



## June/July 2014 Benefits Spotlight

Summer is here! It's a perfect time to catch up on some of the surveys and research reports that have shown up in your email box over the last few months. Frankly, some are not worth your time; but there are a number that definitely warrant your attention. We're highlighting a few that we think offer interesting perspectives and good insights into the trends and challenges affecting your retirement and healthcare plans.

### **Defined Contribution Plan Participant Behavior**

In May, Aon Hewitt and Financial Engines published a report, [Help in Defined Contribution Plans: 2006 to 2012](#), that examined the impact of "help"--specifically, target date funds, managed accounts and online advice--on the investment results of defined contribution plan participants. The report looked at 14 DC plans representing more than 700,000 participants to determine how participant behavior--whether or not they used help--affected portfolio risk and returns over a seven-year period. Among the findings: Participants who used help fared better than those who did not. That may not be surprising, but the annual performance gap over the seven year period, 3.32%, equates to 79% greater wealth at age 65 for the average 45 year-old, according to the report. The report also found that six out of ten (60.5%) participants who did not use help had inappropriate risk levels. Of these, according to the authors, two-thirds were taking too much risk while one-third weren't taking enough. Other areas the report examined include how use of help has grown over the study period, profiles of participants who use the three types of help identified in the report and a breakdown of the usage of each help type. The final section deals with conclusions and implications from the report's findings.

### **Health and Well-Being Touchstone Survey by PricewaterhouseCoopers**

This PricewaterhouseCoopers survey, conducted during the first quarter of 2014, identifies trends in employer-provided benefit plans. Based on information provided by approximately 1200 employers in 35 different industries, the report provides a wealth of data on medical, prescription drug and dental plan designs and costs. The survey also examines wellness plans, employee assistance plans, self-insurance, COBRA rates and retirement plans, with much of the data segmented by industry and employer size. According to the report, the average gross spend on medical per active employee is \$12,442, while the employer net is just shy of \$8,500. The most notable trend the report identifies is the continuation of healthcare benefit cost-shifting to employees. This often takes the form of higher deductibles and coinsurance in place of co-pays, especially for hospital visits. Other trends the survey cites include increased interest in high deductible health plans and expanding wellness initiatives, at times broadening the scope of "wellness" to encompass well-being in other areas, such as finance and emotion. The report concludes with an examination of the impact of the ACA and employers' future plans, including their interest in private exchanges. Free registration is required to download the [report](#), but it's a pretty painless process and gives you access to a lot of empirical data that offers insights into what's actually taking place in the world of employer-provided benefits.

### **MetLife's 12th Annual Employee Benefits Trend**

MetLife's [12th Annual Study of U.S. Employee Benefit Trends](#), released in March 2014, also looks at trends but takes a different approach and incorporates findings from employers and employees. This provides an interesting contrast between the perceptions the two groups hold about benefits. The survey finds that employees' appreciation of their employer-provided benefits has increased, with the percentage of those who are very satisfied (50%) at an all-time high. That's somewhat surprising, since the report also states that most employees now have to shoulder more of the cost of their benefits. The survey also finds that a greater percentage of employees (40% versus 29% in the previous year's study) are looking to employers for help in achieving financial stability through their benefits. This finding seems to be at odds with the objectives that employers have for controlling benefits costs. Nearly nine out of 10 (88%) employers surveyed cited cost control as a very important benefits goal. In fact, the survey finds that more than half (56%) of employers are moving towards strategies that require a more active role from employees, such as premiums tied to wellness activities. Among the more interesting disparities the survey uncovers concerns perceptions about employee loyalty. The survey reports an uptick among the proportion of employees who feel loyalty to their employer compared to the previous year (over 50% versus under 50%, respectively), while the perception of employee loyalty has gone down among employers. This same gap between perceptions shows up in the percentage of employees who are satisfied with their benefits compared to employers who think employees value their benefits. There is clearly a disconnect going on! The survey also takes the pulse of employers and employees on other issues, including voluntary benefits, wellness and financial education.

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