

BENEFIT

Plan Developments



A report covering plan design and legislative changes

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Retirement Plan Sponsors Altering Plan Design

A growing number of employers are responding to tough economic conditions by making changes to the design and coverage of their retirement plans, according to a survey conducted by the International Foundation of Employee Benefit Plans (IFEBCP).

In a May 2009 survey of 1,305 defined benefit and defined contribution plan sponsors, 42% of defined benefit plan sponsors said they had made changes to the plan's strategic asset allocation in response to the financial downturn, up from 20% of the plan sponsors surveyed six months previously. When asked what types of adjustments they are making, 37% said they are increasing fixed income assets, 17% indicated

they are reducing U.S. equity allocations, and 13% said they are increasing alternative fund investments.

In addition to adjusting their plan's asset allocations, a rising number of sponsors of defined benefit

plans appear to be uncertain about whether they will continue to offer traditional pensions to workers: 27% of the defined benefit plan sponsors said they have discontinued offering pension benefits for all or some of their employees, and 21% indicated they have closed their plan to new participants.

Meanwhile, 13% of defined contribution plan sponsors polled in May indicated they have changed their plan's investment product offerings as a result of changing economic conditions, up from 7% six months earlier. Of those defined contribution plan sponsors that reported making changes to their product offerings, 21% said they have added more low-risk investment

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In addition, 40% of defined contribution sponsors reported in May that they have observed a rise in the number of participants who had stopped contributing to their accounts altogether.

choices, 18% indicated they have increased diversification, 16% said they have added life cycle or money market funds, and 15% reported adding government-backed securities.

Results further showed that a growing number of defined contribution plan sponsors are reducing or eliminating matches of employee contributions due to the economy. Of the 16% of defined contribution plan sponsors surveyed that reported changing their matches, 44% said they have reduced the amount of the match, and 52% said they have suspended the match.

The survey also questioned defined contribution plan sponsors about how the financial situation has affected employee retirement plan contributions. Some 44% of the defined contribution plan sponsors surveyed said they have noticed a decrease in the overall amount that participants were saving, up from 28% of sponsors surveyed six months previously.

In addition, 40% of defined contribution plan sponsors reported in May that they have observed a rise in the number of participants who had stopped contributing to their accounts altogether. Hardship withdrawals and loans from defined contribution plans were found to be increasing, with 42% saying they have seen a rise in the number of participants making hardship withdrawals and 40% saying they have noticed an increase in the number of participants taking out loans.

The findings suggested that employees are becoming less concerned about saving for retirement and more concerned about their immediate financial situations. When asked to rate the main concerns of their employees, the leading source of anxiety cited by the plan sponsors surveyed in May was job security. By contrast, six months previously, the employers said delaying retirement was the top concern, with job security ranking fourth. Researchers noted that these

employee concerns appear to be justified: 52% of employers said they have a hiring freeze in place, 50% reported they have already implemented layoffs or reductions in their workforce, and 11% said they expect to lay off workers in the coming 12 months.

Nearly half (47%) of defined contribution plan sponsors said they believe a majority of their employees view the long-term impact of the current financial downturn as severe, compared with nearly one-quarter (23%) of the defined benefit sponsors.

Americans Support Greater Consumer Engagement In Health Care

A majority of Americans support offering lower health care cost-sharing arrangements to people who follow their treatment programs and participate in programs designed to help them maintain or improve their health, but smaller numbers are in favor of a variety of other proposals designed to encourage greater consumer engagement in health care, according to a study published by the Employee Benefit Research Institute (EBRI).

The report, “Consumer Engagement in Health Care: The Use of Lower Cost Sharing,” was written by senior research associate Paul Fronstin. The findings are based on a survey of 4,532 privately insured adults ages 18–64. To find out more about how Americans feel about initiatives designed to encourage greater consumer engagement in health care, the survey participants were asked if they agreed or disagreed with five proposals that would involve changes in traditional cost-sharing arrangements for patients.

The survey showed that 58% of respondents are in favor of lower cost-sharing for patients who are actively participating in a program to maintain or improve their health; another 58% believe that lower cost-sharing should be offered to patients who carefully follow their treatment regimens. A further 47% support lower cost-sharing for patients who choose less invasive procedures to treat their medical conditions, 40% agree with lower cost-sharing for patients who use treatments scientifically proven to be effective for their medical condition, and 34% support lower cost-sharing for patients who select health care providers rated as high-performing.

The findings also indicated, however, that people in good health are more likely than those in poor health to support lower cost-sharing. For example, 62% who said they are in excellent or very good health, but only 47% of those in fair or poor health, agreed with the statement that patients who actively participate in a health program should pay less than a patient who is not actively engaged in managing their own health care.

Results also showed that respondents in better health were more likely than those in worse health to support proposals that patients be offered lower cost-sharing if they use high-performing providers, consent to less-invasive procedures, and follow treatment regimens. Similarly, respondents who are smokers or who are obese were found to be less likely than non-smokers and the non-obese to be in favor of lower cost-sharing for patients who participate in these programs.

According to demographic characteristics, men were 10% to 15% more likely than women to believe that cost-sharing should be lower for patients who participate in various consumer engagement programs. For other demographic characteristics, the results were mixed, Fronstin noted. According to age, respondents in the youngest group (ages 18–24) and

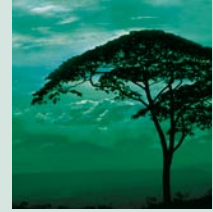
those in the oldest group (ages 55–64) were found to be generally more likely to support lower cost-sharing than respondents in the middle two groups (ages 25–44 and 45–54).

Concerning education, there was no clear-cut pattern across all the questions on lower cost-sharing and increased patient engagement in health care. In general, respondents who were highly educated were more likely to support lower cost-sharing for active participation, and respondents who were less educated were more likely to support lower cost-sharing for patients who choose less-invasive procedures. There was no clear pattern with respect to race and ethnicity.

An analysis of the results by employment status revealed that respondents who work for larger companies were more likely than those who work for smaller companies to agree that lower cost-sharing should be offered to patients who actively participate in health programs, to those who use scientifically proven treatments, and to those who choose high-performing providers. On the other hand, no correlation was found between employer size and views on the proposals that lower cost-sharing be extended to patients who choose less invasive procedures or who follow treatment regimens.

A similar pattern was seen when responses were analyzed by income levels: higher-income workers were found to be more likely than lower-income workers to support lower cost-sharing for patients who actively participate in health programs, for those who use scientifically proven treatments, and for those who select high-performing providers; while no pattern of support by income level was shown regarding the choice of less invasive procedures or the willingness to follow treatment regimens.

In conclusion, Fronstin observed that the study found some support for using lower cost-sharing as a means of



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engaging patients, but that the level of support varies with the type of consumer engagement proposed.

“Employers and insurers are going to continue experimenting with various ways in which they can use features of their benefits plan to increasingly engage workers and their families in their health care in order to manage health care costs more effectively,” Fronstin said. “They will find that some things work while others do not. The support for consumer engagement initiatives will vary across employees and may ultimately affect the success of specific programs.”

More Than One-Third Of Workers Plan No Vacation This Year

Concerned about money and job security, many Americans are choosing not to go on vacation this year or will remain in contact with their employers, even while on vacation, a survey conducted by recruitment website Careerbuilder.com found.

The survey of 4,435 full-time private sector employees showed that 35% of workers have not gone on and do not expect to go on vacation this year. When these respondents were asked why they are foregoing vacation, 71% said they could not afford it, and nearly one in five said they are either afraid of losing their jobs or feel guilty about being away from the office.

In addition, the survey found that even employees who do intend to take vacation will not be fully free of their

workplace responsibilities. More than 28% of the workers surveyed said they plan to contact the office at least once, regardless of what they are working on, while they are on vacation.

The results of a survey of employers indicated that employees may be correct in assuming that they will have to stay in touch while on vacation: 50% of employers said they expect vacationing workers to check into the office while they are away, while 40% of employers said calling the office may be necessary if the employee is working on a big project or if there is a major issue going on with the company.

“While the current economy may be causing workers anxiety about taking a vacation this year, a break from work is essential for maintaining healthy productivity levels in the office,” said Rosemary Haefner, vice president of human resources at CareerBuilder.

Citing the finding that 15% of workers failed to use all of their allotted vacation time in 2008, Haefner suggested that employees plan ahead and make it a goal to take advantage of their vacation benefits. “Utilizing your time off is even more important now due to the added responsibilities and pressure that some workers may be faced with due to the current economic situation,” she asserted.

Haefner recommended that employees plan ahead to ensure that they can take vacation and leave the office behind when they go. She advised employees to talk to their supervisors before setting vacation dates and to set up a plan that will enable coworkers to fill in for them in their absence. Haefner also suggested that managers limit their own contact with the office when they are on vacation, thereby setting an example for rank-and-file employees.



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