

# BENEFIT

## Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

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## Employees Want More Challenging Work

As the economy improves, growing numbers of jobseekers are optimistic about their chances of landing their “dream job,” and have a renewed desire to find work that not only pays the bills, but is “inspiring,” according to a survey conducted by online recruitment website, Monster.com in April 2011.

The findings indicated that a full 82% of respondents believe their dream job exists, and 83% are actively pursuing that dream. When asked what they are looking for in a job this year, nearly half (41%) said they want to be challenged and inspired at work, and 17% also want to make a difference in their jobs. Meanwhile, 17% reported salary as a chief concern, and 15% hoped to improve their leadership status.

The results further showed that 78% of employed participants are

ready to take the next step in their careers, with nearly two-thirds (65%) of all survey participants purporting to be fairly confident they will find a new job this year. However, the findings also suggested that older workers are less confident than younger employees, with 61% of Baby Boomer and 69% of Generation X jobseekers

expecting to find a new position, compared with 75% of Generation Y jobseekers.

“The results of this survey are in stark contrast to where seekers were a year ago, especially psychologically,” said Jesse Harriott, chief knowledge officer for Monster Worldwide. “Seekers were just happy to be gainfully employed at that time—ready to simply ride things out until the economy turned around—despite how happy they were in their current position.”

Harriott advised, “Now is very much the time for seekers to take control of their careers, leveraging that newfound optimism to enact changes—either in their current job or in a new job entirely.” At the same time, he said, “Employers need to be ready to support that appetite for change and growth that today’s workforce is clamoring for.”

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*Growth in CDHPs is likely to continue, as 48% of all employers surveyed, and 61% of the larger companies, expect to offer a CDHP within five years.*

Researchers stressed that these findings do not necessarily mean that employers should expect a mass exodus of employees. Instead, employers should anticipate employees' readiness to advance in their careers, whether in the form of a promotion, mentoring junior staff, or taking on new tasks that will be both rewarding and challenging.

## More Employers Adopt Consumer-Directed Health Plans

The number of Americans covered by consumer-directed health plans (CDHPs) grew in 2010, as more employers offered CDHP options to their employees, according to a study released in April 2011 by the American Association of Preferred Provider Organizations (AAPPO).

This analysis was based on U.S. Census Bureau estimates and the Mercer National Survey of Employer-Sponsored Health Plans, which included more than 2,800 U.S. employers. The report showed that enrollment in CDHPs increased 22% last year, from 23 million in 2009 to 28 million in 2010. Researchers calculated that 17% of all U.S. employers offered CDHPs in 2010, and 11% of all employees covered by an employer-sponsored health plan were enrolled in CDHPs.

The CDHP was the only type of health plan with growth over the last two years. The percentage of individuals with private or government health insurance covered by CDHPs rose from 7% in 2008 to 11% in 2010. During the same period, PPO enrollment remained steady at 69%, while health maintenance organizations (HMOs) showed a slight but steady decline in enrollment to around 19%.

This spike in CDHP growth may be due to the average contribution requirement, which is significantly lower for CDHPs than for HMOs or traditional PPOs. Karen Greenrose, AAPPO president and CEO, commented that in

today's tough environment, CDHPs, which are predominantly built on PPO networks, "offer the affordability, choice and access that employers and consumers alike are looking for." A CDHP typically includes a high-deductible medical insurance plan coupled with an employer-sponsored health reimbursement account (HRA) or a health savings account (HSA). Researchers found that while HSAs are more popular than HRAs with employers, employees tend to prefer HRA-based plans.

Although the study indicated that employers of all sizes increased their CDHP options, large companies drove the recent rise in CDHPs: 51% of the largest companies (20,000+ employees) offered their employees a CDHP option, compared with 43% in 2009. However, growing numbers of small and medium-sized businesses have also been adopting CDHPs, with the share of smaller employers (10–499 employees) offering CDHPs rising from 9% in 2008 to 16% in 2010.

It was further indicated that growth in CDHPs is likely to continue, as 48% of all employers surveyed, and 61% of the larger companies, expect to offer a CDHP within five years, either as the only plan offered or along with other insurance options.

## Directors Set Executive Performance Goals

As they express cautious optimism about the prospects for economic growth over the coming year, the leading executive compensation concerns of corporate directors are choosing performance goals aligned with shareholder value creation while retaining executives with proven track records, according to a report by the National Association of Corporate Directors (NACD) and the compensation consultant firm, Pearl Meyer & Partners.

The May 2011 report was based on a survey that asked 176 leading corporate directors to rank key executive compensation

issues in importance, and to assess their board's ability to effectively address those issues. One-third (33%) of respondents identified "the selection of performance goals that align with shareholder value creation" as their top board issue, while 19% cited "the need to retain top-performing executives."

"Say-on-Pay votes and the growing influence of proxy advisory firms require boards to demonstrate they have meaningful performance targets for executives and proportionate rewards," said Jim Heim, managing director at Pearl Meyer & Partners. "At the same time, directors know that retaining their top-performing executives will be an increasing compensation consideration as the economy improves, and competitors more actively recruit from their ranks."

Heim also noted that CEO succession planning, which ranked third on directors' lists of compensation concerns, is emerging as a bigger issue in a recovering economy. He said, "Many directors clearly are not satisfied with the quality and readiness of their management backbench, particularly since it's more expensive to hire a candidate from the outside than to promote from within."

When asked how effective they believe their boards have been in addressing these compensation issues, the directors surveyed were most critical of their handling of the CEO succession planning process and of their ability to retain top-performing executives: nearly 50% said their organization's CEO succession planning needed revision or review, while 30% said their company's executive retention efforts should be overhauled.

The findings also revealed, however, that directors are reasonably confident about their board's ability to handle the large number of new regulations related to compensation issued in recent years by the U.S. Securities and Exchange Commission (SEC) and the Federal government. Three-quarters (75%) said they are confident or very confident that board members understand the new rules, and

that their company's programs are in compliance with the most current regulatory requirements relating to executive pay.

The report also included the latest results of the NACD Board Confidence Index (BCI), which measures and reports each quarter's corporate directors' confidence in the economy and business climate. The index continued to rise in the first quarter of 2011, as directors expressed growing confidence in the progress of the economy: the overall BCI increased to 64.9 in Q1 2011, showing a slight improvement over last quarter's overall index of 64.4.

When asked to describe the current state of the economy compared to conditions one year ago, directors registered a confidence index of 73 in Q1 2011, up from 69 in Q4 2010. Regarding rate changes in conditions from the previous quarter, rather than from the previous year, the directors also expressed greater confidence, although to a lesser degree, with the quarterly confidence index rising to 61 in Q1 2011, from 59 in Q4 2010.

The Q1 2011 BCI results also showed a slight decline in directors' expectations of future economic conditions: expectations for Q2 2011 decreased to 57 from 60 in Q4 2010, and for 2012, ratings fell to 69 from 71 in Q4 2010. NACD president and CEO, Kenneth Daly, observed that with proxy season on the horizon, the SEC has yet to finalize rules regarding shareholder voting and transparency, proxy access, or new whistle-blower programs, and that this uncertainty in the future corporate environment may be reflected in the index data.

Nearly half (48%) of directors said organizational recruitment and hiring practices were unchanged in Q1 2011, while one-third (33%) said hiring levels were increasing. When asked about the future, 8.6% indicated their company is likely to retain the same workforce in the next quarter, with more than half of directors indicating that current hiring practices will continue at the same pace.




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## Impact Of Fees On 401(k) Saving Plans

Most 401(k) plan participants are interested in planning for retirement, but may not fully understand the fees they pay to their plan providers to maintain their accounts and how fees may affect their retirement savings, according to a February 2011 survey commissioned by the retirement advocacy group, AARP.

The survey of 803 401(k) plan participants of all ages (24+) showed that, over the past 12 months, 80% had reviewed the performance of their retirement account, 63% made contributions to their 401(k) plan, 37% made changes to their account, and 22% withdrew money from their plan.

When asked how confident they are about having enough money to live comfortably in retirement, almost three-quarters (74%) said they are very confident or somewhat confident, and nearly two-thirds (64%) reported they have tried to calculate the amount of savings they will need at their anticipated retirement age. Approximately two-thirds (64%) said they prefer to make their own decisions about saving and investing, while 35% prefer to get professional advice.

When considering the factors most important in making 401(k) plan investment decisions, 92% cited the reputation of the financial services company that manages the investments, another 92% said the risk potential of investments, 91% said past performance of investments, 90% said diversification of investments, while 81% cited plan administrative fees.

Of the percentage of 401(k) plan participants who determined fees as an important factor in their decision-making process, many have taken steps to learn more about fees charged for investments, including studying their plan's investment options guide (61%), or prospectuses

about mutual funds (49%), or consulting with a personal financial advisor (49%). In addition, 46% said they consult an employer-provided financial advisor, 43% use the Internet for investment information, and 32% read financial magazines.

However, when asked if they pay fees for their 401(k) account, 71% incorrectly reported that they do not pay any fees, while less than one-quarter (23%) said they are aware of paying fees, and 6% said they do not know. When told that financial services companies charge fees for administering 401(k) plans, 62% said they do not know the amount they pay in fees to maintain their account, while 30% said they know how much they pay in fees. The findings further indicated that younger 401(k) plan participants are less informed about fees than older participants.

In addition, respondents were asked what they would do if their retirement account fees turned out to be higher than the average for a particular investment. More than half (54%) said they would speak to the company that provides the funds about lowering fees, 51% said they would change their investments to lower fees, and 48% said they would ask their employer to advocate for lowering plan fees.

"Americans are trying to plan for their retirement without all the information they need about their 401(k) plans," said Jean Setzfand, AARP director of financial security. "The research shows a clear lack of understanding about 401(k) fees and the impact they might have on one's saving." Setzfand observed that fees are often hard to understand even when the participant knows they are paying them, and that even small fees can have a significant negative impact over a lifetime of saving. She added that a sound investment strategy should take into account not just fees, but also an individual's portfolio, risk tolerance, objectives, diversification, fund performance, age, and other factors.



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