grant values in 2012

will be equivalent to 2011 grant values. Additionally, of the 63% who reported on 2012 run rate expectations, 60% expect 2012 run rates will be about the same as in 2011.

In addition, while few companies are considering changes to their long-term incentive compensation programs for 2012, the most prevalent changes that are expected include the differentiation of grant sizes based on individual performance (29% are planning this change for executives, and 25% for non-executives); and (12%) for increasing the weighting of absolute performance measures on performance-based long-term incentives.

Researchers also noted that, as organizations seek to balance the need to reward and retain top talent with shareholder scrutiny in their executive pay decisions, many are considering the importance of succession planning: More than half (54%) reported taking succession planning into account when making compensation decisions. Meanwhile, 59% indicated they have a formal process for succession planning (with a significantly higher percentage among large publicly-traded companies), and 56% use base salary, as well as incentive compensation, to support retention of key talent as part of the succession planning process.

Small Companies Face Barriers In Sponsoring Retirement Plans

According to a March 2012 report called, “Better Agency Coordination Could Help Small Employers Address Challenges to Plan Sponsorship,” by the U.S. Government Accountability Office (GAO), only 14% of small employers sponsor some type of retirement plan, while the likelihood that a business will sponsor a retirement plan depends more on the size of the employer’s workforce



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and the workers' average wages than on the industry or geographic location.

The GAO study was in response to a request by members of Congress to examine characteristics of for-profit employers with 100 or fewer employees that do and do not sponsor retirement plans, while noting the challenges small employers face in establishing and maintaining a plan, and available options to overcome these challenges. The study's findings are based on an analysis of data from the Internal Revenue Service (IRS) and the U.S. Department of Labor (Labor), as well as interviews with agency officials and experts, discussion groups with small employers, and a review of the relevant Federal rules, literature, and retirement plan proposals.

While about one-third of U.S. private sector employees work for small businesses, many of these employees lack access to a work-based plan to save for retirement, despite efforts by the Federal government to encourage small businesses to offer these plans. Researchers found that the greatest likelihood of plan sponsorship was among small employers with larger numbers of employees, and those paying an average annual wage of \$50,000 to \$99,999. The results also indicated that the most common plans sponsored by small employers are 401(k)s, which accounted for 46% of all the plans offered by small employers, and SIMPLE IRAs, which made up 40% of the plans. However, results showed that no reliable information about the use of SEP IRAs by small businesses is available from the IRS.

The small employers and retirement experts interviewed for the study cited several barriers to starting and maintaining retirement plans, as small employers report feeling overwhelmed by the number of retirement plan options, administration requirements, and fiduciary responsibilities. For example, many employers are concerned about the potential risks

associated with sponsoring a plan, and worry that they lack the financial resources, time, and personnel necessary to sponsor a plan. A number of employers also said their employees prioritized health over retirement benefits. To ease some of the burdens associated with retirement plan sponsorship, some small employers say they use contracted service providers to perform plan administration tasks.

When asked how they would tackle some of these challenges and reduce the complexity of plan sponsorship for small businesses, a number of employers and other stakeholders suggested simplifying Federal requirements for plan administration, such as easing or eliminating certain plan testing requirements; increasing the tax credit for plan startup costs; or improving the Federal government's education and outreach efforts to inform small employers about plans.

Some stakeholders also noted that pension reform proposals in the U.S., along with certain features of pension systems in other countries, could provide additional options that would increase plan sponsorship and increase workers' access to retirement plans. For example, asset pooling is a feature that allows small employers to pool resources for economies of scale, which can lower plan costs.

To identify new ways to encourage plan sponsorship among small businesses, the study's authors recommended that Labor convene an interagency task force with Treasury, IRS, and the Small Business Administration (SBA) to coordinate existing research, education, and outreach efforts to foster small employer plan sponsorship. Because Federal resources are currently scattered across different websites, the GAO researchers suggested consolidating plan information onto one web portal. They also recommended that the IRS consider modifying tax forms to gather complete, reliable information about SEP IRAs.



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