



September 2013 Benefits Spotlight

Industry surveys and white papers are excellent resources for empirical data, insights about trends and issues you face in managing your benefit plans. The challenge lies in finding the time to sort through the daily stream of publications to discover to those kernels of insight you can actually use. This month's newsletter narrows the information funnel for you by highlighting studies and articles on two specific topics: the gender gap in retirement savings and private health benefits exchanges.

Gender Gap in Retirement Savings

The gap between the amounts that men and women have saved for retirement and the differences in their financial behavior have been well documented. According to an *Aon Hewitt* [August 14, 2013, press release](#), a recent study the firm conducted shows that women participate in employer-provided defined contribution plans at about the same rate as men. However, they save less. According to the article, women defer an average of 6.9 percent of pay, compared to 7.6 percent for men. Women are also more likely than men to contribute below the company match threshold (31% vs 25%, respectively). Consequently, women have lower average plan balances than do men across all salary ranges. The difference is indeed stark: the average for women is \$59,300 compared to \$100,000 for men.

A [White Paper](#) titled "The Gender Factor: How to Engage and Motivate Women in Retirement Plans" from *Lincoln Financial* offers very specific recommendations on what employers can do to improve the retirement outlook for women. The paper focuses on how women make decisions about retirement investing, contrasting their process with that of male contemporaries. It then goes on to use that information to formulate specific communication strategies. An accompanying [infographic](#) is a good visual of the differences in attitudes, behaviors and styles that exist between women and men as investors.

A second study that deals with women as investors comes from [Prudential Financial](#). Both studies show that in contrast to men, women are more risk averse, lack confidence in their ability to achieve their financial goals and more likely to seek help from an advisor. The Prudential study notes that while these generalizations may apply to most women, it is important to note that there are important background, ethnic and generational differences among women within an employee population that employers also need to consider. A "Major Findings" section provides a thumbnail look at the differences between men and women investors and among women in different ethnic groups.

Private Health Benefit Exchanges

Are private exchanges-marketplaces of health insurance-the next "big thing" in employer-sponsored health benefits? Is this the beginning of the "defined contribution" approach to health care benefits? Is this a model that will take hold alongside "Obamacare" public exchanges? With virtually all of the nationally known benefits consultants and brokers launching their own private exchanges and working hard to sign up big employers so they can scale up in 2014, we thought we'd take a closer look at this recent phenomenon. A series of three articles in CFO.com based on research from *The Benfield Group* is an excellent starting place. The complete series can be accessed [here](#). As the articles point out, there is variation among the competing private exchange models. Some are fully insured; some accommodate self-insured employers; most offer multiple carriers; at least one offers only a single carrier; some offer a wide variety of other voluntary benefits in addition to healthcare.

There are pros and cons to each approach.

In an article titled "[Is the Time Right for Private Exchanges](#)" in the July 1 issue of *Human Resource Executive Online*, consultant and employee benefits trend spotter Carol Harnett discusses a range of issues that employers need to consider before making the decision to switch healthcare and other benefits to a private exchange. Chief among them is whether a defined contribution approach is right for your organization and what the effect would be on workplace performance initiatives associated with employee health.

EBRI has also weighed in on the issue of [exchanges or fixed contributions](#), noting that on the plus side this approach gives employers cost certainty, total compensation transparency, uniformity of benefits in multi-state environments and also helps them sidestep ACA's looming excise tax on high-cost coverage. But their studies also show that workers prefer and are satisfied with their employer-provided healthcare coverage; in addition, employees like the efficiency of group purchasing and the role employers often play as an advocate in coverage disputes.

A June 13, 2013 [report](#) by Booz & Co. looks at the development of private exchanges from the perspective of payors (insurers). They conclude that insurers will have to decide when, where and how to participate in exchanges since this new channel poses a threat to their profits. Interestingly, Booz thinks that while the private exchanges are all currently wooing large employers, it is middle market employers who have the most to gain from taking this new approach-to the detriment of conventional insurers.

Most industry experts don't expect an immediate employer stampede to private exchanges, but some employers definitely see the Affordable Care Act's exchanges as alternatives for retirees who are not Medicare-eligible, part timers and former employees who elected COBRA coverage according to an [August 28 press release by the National Business Group on Health \(NBGH\)](#).

Last Word - You're on Your Own, Honey

UPS' highly publicized move to stop providing healthcare benefits to spouses who are able to get coverage through an employer has industry experts opining that spousal exclusion or surcharges will become much more commonplace in the near future. This article by [HR Benefits Alert](#) discusses what UPS did right in conveying the new policy to employees. The company was out in front of the issue, providing as detailed an explanation as possible for why it felt compelled to take this step. The article also cautions that employers who are considering this cost-control measure need to consider whether the savings outweigh such factors as employee morale, productivity, recruitment and retention.