

EMPLOYEE BENEFITS BULLETIN

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Fast Facts

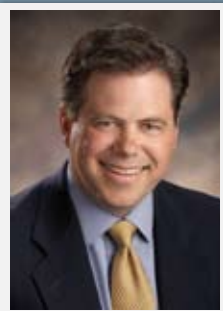
Two-thirds of private industry and state/local government workers had access to retirement benefits & nearly three-quarters to medical care in March 2008.¹

December 2007, benefit costs as a percentage of total compensation costs were 30.2%.²

For decades, national health spending has consumed a growing percentage of America's gross domestic product, reaching a record 16% of GDP in 2006.³

Out of each dollar spent by American consumers in 2006, a bit more than a nickel (5.7 percent) paid for medical or health purchases, below the amount they spent eating out in restaurants.⁴

1 - Bureau of Labor
2, 3, 4 - Employee Benefits Research Institute



Maximize Investment in your Employees Communication increases satisfaction of benefit offerings

Most employers' investment in the benefits packages they provide to employees is significant. According to data from the Department of Labor's Bureau of Labor Statistics, employee benefits account for close to a third of employee compensation costs, an average \$8.63 per hour worked (includes legally required benefits such as Social Security). With such an investment, employers of all sizes want these benefits to engender loyalty within the workforce. In smaller businesses, benefits do play this role to some degree, according to a survey from MetLife, but employers are not utilizing their benefits packages to their full strategic advantage.

MetLife polled employees and benefits decision makers in companies with at least two employees. More than half—55%—of the employers with fewer than 500 employees said that benefits play a very important role in employee retention. However, only 34% of employees at companies of this size said the benefits they receive are a very important reason to remain with their current employer, compared to 53% of employees at larger companies. This last finding is somewhat puzzling, since among employers that offer benefits, a higher percentage of smaller employers contrasted to larger employers pay the full cost for many benefits, including medical, dental and prescription drug coverage. Specifically, 36% of smaller employers paid the entire cost of employees' medical coverage and 29% footed the full bill for prescription drug coverage, compared to 15% and 13%, respectively, of larger firms that did this for employees.

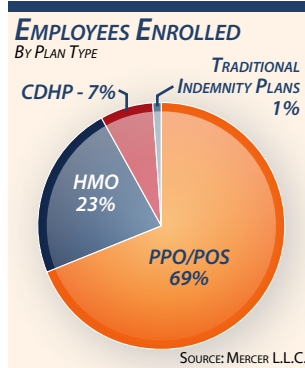
Whether or not your company is among those that pick up the full tab for certain employee benefits, you do invest

significantly in the benefits you provide, and you want to realize a good return on this investment. The key to maximizing this is to take steps to use benefits strategically.

Using benefits strategically requires that the benefits your company offers are those that your employees really need and want. Although you can safely assume that medical, some type of retirement plan, and time off programs would top this list, beyond these employees' benefits needs can vary greatly. If you have not done so recently, get input from employees—through surveys, focus groups, even a suggestion box—as to what's on their benefits "wish list." You might find that some of the most coveted benefits are those that require little financial investment, though they could demand some creative thinking on your part. For example, flextime, job sharing and telecommuting are prized by many workers, and if you are able to figure out a way to implement them in your company you will score a hit with employees without dipping into the budget.

Similarly, you can greatly expand your menu of benefits offerings at little or no cost through voluntary benefits. Your company can give employees convenient access to coverages such as dental, vision, hearing, group legal, various types of Life insurance, and disability through a voluntary benefits strategy. Though employees pay the full cost of voluntary benefits, they generally get a good price because they are purchasing at a group rate; plus, they save time not having to shop for the benefits in the open market and have the convenience of paying for them through payroll deduction. Most importantly, since employees choose which, if any, voluntary benefits to enroll in, they're only paying for what they've decided they want and need, which is important, psychologically, to feeling that they've gotten their money's worth.

Finally, regardless of the benefits you decide to offer to employees, do not skimp on communications. The MetLife survey suggests inadequate communications might be part of the cause for employees' under appreciation of their benefits, with only about a third of both smaller employers and their workers rating their benefits communications as highly effective. Where is a good place to start in shoring up your benefits communications? Consider personalization, for which 54% of employees in smaller companies had a preference.



Employees involvement in benefits vital in tough economic times

When times get tough economically, both businesses and individuals alike examine how they can cut expenses. For a business, this could mean looking for ways to cut costs in the employee benefits program. Health benefits, which carry the highest tab in most companies' benefits programs, might seem like the most reasonable target for cost cutting measures. But before taking a knife to your health plan and/or other aspects of your company's benefits program, it's important to consider the possible consequences and alternatives. Large premium increases can cause employees to drop coverage, in particular younger, more healthy employees, leaving your plan with a less desirable risk pool.

Cost shifting that involves higher co-payments and/or deductibles can cause employees to defer routine care, delay seeing a doctor when symptoms of illness first arise, and fail to fill prescribed medications. In the end, these decisions can end up not only costing your health plan money, but also add to absenteeism and disability costs and lower employee productivity and morale.

As an alternative, make sure that your benefits dollars are being applied to measures that enhance employee health and well-being.

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Courtesy of **Mark Fisher** Benefits Consultant

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During Open Enrollment, Employees seek Life-Stage Appropriate Advice

In days past, open enrollment could be a relatively straightforward experience, both for employers and employees. Benefits choices were few, requiring simple communications and little decision-making. With the era of one-size-fits-all benefits packages almost a thing of the past, open enrollment has become a big deal. Employers devote considerable time and resources in selecting an array of benefits to offer to employees, along with the vendors to provide them. Employees need to figure out which of the benefits to choose, considering both what they think they need, and the cost.

According to a survey from MetLife, employees are looking for more help during open enrollment to pick the benefits that are right for them. Specifically, 59% would like their employer to suggest benefits that would be appropriate for someone in their "life stage" — single, married without kids, new family, established family, or nearing retirement. Other than a spouse, employees said they were most likely to view someone in their same life stage as the most important source of advice (22%), rather than HR (14%) or a professional advisor (11%).

Young singles were most interested in guidance, with 78% of those seeking HR advice saying they would like their employer to suggest life-stage guidelines to help them in benefits selection. According to life-stage guidance from MetLife for this group, having the money to survive an income loss should be a pivotal concern.

For dual income/no kids employees (DINKs), both disability and life insurance are key benefits, since the couple has become accustomed to relying on two incomes. Employees in this group also may be seeking a tax break, which pretax 401(k) plan contributions can provide.

Employees with new families should do a complete and careful review of their benefits during open enrollment,

since the addition of dependents would have required a change in coverage categories, and also brought on the need for types of benefits that previously may not have seemed important, such as life insurance and dependent care.

Established families might be in the habit of knowing what benefits they need, but as family members get older future financial concerns loom closer on the horizon. Employees in this life stage should check to make sure that they're on track for saving for expenses such as college education for the kids, long-term care and retirement, using any tax-favored vehicles or insurance products available to them through their employers.

For many employees in the pre-retirement life stage, it's catch-up time. More than half (56%) of pre-retirees in the MetLife survey said they were somewhat or significantly behind where they wanted to be with their retirement savings. With dependents' financial needs lessening, many pre-retirees are able to make larger 401(k) plan contributions. Though employees aren't limited to open enrollment for making 401(k) plan changes, with the benefits-examination atmosphere that open enrollment inspires, it's a good time to remind employees to review where their accounts stand. Also, pre-retirees who haven't considered long-term care insurance might want to give it a serious look.

This survey data provides food for thought on how to make the most out of open enrollment. Although open enrollment isn't your only time to communicate with employees, it certainly is one of the most significant. Building employee goodwill by providing tools to help them make the best benefits choices can pay off in greater employee satisfaction throughout the year.

Advanced Employee Resource Center



Did You Know?

MyAdvancedERC provides you a simple to use web portal that can be used to effectively communicate with your employees.

MyAdvancedERC provides Life Event articles that can assist your employees with important stages of life.

MyAdvancedERC allows you to post all your critical documentation in a centralized location that employees can access 24/7.

Struggling with tough HR issues? MyAdvancedERC has a library of helpful articles and that can assist your company through challenging HR issues.

During Open Enrollment, MyAdvancedERC has a number of online calculators that can assist employees in choosing the right set of benefit offerings to meet their needs.

MyAdvancedERC provides an always up-to-date section of health news for your employees.

MyAdvancedERC.com

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If cost shifting is necessary, there are ways to soften the impact on employees:

- FSAs enable employees to pay for health care expenses with before tax dollars. This lets employees get the most out of the dollars they use for health care.
- Consumer Driven Health Plans (CDHPs), which couple a high deductible health plan with an HSA, make employees more conscious of how they are spending their HSA dollars.
- Voluntary benefits can add a wide range of personalized options to an employer's benefits program, at little or no cost to the company. They offer employees cost savings and convenience over finding and purchasing these benefits on their own in the individual market.

All of the above require employees to become more involved in the management of their benefits and of their own health. Whether it be participating in wellness activities, keeping on top of scheduling regular preventive care, or thinking ahead and budgeting for anticipated health care needs, all of these measures enhance individual involvement. In the end, the individual responsibility your employees assume for their health care and benefits management can serve as one of the most important cost management tools you will ever find.

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