

# BENEFIT

## Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

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## Access To A 401(k) Improves Chances Of Adequate Retirement Savings

The percentage of Americans who are at risk of retiring with inadequate savings appears to be declining, and workers who have access to a 401(k) or other defined contribution retirement plan are more likely to achieve retirement income adequacy, according to a recent study by the nonpartisan Employee Benefit Research Institute (EBRI).

“Retirement Income Adequacy for Today’s Workers: How Certain, How Much Will It Cost, and How Does Eligibility for Participation in a Defined Contribution Plan Help?” was written by EBRI research director Jack VanDerhei. The study looked at the retirement savings levels of early baby boomers (born 1948–1954), late boomers (born 1955–1964), and Gen Xers

(born 1965–1974). Using a projection model, the analysis combined simulated retirement income and wealth with simulated retiree expenditures to determine how much each household would need to save each year until retirement, as a percentage of the current wages, to maintain a

pre-specified probability level that they will be able to afford the simulated expenses for the remainder of their lives.

Results indicated that most workers need to save less additional compensation per year to achieve retirement income adequacy than had been projected in a similar study conducted seven years ago. Even after considering the effects of the financial downturn and declining housing values, the most recent analysis showed that the share of early boomers who are “at risk” of having inadequate retirement income was 47% in 2010, down from 59% in 2003. Similarly, the “at risk” rating was found to have declined to 44% from 55% for late boomers and to 45% from 57% for Gen Xers.

### *Also In This Issue*

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*When asked how well the organizational climate supports the development of women, 43% of respondents said to a moderate extent, 27% said to a great extent, and 21% said to a small extent.*

VanDerhei attributed these decreases largely to revised projections of future defined contribution account balances, which in 2010 reflect the trend toward auto-enrollment, auto-escalation of contributions, and qualified default investment alternatives in the wake of the Pension Protection Act of 2006 (PPA) and subsequent regulations.

According to VanDerhei, eligibility to participate in a 401(k) or similar defined contribution plan is a “crucial factor in workers’ ability to achieve future retirement income adequacy.” He also observed that whether or not a worker has access to a 401(k) plan makes a far larger difference for younger employees, because younger employees have more time to contribute to a plan.

The current analysis found that, for Gen Xers in the lowest-income quartile, the median additional compensation they need to save to achieve a 50% probability of retirement income adequacy varies from 9.5% per year for those who have no future eligibility in a 401(k) plan to 4.4% for those who will be eligible for a plan for at least two-thirds of their future working years. Thus, the reduction in additional compensation that would need to be saved per year, moving from zero years of future eligibility to at least two-thirds of the future years, is 53.4%.

Meanwhile, for late boomers in the lowest-income quartile, results of the same simulation indicated that those with no future eligibility in a 401(k) plan will have to save 17.5% of their income, compared to 12.9% for those who will be eligible for a plan for at least two-thirds of their future working years. Thus, the reduction in additional compensation that would need to be saved per year, moving from zero years of future eligibility to at least two-thirds of the future years, is 26.7%.

VanDerhei emphasized, however, that how much individual workers have to save depends largely on their current age, their level of income, and whether they want an average chance or a higher chance of achieving their retirement goals. He also

pointed out that, while eligibility to participate in a defined contribution retirement plan is a crucial factor in workers’ ability to achieve future retirement income adequacy, the overall impact of 401(k) and similar plans depends on a number of factors, including participation rates, employee contribution rates, employer matching formulas, employer non-elective contributions, asset allocation, job turnover, cash-out rates, and rates of return.

## Companies Can Encourage Women Leaders

While American companies are stepping up their efforts to achieve a diverse workforce, most have yet to develop a clearly defined strategy for the development of women into leadership roles, according to the results of a survey by Mercer in conjunction with *Talent Management* and *Diversity Management* magazines.

The survey questioned human resource, talent management, and diversity professionals at more than 540 organizations throughout the United States about their strategies and programs for developing women leaders. When asked how well the organizational climate supports the development of women, 43% of respondents said to a moderate extent, 27% said to a great extent, and 21% said to a small extent. In addition, 7% reported that the development of women leaders is not supported at all.

Of the professionals surveyed, 43% indicated that their organization does not offer any programs targeted to the needs of women leaders. While 23% said their companies offer some programs, another 19% said that their organization’s approach to the development of women leaders is to track and monitor progress only. Moreover, just 5% of respondents reported that their companies currently

provide a robust program, and 4% said they plan to add programs in the future.

“A few decades ago, many organizations offered specific programs and activities to support women as they advanced into management and leadership roles,” said Colleen O’Neill, a senior partner in Mercer’s human capital consulting business. But today, she observed, there appears to be less certainty among employers about what is appropriate and what is effective with respect to women’s leadership development. “Additionally,” she said, “when companies do take steps to support women, they often focus narrowly on tactics like flexible work schedules. That may be a good starting point, but it’s certainly not a complete solution.”

When asked about the types of programs their companies currently offer, the top programs were flexible work arrangements, diversity sourcing/recruiting, coaching, and mentoring. Researchers noted that respondents identified the same four programs as most effective in developing women leaders.

When questioned about their current level of concern regarding women in leadership roles, only around one-fifth of the professionals polled said they are “very concerned” about ensuring that women are developing the full range of skills necessary for a senior leadership position, retaining women once they reach leadership levels, and having sufficient numbers of women in the leadership pipeline.

According to the HR and talent management professionals surveyed, the biggest challenges women face in ascending to leadership positions include a lack of role models, too few opportunities for career advancement, and too little support from upper management. Furthermore, while reporting that their organizations may not have expressed significant concerns around women’s leadership development, many respondents said that they hoped to improve the effectiveness of their company’s programs through actions such as developing formal mentoring/coaching programs for women leaders,

identifying high-potential leaders early in their careers, and promoting greater awareness of women’s leadership development at the board and executive level.

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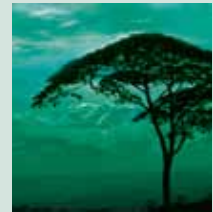
## Workers Want Help In Coping With Information Overload

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“Information overload” is a widespread and growing problem for white-collar professionals around the world. Productivity and employee morale may be enhanced if employers provide workers with tools to help them better manage information, according to a study commissioned by workflow solutions provider LexisNexis.

Based on a survey of 1,700 white-collar workers in the United States, China, South Africa, the United Kingdom, and Australia, the study found that professionals are concerned about information overload. An average of 59% of workers reported that the amount of information they have to process at work has increased substantially since the economic downturn began. Respondents in China and South Africa were most likely to report an increase in information since the economic downturn (61%), followed by respondents in the United States (59%), the United Kingdom (57%), and Australia (56%).

Researchers noted that the current survey builds on a similar study conducted in 2008, which concluded that information overload is a phenomenon driving American white-collar professionals toward an “information breaking point.” They added that, in the two years since the original study, the problem among American white-collar workers has worsened, with the percentage of U.S. professionals who say they spend half their work day receiving and managing information having risen nearly 10% between 2008 and 2010.




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This year, the survey was expanded to include countries in Europe, Asia Pacific, and Africa to explore if and how information overload affects workers globally. An average of half of all workers surveyed in each country (51%) said that, if the amount of information they receive continues to increase, they will soon reach a “breaking point” at which they will be unable to handle any more. Further, the avalanche of information is taking a psychological toll, with 52% of workers reporting feeling demoralized when they are unable to handle all the information that they are responsible for managing.

Moreover, an average of 62% of workers reported that the quality of their work suffers at times because they are unable to sort through the information they need fast enough. A majority (51%) said that they spend more than half of their workday receiving and managing information, rather than using the information to do their jobs. Respondents also indicated that between one-third and one-half of the information they receive daily is not helpful to them in getting their work done, and between three-quarters and 90% of respondents said that, while search engines give them access to huge amounts of information, these tools do not help them prioritize the information for their professional needs.

The study also found that, while advancements in digital technology have made it easier for professionals to do their jobs anywhere in the world, many of these workers indicate that being available “24/7” also has downsides. When asked how they prefer to be reached with important information, more respondents in the United States, United Kingdom, and South Africa chose e-mail over any other means, including mobile or landline phone, text messages, or in-person meetings. However, between 57% and 85% of the professionals said they find the constant flow of e-mail and other

information distracting, and between 71% and 91% admitted that they sometimes delete or discard information without fully reading it.

In addition, significant percentages of workers in all five countries reported a range of problems related to information management, including needing to recreate documents because previous versions cannot be found, missing deadlines because they have trouble finding the necessary information, missing meetings or appointments at least once a week because of scheduling miscommunications, and delivering incomplete documents, e-mail, or other communications because the necessary information or materials could not be found in time.

For example, 92% of the U.S. professionals said they need to search for old e-mails or documents at least once a week, and 90% of these respondents said that not being able to access the right information at the right moment wastes a considerable amount of time. Meanwhile, in Australia, 58% of respondents reported witnessing disagreements between colleagues about the right way to organize information at least once in an average work week.

More than 80% of all respondents said their companies have taken some action over the past two years to help them manage information more efficiently, such as investing in technology, offering training, or establishing “e-mail free” times. When asked what specific information management solutions they would like to see implemented in their organizations, the professionals were most likely to say they would welcome investments in faster computers and more up-to-date technology, information management tools that work together, technology designed specifically for professionals in their industry, and training in information management.




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*More than  
80% of all  
respondents said  
their companies  
have taken some  
action over  
the past two  
years to help  
them manage  
information more  
efficiently, such  
as investing in  
technology,  
offering training,  
or establishing  
“e-mail free”  
times.*

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