

BENEFIT

Plan Trends



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Retirement Plan Sponsors Gradually Restore Matching Contributions

Following cutbacks in retirement benefits during the economic downturn, growing numbers of employers are now reinstating matching contributions, according to a January 2011 survey of retirement plan sponsors by Grant Thornton LLP, Drinker Biddle & Reath LLP and Plan Sponsor Advisors LLC.

The survey of 429 independent retirement plan sponsors found that, of those respondents that had previously reduced or eliminated employer matching contributions, 30% expect to restore these matches during 2011. However, 42% indicated they do not intend to reinstate their match this year, while 29% said they are undecided. Researchers noted that, when asked this question one year previously, over half (53%) said they

had not decided whether to return to previous contribution levels, and 33% said they had no plans to do so.

Despite cutbacks in retirement plan contributions by both plan

sponsors and participants, 83% of the plan sponsors reported that either very few or none of their employees have expressed concerns about their retirement readiness, with only 5% saying that many of their employees have expressed concerns.

When asked if they intend to offer a Roth feature in their defined contribution plan, one-third (33%) said they have already adopted a Roth option, 11% reported they plan to add one in 2011, and 58% said they are not considering adding a Roth feature to their plan at this time.

Plan sponsors were also asked whether they are adding automatic enrollment and other automated features to their defined contribution plan. While 55% indicated their plan would have no automated features

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in 2011, 33% said their plan currently has automatic enrollment with an employer match, 9% reported their plan has automatic enrollment without a match, and 13% indicated their plan has automatic enrollment with automatic annual increases in the deferral rate.

The survey also looked at shifts in retirement plan investment options. The results showed that plan sponsors are increasingly adding emerging market (EM) equities to their plan's portfolio choices, with 77% saying they are including or considering including these equities for 2011. According to researchers, this represents a 30% increase since last year, when EM equities were included or under consideration by only 46% of plan sponsors. The findings further indicated that, at 53%, real estate investment options are the second most popular asset class, followed by global bonds at 48%.

"The common trait of many of these asset classes is the lack of correlation they share with the equity markets," said Erica O'Malley, Grant Thornton's national employee benefit plan practice leader. "Asset classes like commodities, real estate, emerging markets, and global bonds can be valuable when incorporated into a diverse portfolio, creating a sum greater than the parts."

Meanwhile, more than half (57%) of the plan sponsors indicated they have frozen their defined benefit plan to new entrants. Of those that have frozen their plans, 58% said they have also frozen the accrued benefits to existing participants, while 42% said they continue to accumulate accrued benefits for the current population.

Strategies Needed For Managing A Mobile Workforce

Employers increasingly recognize that having a mobile workforce is important for growing their business and maintaining client relationships, but many organizations

are still developing strategies for effectively managing employees who are on the road or working from remote locations, as well as for containing the costs of business travel, according to a 2010 report by mobility program provider Runzheimer International.

Based on a survey of 90 executives, the report noted that supervising mobile employees is a pressing issue for nearly half of respondents: When asked to identify their biggest concern about managing a mobile workforce, 46% cited employee supervision or productivity, while one-fifth (20%) cited measuring the success of the program. When asked what they consider to be the biggest benefit of having a mobile workforce, the executives cited employee satisfaction (26%) and gaining a competitive advantage (25%), followed by cost savings (22%) and corporate agility (16%).

According to the report, the mobile workforce is made up of the "growth drivers" of an organization: employees who are on the move to sell, deliver services, strengthen relationships, develop distribution channels, and establish partnerships. The survey found that, on average, 45% of the workforce at the surveyed companies is mobile, with sales and field services making up the bulk of the employees who travel frequently.

While most respondents (72%) said they believe their companies are effectively managing mobile workforce programs, only 43% reported that their organizations have implemented formal, centralized processes for managing mobile employees that can be tracked or benchmarked over time.

Considering the cost of mobility to businesses, the study found that overall mobility program spending held steady in 2010, at an average of \$7,350 per employee per year, but this amount is projected to increase in many areas in the near term. According to researchers, this represents a shift from 2009, when most of the organizations polled said they did not project an increase moving forward.

The results of the most recent survey showed that business travel costs are increasing, as the average direct spend per

traveler rose 6% and the average support cost per traveler increased 22% between 2009 and 2010. The findings indicated that, while the costs associated with travel programs grew, the efficiency in supporting these programs decreased 34% in 2010 (565 travelers supported by one full-time employee, compared to 861 travelers supported by one full-time employee in 2009).

Over the same period, the costs associated with business vehicles were found to be flat, with the average direct spend per driver amounting to \$8,897 in 2010. However, 38% of respondents said they anticipate an increase in spending, while 41% said they foresee an increase in the number of drivers. More than two-thirds (67%) of the employers said they are concerned about having 24/7 liability obligations for company-provided vehicles used by employees.

Meanwhile, the average direct spend on relocations was found to have declined 7% between 2009 and 2010, with the average cost per relocation falling to \$39,764. In addition, 43% of respondents said they anticipate an increase in the number of relocations, and 34% said they plan to invest more in relocation programs.

The survey results further indicated that, while the number of employees working remotely is rising, the cost of providing them with a “virtual office” is decreasing: 40% of respondents said they anticipate an increase in the number of virtual office employees in the upcoming year, even as the average direct spend per virtual office employee fell 27% between 2009 and 2010, to \$1,981.

“The need to more effectively manage mobile employees and continued cost significance are key findings in this year’s report,” said Greg Harper, president of Runzheimer International. “It raises the question of whether or not organizations really understand the holistic nature of their mobile workforce programs. The need for formal assessment to measure results, from return-on-investment to employee satisfaction, has never been more important.”

Commitment To Wellness Programs Rises

As companies of all sizes use workplace wellness programs to control health care costs and enhance employee productivity, the commitment to improving employee health appears to be rising among senior management, according to an annual survey by Willis North America’s Human Capital Practice.

The survey of 1,949 small to medium-sized employers showed that senior leadership commitment to improving employee health rose sharply to 42% in 2010, up from just 6% in 2009. More than half (53%) of the employers reported sponsoring some type of wellness program, although 57% of these respondents described their program as “basic.” The findings indicated that health care costs are the driving force motivating companies to implement worksite wellness programs, with 78% of the employers saying they had reviewed their health care cost trends prior to implementing a wellness program.

The most important factors in the success of a workplace wellness program were found to be management support and strong cultural support for wellness within the organization. The results also showed, however, that employers are still struggling to successfully engage the workforce in their health and productivity initiatives, and organizations face barriers in measuring the success of their health and productivity initiatives.

Around one-third of the employers surveyed in 2010 did not agree that financial rewards should be used to encourage healthy lifestyles, up 15% from 2009. When asked to identify the most significant barriers to offering a wellness program, 44% cited insufficient time or not enough staff, and 43% mentioned budget constraints.

Only 28% of respondents reported that their organization has a specific and



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defined strategy in place to improve employee engagement in the workplace. Of those with a formal strategy, 64% said they consider their company's worksite wellness program to be an important part of their overall employee engagement strategy. In addition, more than one-third (38%) indicated they do not have sufficient data to calculate return on investment on their wellness program.

When asked what measures are effective for improving employee engagement in worksite wellness, the top responses from employers were increasing marketing and communication with potential program participants, setting more specific goals for achievement, and more coordinated efforts.

"While it is encouraging to see organizational support at the senior level significantly increasing, the survey indicates a need to focus programs on increased employee engagement," said Cheryl Mealey, National Practice Leader, Wellness Consulting, Willis Human Capital Practice. "Senior management is really starting to embrace the idea that our health impacts how we work, and how we work impacts our health," she said.

Executive Bonuses For 2010 In Line With Expectations

With the economy showing signs of improving, nearly three-quarters of major companies are paying out executive bonuses for 2010 that are at or above the original targets, and many have raised their performance goals for 2011, according to a 2011 survey by Meridian Compensation Partners LLC.

The survey of 122 large companies showed that 72% paid annual bonuses to executives for 2010 performance at or above target (most often between 100%

and 175% of target), with 37% paying more than 150% of the original goal. Results also showed that most companies will provide a salary increase for executives of between 3.0% and 3.4% for 2011.

Most (86%) of the organizations said they are using two or more annual incentive metrics when evaluating performance in 2011, and 61% of these companies are using qualitative metrics at the individual and/or corporate level, such as EBIT or EBITDA. In line with the improving economy, more than three-quarters (78%) of the companies said they have increased their 2011 financial performance targets relative to 2010 goals.

The findings further revealed, however, that expectations for 2011 executive merit budget increases are relatively flat compared to the increases seen in 2010, with 38% of respondents saying they are implementing a merit budget increase of between 3.0% and 3.4%. Meanwhile, only 13% of the responding companies said they have implemented a budget increase above 3.5% for 2011, and 22% said they do not have fixed merit budgets for their executives.

In addition, the survey found that the trend toward using multiple long-term incentive (LTI) vehicles continues, with 83% of companies using two or more LTI vehicles, such as a combination of stock options, restricted stock, and performance shares. More than three-quarters (78%) said they are utilizing a targeted value approach to determine the LTI award size for 2011. Of the 52% of organizations that said they increased their 2011 long-term grant values, LTI guidelines increased by an average of 5% to 15%.

When asked about the new "Say on Pay" vote frequency recommendation for 2011 proxies, 42% of respondents said they recommended an annual vote, 20% indicated they recommended a triennial vote, and the remainder said they were undecided.



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