BENEFIT
Plan Trends

A monthly update focusing on Retirement and Executive Viewpoints Volume 54, Number 10

Workers May Need To Adjust Their Savings Strategies

As many as four out of five American workers may not be adequately prepared for retirement as a result of recent market volatility and reduced retirement plan contribution levels, but most current plan participants should be able to make up for these shortfalls by adjusting their savings strategies, according to a 2011 study released by human resources consultancy Aon Hewitt.

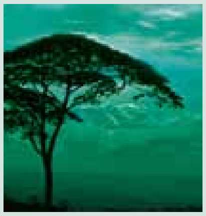
Based on an analysis of 2.1 million U.S. employees, projections indicated that average workers will need 11 times their final pay in retirement (after accounting for Social Security) to meet their needs. However, as of the beginning of 2011, average full-career employees who are actively contributing to their defined contribution plan are expected to have a shortfall of 2.2 times pay at retirement age, and that as many as half are on track to have a gap greater than that.

According to the analysis, the median rate of return for defined contribution accounts has fluctuated wildly since the start of the economic downturn, reaching a low of -28% in 2008, and rebounding to +24% in 2009 and +13.5% in 2010. Yet, as of mid-August of this year, initial indications showed that many defined contribution accounts will experience investment losses for 2011.

In addition to market volatility, the suspension of contributions to defined contribution plans during the economic downturn has made it harder for workers to achieve their

J. KRUG & ASSOCIATES, INC.
Relax. You're Covered.
INSURANCE BROKERS AND CONSULTANTS

1350 West Northwest Hwy., Suite 100 • Mount Prospect, IL 60056-2297
t 847.392.8585 f 847.392.8137 • www.jkrug.com



Even retirement plan participants who have experienced setbacks in recent years may be able to hit their savings targets by making some adjustments to their retirement planning strategies.

savings goals. The findings indicated that the plan balances of employees who stopped contributing to their retirement plan and who lost their employer's matching contribution in 2008 had not recovered to pre-recession levels at the end of 2010. An average employee who did not contribute to a retirement plan from 2008–2010 would have had a balance of $88,000 at the end of 2010, down from $91,000 at the beginning of 2008. If, however, that same employee had continued to actively contribute to the plan, the account balance would have grown to $128,000 during the same period.

But, even retirement plan participants who have experienced setbacks in recent years may be able to hit their savings targets by making some adjustments to their retirement planning strategies, researchers asserted. Delaying retirement can help workers make up a savings shortfall. For example, while an average 40-year-old worker currently saving at a rate of 8% per year can expect to have a savings gap of 1.7 times pay if he retires at age 65, he should be able to make up the difference by retiring at age 67 instead, the analysis showed. Similarly, an average 60-year-old worker saving at 10% annually, who has an anticipated shortfall of 2.3 times pay, may be able to close the gap by retiring at age 68.

Younger and middle-aged plan participants can also dramatically improve their prospects for retirement by increasing their yearly contribution rate by just a few percentage points, researchers said. For example, if the 40-year-old worker currently saving at a rate of 8% of pay per year increased his savings rate four percentage points to 12% per year, he would again be on track to retire at age 65 with no savings gap.

Researchers further recommended that employees consider seeking professional advice on retirement planning. The study showed that, while most companies now offer outside investment advisory services to employees, three-quarters (75%) of employees are not taking advantage of this help.

Mobile Workers Report Enhanced Productivity

Although growing numbers of professionals are putting in extra hours and staying connected to the office nearly around the clock, many believe that having the flexibility to work wherever and whenever they want enhances their efficiency and productivity, and provides them with a better work/life balance, a quarterly report published by mobility services provider iPass Inc. has revealed.

The report's findings were based on the results of a survey of more than 3,100 "mobile workers" at 1,100 enterprises worldwide conducted between July 1–15, 2011. The study defines a mobile worker as an employee who uses any mobile device (including laptop, netbook, smartphone, cellphone, or tablet), and who accesses networks (other than the corporate LAN or WLAN) for work purposes.

The report examined "workshifting" in today's workplace, or flexible work schedules that enable employees to work wherever and whenever they want. The survey found that, almost every day, 38% of mobile workers work before their commute, 25% work while commuting, 37% work during lunch, and 37% work at night.

The findings further indicated that 75% of mobile workers work more hours than their core schedule calls for due to workshifting: more than half (55%) of the employees surveyed were working at least 10 or more additional hours each week as a result of their more flexible schedules, and 12% were working 20 or more additional hours.

However, the vast majority of mobile workers believe that workshifting allows them to be more productive and efficient, with 79% claiming that having flexible working conditions increases their productivity, and 78% saying it improves their efficiency. Moreover, nearly two-thirds (64%) of mobile workers reported having a better work/life balance, and more than half (51%) said they felt more relaxed because of flexible work.

When asked what they would do if they did not get enough flexibility at work, 33% would seek employment elsewhere, 57% would be less satisfied with their job, and 45% would feel less productive.

The survey also showed that mobile workers are not only shifting their work periods to different times of day; they are also working from a variety of locations. Nearly half of respondents (47%) said they worked from home daily, and almost all (99%) said they worked from home at least occasionally. On at least an occasional basis, 88% of respondents said they worked from the road, 84% reported working from a coffee shop or restaurant, and 77% said they worked outside using a city-mesh Wi-Fi. Meanwhile, 72% said they use a mobile device on a daily basis within the office, texting and talking while moving from conference room to cafeteria.

At the same time, however, the results indicated that more than two-thirds (68%) of mobile workers are making a point of occasionally disconnecting from the office for personal reasons. For example, nearly half of the mobile workers surveyed turned off their phones to spend more time with families or during theater or other performances, and 35% said they switched off their devices during dinners at home.

Employees Increasingly Value Workplace Benefits

As many governments move to cut public retirement and health and welfare programs in response to budgetary constraints and an aging population, companies should continue to use employer-sponsored benefits to attract and retain top talent, while developing strategies for keeping their costs in check, a report recently released by human resources consultancy Mercer has recommended.

In the firm's 2011 *Benefit Plans Around the World* report, researchers observed that recent reforms of pension and health and welfare systems in many parts of the world, including North America and Europe, are creating significant challenges for companies seeking to manage the cost, risk, and competitiveness of employee benefit programs. The pressure to reform programs—which may, for example, include trimming tax incentives for retirement saving or lowering public expenditures on health care—comes from the rising cost of providing adequate retirement income and health services to an aging population. Yet, because of these reductions in government programs, there is a greater appreciation among employees of the value and security of their employer-sponsored benefits, especially after two years of economic uncertainty, the report said.

"The decline in public finances has prompted a general retreat in state retirement and health provision; some countries are even looking to their pension and health systems for new sources of revenue," said Jean-Philippe Provost, U.S. international consulting group leader at Mercer. "Changes vary, but include increases in retirement ages, restrictions on tax relief, reductions in benefits, and increases in worker contributions."

Yet, with budgets remaining tight at many companies as a result of the economic downturn, organizations that continue to offer generous benefits packages are having to focus on ensuring cost efficiency and getting value for money, the report said. Some companies are seeking to limit costs by reducing benefits for new hires or introducing cost sharing, researchers observed. Many companies are seeking to implement cost control initiatives that may be less visible to employees, such as achieving economies of scale through the consolidation of third-party vendors or the pooling of insurance risk. In addition, companies are introducing strategic innovations to benefit programs that may help with cost control in the longer term, and may also

Because of reductions in government programs, there is a greater appreciation among employees of the value and security of their employer-sponsored benefits.

be positively viewed by employees, such as wellness initiatives and flexible benefits programs.

"Central oversight and monitoring of policy can identify risks and issues and enable companies to react appropriately—by encouraging behavioral change through a global health management program, for example," said John Hall, Mercer's international consulting group leader for Europe, the Middle East and Africa (EMEA). "Money saved in these areas, such as reduced insurance premiums, can be diverted into other programs that can support the productivity of the workforce."

Greater Flexibility May Reduce Absenteeism

While a significant percentage of employees admit to having called in sick to work when they were perfectly healthy, many of these workers say they would not have "played hooky" if their employers had offered them a greater level of flexibility and more paid time off, according to a new global survey on employee absences commissioned by the Workforce Institute at Kronos Incorporated.

The U.S. survey was conducted online between July 19–21, 2011 among 1,209 working adults aged 18 and over. Similar surveys were conducted among workers living in Canada, the United Kingdom, France, Australia, Mexico, China, and India. The findings revealed that large numbers of employees around the world report having called in sick to work when they were not ill. Slightly more than half (52%) of the workers surveyed in the U.S. and Canada said they had called in sick when they were not, compared with 71% in China, 62% in India, 58% in Australia, 43% in the United Kingdom, 38% in Mexico, and 16% in France.

The overwhelming majority of respondents said they had done so because they felt stressed or simply needed a day off. Among the other reasons cited for playing hooky were needing to take care of a sick child, having a workload that was too heavy, and not having enough paid leave. Despite not being sick, a large proportion of respondents said they spent these days at home, either in bed or relaxing while watching TV.

When asked what they think their employers should do to prevent them from misusing their sick leave, the top response in every region but France was to offer employees the opportunity to work flexible hours. Respondents from around the world also said the option of working from home or to take unpaid leave would discourage them from taking sick leave when they did not need it. In addition, a significant percentage of the employees surveyed said that providing more paid leave to employees would make them less likely to take unscheduled days off.

At the same time, however, a majority of employees in all regions admitted that they were negatively affected when coworkers called in sick, often because they had to take on the work or shift of the missing employee, or because they experienced an increase in stress levels.

Researchers also noted that the results of a 2010 study on absenteeism showed that unscheduled absences cost organizations 8.7% of payroll each year. Compared with planned and extended absences, incidental unplanned absences result in the highest net loss of productivity. Researchers recommended that companies with an unusually high rate of absenteeism implement systems to track and manage employee absences to understand the patterns and find ways to discourage workers from playing hooky.

Compared with planned and extended absences, incidental unplanned absences result in the highest net loss of productivity.