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Wellness Programs Can Boost Employee Engagement

In addition to lowering health care costs, wellness programs can increase levels of employee engagement and reduce absenteeism, the results of a study released by employee benefits consultancy Maritz have suggested.

Based on a survey of employees who work for companies that offer wellness programs, the study found that 20% of workers who participate at least occasionally in a wellness program offered by their companies say they are completely satisfied with their jobs, compared with 13% of respondents who never participate in a wellness program.

Similarly, 27% of the wellness program participants surveyed said they would be happy to spend the rest of their career with their present company, versus 18% of non-participants; also, 32% of wellness

program participants said they would strongly recommend their company

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to friends and family as a great place to work, compared with 21% of non-participants.

The study's findings indicated that people who participate in a wellness program at least once a week use significantly less sick leave than those who never participate, and that even workers who participate in wellness programs sporadically have better work attendance records than those who never participate. Moreover, employees who participate in wellness programs at least once a week were found to be less likely than infrequent or non-participants to be off work sick for extended periods.

At the same time, however, the study found that participation levels in wellness programs have changed little in recent years, or have even declined: 16% of the employees surveyed in 2008 said they participate in a wellness

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Results showed that 47% of employers currently offer some sort of phased retirement option to individual workers, but only 5% have formalized these programs.

program once a week or more, down slightly from 19% in 2006; 12% reported participating once a month, down from 16% in 2006; 25% said they go a few times a year, up from 21% in 2006; and 34% said they never participate, up from 32% in 2006.

Results further showed that incentives made a difference in participation levels: While 23% of all employees surveyed reported participating at least once a week in a wellness program when an incentive was offered, just 16% said they participated regularly when there was no incentive.

Given the rapid increases in health care costs, due in large part to the need to treat preventable chronic conditions, both employers and insurance providers have come to view wellness programs as “lifesavers,” observed Mindy McGrath, vice president of strategy for Maritz’ health care sector.

“We hypothesize employees who participate in wellness programs may see them as a lifesaver as well, which may give them a heightened perception their companies care about their personal well-being, making them feel better about their workplace,” McGrath said.

Employers Looking To Phased Retirement Programs To Retain Workers

As the threat of talent shortages looms, more employers are considering implementing formal phased retirement programs, according to a study released by human resources consultancy Hewitt Associates.

A survey of more than 140 mid-sized and large companies found that 55% have already started looking at the impact that potential retirements could have on their organizations, and that 61% have developed or plan to develop programs intended to help retain targeted workers as they approach retirement age. Results

showed that 47% of employers currently offer some sort of phased retirement option to individual workers, but only 5% have formalized these programs.

When asked if phased retirement plays a critical role in their human resources strategies, 21% of respondents said phased retirement is important to them currently, but 61% predicted it is likely to become important to their organizations within five years’ time. Nearly 40% said they would consider establishing a phased retirement program in the future.

“With the rising tide of boomer retirees, employers will be losing key talent at a time when attracting and retaining skilled workers will be more important than ever,” said Allen Steinberg, a principal at Hewitt Associates. “At the same time, rising medical costs, lengthening life spans, and the declining prevalence of traditional pension and retiree medical benefits mean that employees will either have to work longer, save more, or live with significantly less than they are accustomed to.”

As these trends converge, Steinberg continued, “we believe phased retirement programs will continue to become more attractive options for both employers and employees—they provide employers with new ways to retain critical talent and, at the same time, help employees meet their needs.”

The survey also asked employers about the methods they are using to gather information about potential phased retirement programs. Of the respondents who said their organizations are exploring phased retirement options, 63% reported turning to general industry research and discussions with key business leaders and managers to learn more about phased retirement. In addition, 30% of these respondents said they are examining diversity data, and 22% said they are currently gathering formal input from employees approaching retirement.

Nearly three-quarters (72%) of the companies surveyed cited the desire to retain the experience, knowledge, and skills of older workers as their organization’s most important motivation for introduc-

ing a phased retirement program. Among the other potential reasons named by respondents for offering phased retirement were easing the difficulty of replacing people with key skills (52%) and helping with the transfer of key skills from experienced to less experienced workers (50%).

When asked what they consider to be the potential benefits of offering phased retirement programs, 86% of respondents cited the ability to help employees gradually transition from the active workforce to retirement, 67% said providing additional income to workers to supplement their retirement income sources, and 60% said providing workers with access to employer-subsidized health care.

At the same time, however, the survey found that employers face a number of challenges in introducing phased retirement programs. More than half (52%) of respondents expressed concern that there may be significant legal and regulatory hurdles associated with phased retirement. Other possible barriers to implementing a program cited by respondents included company culture (42%), potential costs (34%), additional loss of talent (30%), lack of support from senior leadership (25%), and manager resistance (20%).

“Working with senior management to determine how phased retirement programs will benefit both employers and employees is an important first step. However, in order to create a truly successful program, it’s critical that employers understand employees’ perspectives,” said Steinberg.

Companies Shifting From Stock Options To Other Types Of Long-Term Incentives

The importance of stock options in equity-based compensation appears to be declining as more companies move toward offering a wider mix of long-term

incentives (LTIs) in their pay packages, according to a survey commissioned by compensation consultancy Culpepper.

The survey, which focused on compensation practices at technology and life science companies, revealed that just 59% currently offer stock options to employees, while 51% have restricted stock plans, 38% have performance-based LTI plans, 15% have stock purchase plans, 11% have stock ownership plans, and 11% offer stock appreciation rights (SARs).

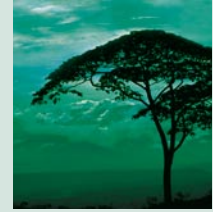
Results also showed that 53% of the companies surveyed have diversified their LTIs with a mix of different plan types, with 42% of respondents reporting they offer stock options together with other types of LTI plans and just 17% saying they use stock options as the only form of long-term incentive.

When asked what criteria they use in determining who is eligible for LTIs, 63% of respondents said job level; 41%, employee performance; 36%, salary grade or level; 34%, job title; 27%, discretionary; and 10%, tenure.

According to the companies surveyed, the events that most commonly trigger long-term incentive awards are time of hire, the annual grant process, and job promotion. Nearly two-thirds (63%) of respondents reported that LTI awards are made annually, while 13% indicated that the timing of awards varies and 8% said awards are made on a quarterly basis.

The survey also asked companies with no long-term incentive plans what other awards and incentives they use to attract, retain, and motivate workers. Of this group, 69% told researchers they offer above market benefits plans, 50% said they offer non-cash awards and perks, 50% reported offering short-term cash bonuses and incentives, and 44% said they offer above market base salaries.

Researchers attributed the move away from stock options to a number of different factors, including new accounting rules that require companies to expense options, the effects of backdating scandals, and declines in the stock market.



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Retirement Savings Needs Greater For More Highly Compensated Employees

Higher earners need far more income from savings and employer-sponsored pensions in retirement than their lower earning counterparts to maintain their previous standard of living, according to a recent study published by Aon Consulting Worldwide and researchers from Georgia State University.

Based on an analysis of data from the U.S. Department of Labor's Bureau of Labor Statistics' Consumer Expenditure Survey (CES), the study concluded that the percentage of a worker's final annual salary that must be replaced through pensions and retirement savings for the employee to keep the same standard of living in retirement varies considerably depending on the amount the worker earned while employed.

The analysis found, for example, that a worker with an annual salary of \$50,000 at retirement would need to replace 81% of that amount to maintain the same standard of living, with 51% of the previous salary coming from Social Security benefits (\$25,500) and the remaining 30% (\$15,000) coming from other sources, such as a retirement plan or the worker's own savings.

By contrast, the study found that a worker whose pre-retirement base salary was \$150,000 would have to replace 84% of that amount to keep the same standard of living, but just 23% of the previous salary (\$34,500) would be covered by

Social Security, while the remaining 61% (\$91,500) would have to be drawn from savings or retirement plans.

"Generally, a person needs less gross income after retiring," said Cecil Hemingway, U.S. retirement practice leader with Aon Consulting. "This is primarily due to the following factors: income taxes go down after retirement; Social Security taxes end completely; Social Security benefits are partially or fully tax-free; and saving for retirement is no longer needed."

Despite this reduced need for income, Hemingway added, the study's findings illustrate "the importance of saving and the overwhelming challenges that lie ahead for those who don't save adequately."

The study also looked at the impact of projected longevity on the need to save for retirement. Even assuming that a married couple with a pre-retirement income of \$80,000 per year is willing to accept a 50% chance of outliving their assets, they must still plan to accumulate at least \$420,000 in savings in order to have sufficient income to cover 27 years in retirement, researchers noted. If the couple prefers only a 5% risk of outliving their assets, they should plan for at least 38 years in retirement, which would require a nest egg of around \$715,000.

Researchers also calculated the percentage of workers' earnings that they would need to save annually until the age of 65 in order to reach their retirement savings goals. Results showed that, if a male worker earning \$30,000 per year were to start saving at age 25, he would need to save at least 4.2% of his annual salary to accumulate adequate retirement savings. If, on the other hand, a male employee who earns \$60,000 per year were to wait until age 35 before starting to save for retirement, he would have to put aside 7.5% of his compensation each year to meet his savings goals.



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