AON CONSULTING

# 2009 Benefits and Talent Survey

**Focused on Recovery**

# Focused on Recovery

What a difference a year makes!

The past 12 months have seen remarkable shifts in the global economy. These, and the expected recovery period, are challenging employers to be nimble and adapt to continuing market fluctuations.

The results of Aon Consulting's *2009 Benefits and Talent Survey* provide a glimpse into the strategies and tactics companies are using to ensure that they continue to improve talent, reward success, and prepare for economic recovery.

First, employers who responded to our survey indicated that they will continue to focus on the cost savings of their benefit programs. It appears wellness initiatives will be the centerpiece of efforts to drive savings, while companies take a cautious approach (pending health care reform legislation) to more significant plan design changes.

Second, companies are more concerned about risk than in the past. Fiduciary risk and pension liability risk are topics we explore in our report.

Third, companies that have been preparing for a talent shortage are now adjusting their staffing strategies to pare down their workforces and take advantage of the newly available high-potential and leadership talent on the market. Companies that use this window of opportunity to improve their talent will surely be the winners as the economy recovers.

These are just three of the interesting findings this year. We report on a number of other compelling items that foreshadow what respondents will employ as they prepare for economic recovery.

Following are the results of our fourth annual *Benefits and Talent Survey*. We are confident that the data and insights will help you shape your organization's benefits and talent programs for 2010 and beyond. This year, in addition to the complete findings contained here, survey participants will receive personalized reports that benchmark their organization's responses against other employers nationally as well as by industry, geography, and size. Both reports provide a useful framework for designing future benefit programs and talent strategies.

Aon Consulting is committed to helping you navigate the road to recovery. If you have any questions, please contact your Aon consultant or send an e-mail to **aon_national@aon.com**.

Sincerely,

Kathryn Hayley
CEO, Aon Consulting

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# *2009 Benefits and Talent Survey* Executive Summary

## Overview

For the fourth consecutive year, Aon Consulting surveyed employers across the United States to examine their benefits and talent management practices and challenges. This survey was conducted in March 2009, during a period of unprecedented economic change.

In this report, Aon Consulting's *2009 Benefits and Talent Survey*, we examine the data in three areas: Health and Benefits, Retirement, and Leadership and Talent Management. To aid you in developing strategies to position your organization for future recovery, we report on:

- Key findings—as identified by our respondents
- Calls to action—steps human resource (HR) leaders should take to position their organizations for recovery
- Survey data—for your reference

More than 1,300 individuals participated in the *2009 Benefits and Talent Survey*. The complete results are presented starting on page 33. Percentages have been rounded to whole numbers. The confidence interval is 95%, +/– 10%.

## Summary of Findings

### *Health care trend shows modest declines and plan sponsors continue to investigate programs to reduce health care spend.*

- While there have been modest declines in medical trend since 2008, health care spend is still increasing faster than the general rate of inflation.

- Employers are taking a two-pronged approach to reducing health care spend: looking for ways to cut costs in the near-term while analyzing the root cause of health care spend (such as chronic illness, obesity, etc.) to address costs long-term.

- Many employers consider voluntary benefits an important cost-reduction tool. Nearly two-thirds (65%) of respondents consider the use of voluntary benefits to offset employee out-of-pocket costs, 40% consider the use of voluntary benefits to offset the bad news of a benefit cost increase or benefit reduction, and 28% consider the use of a voluntary benefit option when replacing an employer-provided benefit.

- The number of employers who offer consumer-directed health plans, which emphasize wellness programs and encourage employees to take a more active role in their health care decisions, increased from 27% in 2008 to 32% in 2009.

### Call to Action

Even with the provisions of health care reform unknown, employers can and should take action to reduce their health care spend. Their short-term focus should be on identifying opportunities to quickly reduce plan costs through audits and vendor negotiations. Longer term, this is an ideal time for employers to:

- Look for industry-specific benchmarking data to get a 360-degree perspective on whether their programs are competitive
- Make significant investments in business-wide wellness and prevention programs to encourage a focused, engaged, and productive workforce that will create a competitive edge in a growing, global business and labor market

*The vast majority of survey respondents are not changing their retirement programs in response to the economic downturn.*

- Most defined contribution (DC) plan sponsors have not made changes to their benefits, with 90% reporting no change in 2009 contribution levels compared to last year.
- More surprisingly, 92% of survey respondents who sponsor defined benefit (DB) plans said that they are not making any changes to their defined benefit plans.
- Non-qualified retirement plans continue to become more prevalent, particularly among large employers.
- While the turmoil in financial markets highlights the financial volatility of pension plan costs, two-thirds of respondents continue to employ traditional investment strategies and take investment risks, with most sponsors appearing to take a wait-and-see attitude.
- Plan sponsors are generally confident that they are managing and administering DC plans well, with more than 90% evaluating plan fees, expenses, and investments. However, sponsors are significantly less confident about their employees' ability to understand retirement needs and plan for retirement. Close to 90% of respondents feel that employees are delaying retirement in light of the economic downturn.

### Call to Action

A clearer picture for DB plans may emerge as more plan sponsors evaluate and implement alternative retirement program designs in response to the financial market turmoil. However, in the short-term, it is understandable that plan sponsors may be less willing to change their investment policy given the high cost of funding their pension deficit. That said, we do not subscribe to the wait-and-see approach that many are taking and maintain that companies should be actively managing their pension risks.

Much can be done to improve the efficiency of DC plans. Primarily, companies can maximize their organizational value by aligning plans with their workforce policies as well as the emerging needs of their current and future workforce cohorts. It is also important to understand and manage risks from multiple perspectives, ranging from fiduciary liability to workforce management. And finally, to help employees effectively manage the retirement paradigm shift, companies must ensure best-in-class services from vendors through active vendor management and monitoring.

## *HR leaders must support organizational change.*

- The current economic climate creates a mandate for HR leadership to support organizational change and drive innovation; however, respondents report that their organization effectiveness/ organization change capabilities are not strengths.

- The need for strong leadership is at a premium. However, respondents feel they are not doing enough to improve their bench strength of leaders, and are self-reporting a weakness in delivery of key human resource outcomes that include the ability to meet the talent/skill needs for leadership roles, talent management, and succession planning.

- In this time of rapid change, communication can be a vital component of survival. However, 46% of respondents do not have a formal communication strategy. Of those who do, they report more corporate communication in 2009 (66%) than in 2008 (38%), but a significant drop in communications about health care (67% in 2009 compared to 86% in 2008) and retirement benefits (54% in 2009 compared to 72% in 2008).

- With increasing cost pressures, HR is looking for better ways to reduce infrastructure-related costs. For example, our survey found an increased interest in managing a virtual workforce, with 44% looking to increase their virtual workforce in the coming years.

### Call to Action

Today's challenging environment is forcing organizations to make large-scale transformations to cut costs, increase access to capital, and streamline products and services. HR leaders must support the change, develop strategies, communicate the vision, and help to ensure that employees' attitudes and aptitudes support the new way of doing business.

# Participant Demographics

More than 1,300 individuals participated in the *2009 Benefits and Talent Survey*. The confidence interval is 95%, +/– 10%.

Forty-three percent of respondents represented organizations with 501 – 5,000 employees. Another 41% were from organizations with fewer than 500 employees. Another 16% were from organizations with 5,001 or more employees.

The highest level of participation came from manufacturing (17%), health care and social assistance (16%), finance and insurance (11%), and professional, scientific, and technical services (13%).

Organizations with offices both within and outside the United States comprised 25% of the respondent population. Of these, 80% represented their corporate headquarters, 13% a subsidiary, and 6% a field office.

Of respondents, 70% were private companies, 30% public companies.

Participants were primarily senior HR leaders or benefit managers, analysts, and administrators.

# Health and Benefits Key Findings

Health care management is at a crossroads. In 2009, the median medical coverage cost for a family topped $15,000. Many plan sponsors have experienced a nearly 80% increase in health insurance premiums since 2002. Respondents cite the cost of health care benefits as the second largest risk to their organizations, after market uncertainty.

Employers are asking: Will health care trend moderate? How much more can we afford to spend on health care? How can we better control these costs?

The top health and benefit findings are:

- There are modest declines in medical trend, but cost increases still exceed the general rate of inflation.
- Employers are taking a two-pronged approach to reduce health care spend: looking for ways to cut costs in the near-term, while analyzing the root cause of health care spend (such as chronic illness, obesity, etc.) to reduce costs long-term.
- Voluntary benefits are considered an important cost-reduction tool.
- Employers remain interested in consumer-driven health plans.

## There are modest declines in medical trend, but cost increases still exceed the general rate of inflation.

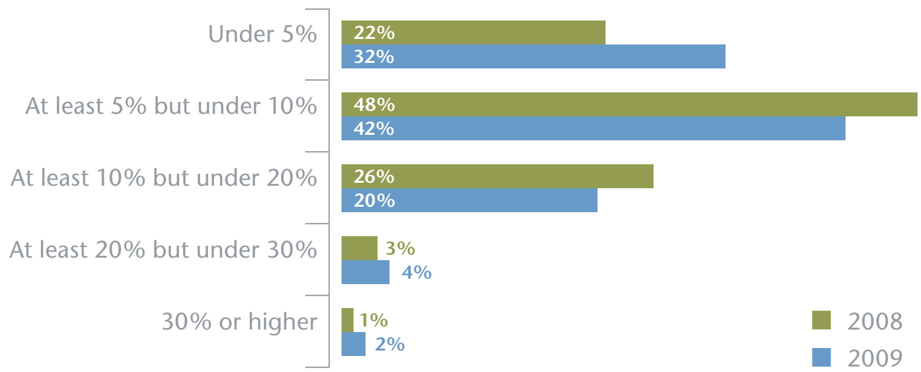
In this year's study, 80% of all plan sponsors expected a total cost increase in plan rates **before** plan design changes, compared to 88% in 2008. Only 52% realized an increase in plan costs **after** plan design changes in 2009, compared to 81% in 2008.

Percent expecting an increase in the total cost of medical plan rates BEFORE plan changes.


Percent expecting an increase in the total cost of medical plan rates AFTER plan changes.

Of those who reported an increase in costs after plan changes in 2009, 42% report an increase between 5% and 10%, and 32% report an increase under 5%, showing a modest decrease in trend.

What was the overall increase in the total cost of your group medical plan rates AFTER plan changes?




## *Employer and Employee Medical Contributions*

In 2009, similar to 2008, the median employer subsidy for "employee only" coverage is 80% to 84%. The median employer subsidy for "family coverage" is 80% to 84%, up slightly from the 2008 median of 70% to 79%.

The tables on the next page show median employer and employee contributions for full-time employee medical coverage. Both indicate that employer and employee contributions are increasing at medical trend rates.

The 2006 – 2008 data are shown for the employers' most prevalent medical plan option (including prescription drugs). The 2009 median full-time employee and employer costs are shown for the employer's most popular programs (including prescription drugs): Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), health savings accounts (HSAs) and health reimbursement accounts (HRAs).

## 2006 – 2008 Monthly Medical Costs for Employer's Most Prevalent Medical Plan Options

| 2006 – 2008 Monthly Medical Costs | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Plan Coverage | Median Monthly Employee Contribution | | | Median Monthly Employer Contribution* | | | Total Monthly Cost** | | |
| | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 |
| Employee only | $50 | $60 | $66 | $291 | $303 | $326 | $341 | $363 | $392 |
| Employee +1 | $137 | $148 | $160 | $553 | $550 | $628 | $690 | $698 | $788 |
| Employee + spouse | $147 | $153 | $189 | $555 | $573 | $633 | $702 | $726 | $822 |
| Employee + child | $134 | $145 | $160 | $552 | $540 | $574 | $686 | $685 | $734 |
| Employee + children | $166 | $171 | $186 | $697 | $669 | $641 | $863 | $840 | $827 |
| Family | $203 | $222 | $260 | $777 | $787 | $863 | $980 | $1009 | $1123 |

* *Monthly employer contributions were derived by subtracting the monthly employee contribution from the total monthly costs.*
** *Total monthly cost was determined by dividing the COBRA amounts (see data in Survey Results) by 102%.*

## 2009 Monthly Medical Costs for Employer's Most Prevalent PPO, HMO, HSA, and HRA Plans

| 2009 Monthly Medical Costs | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan Coverage | Median Monthly Employee Contribution For Most Popular | | | | Median Monthly Employer Contribution* for Most Popular | | | | Total Monthly Cost** for Most Popular | | | |
| | PPO | HMO | HSA | HRA | PPO | HMO | HSA | HRA | PPO | HMO | HSA | HRA |
| Employee only | $84 | $73 | $50 | $48 | $346 | $318 | $281 | $310 | $430 | $391 | $331 | $358 |
| Employee +1 | $206 | $174 | $98 | $120 | $679 | $594 | $635 | $602 | $885 | $768 | $733 | $722 |
| Employee + spouse | $220 | $203 | $128 | $165 | $664 | $622 | $558 | $609 | $884 | $825 | $686 | $774 |
| Employee + child | $191 | $168 | $110 | $120 | $625 | $558 | $537 | $549 | $816 | $726 | $647 | $669 |
| Employee + children | $231 | $208 | $125 | $160 | $660 | $619 | $475 | $570 | $891 | $827 | $600 | $730 |
| Family | $315 | $278 | $188 | $239 | $935 | $870 | $754 | $831 | $1250 | $1148 | $942 | $1070 |

* *Monthly employer contributions were derived by subtracting the monthly employee contribution from the total monthly costs.*
** *Total monthly cost was determined by dividing the COBRA amounts (see data in Survey Results) by 102%.*

# Employers are taking a two-pronged approach to reduce health care spend.

Employers are looking for ways to cut costs in the near-term, while analyzing the root cause of health care spend (such as chronic illness, obesity, etc.) to reduce costs long-term.

## *Short-Term Cost-Saving Strategies*

### Audits

One quick way to identify opportunities to reduce health care spend is to conduct audits that assess appropriate use of the plan. Most prevalent today are dependent eligibility audits; 46% of respondents have completed an audit, and another 20% are planning one for 2010 or later. This is followed closely by medical claims audits (50%) and clinical audits (50%), with half of the organizations either conducting or planning to conduct them.

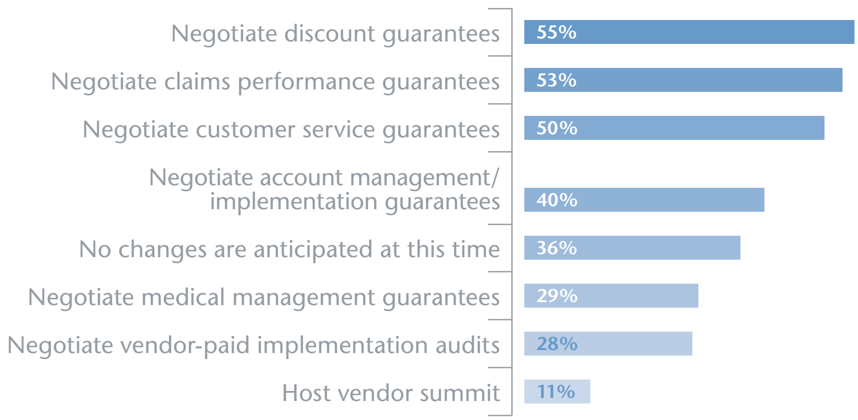
| Audits | Have Not Implemented and Not Planning to Implement | Implemented in 2007 or Earlier | Implemented in 2008 | Implemented in 2009 | Planning for 2010 or Later |
|---|---|---|---|---|---|
| Dependent eligibility audit | 34% | 27% | 7% | 12% | 20% |
| Electronic prescription drug audit | 68% | 9% | 3% | 4% | 16% |
| Prescription rebate audit | 68% | 12% | 3% | 4% | 12% |
| Medical claims audit | 50% | 25% | 6% | 6% | 13% |
| Clinical (care management, utilization management, large claimant) audit | 50% | 29% | 5% | 5% | 11% |
| Disability audit | 70% | 14% | 3% | 4% | 9% |

### Vendor Performance

Employers continue to assess vendor performance to improve plan performance and outcomes. When asked what practices they follow or would consider following, employers most commonly cite:

- Negotiate discount guarantees (55%)
- Negotiate claims performance guarantees (53%)
- Negotiate customer service guarantees (50%)

What practices do you follow, or would consider following, with your health care vendors to improve your plan's performance and outcomes? (Select all that apply.)




## *Long-Term Cost-Relief Strategies*

### Wellness and Disease Management Programs

As chronic medical conditions account for 50% or more of annual medical expenditures, employers continue to look at health improvement programs to reduce their health care costs over the long-term. Of the 41% of respondents who are planning to make more substantial changes to their medical plans in 2010 than in 2009, 56% are introducing or expanding wellness programs. This is the most popular change after increasing employee contributions (70%) and increasing deductibles, co-pays, coinsurance or out-of-pocket maximums (67%).

When asked which wellness and disease management initiatives they have implemented or are planning to implement in 2010 or later, the majority selected at least one of the following: health risk appraisals, telephonic health care coaching, biometric screening, smoking cessation programs, weight management/obesity programs, stress management, and promoting exercise/physical activity. Sixty-three percent of employers have a disease management program, with another 10% planning to offer one in the future.

Which wellness and disease management initiatives have you implemented or are planning to implement in 2010 or later?

| Wellness and Disease Management Initiatives | Already Implemented | Have Not Implemented and Not Planning to Implement | Planning For 2010 or Later |
|---|---|---|---|
| Health risk appraisals | 52% | 28% | 20% |
| Telephonic health care coaching | 49% | 38% | 13% |
| Biometric screening (e.g., cholesterol, blood sugar) | 52% | 31% | 16% |
| Smoking cessation program | 56% | 30% | 15% |
| Weight management/obesity program | 52% | 32% | 16% |
| Stress management | 44% | 41% | 15% |
| Promote exercise/physical activity | 67% | 22% | 12% |
| On-site fitness center | 37% | 60% | 3% |
| On-site medical clinic | 11% | 83% | 6% |
| On-site Rx services | 9% | 88% | 3% |
| Disease management (e.g., heart disease, diabetes, asthma, COPD, other) | 63% | 26% | 10% |

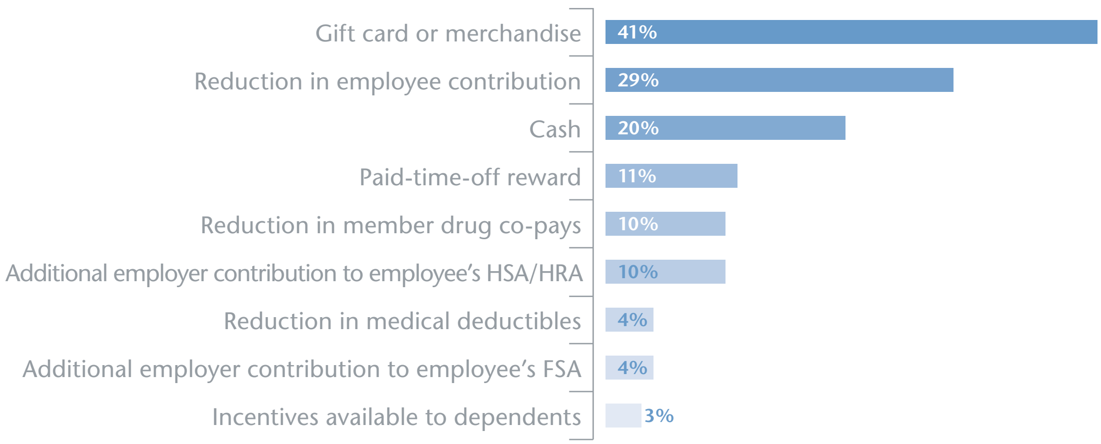
## Incentives and a Culture of Health

In our work with clients, we have found incentives to be an essential ingredient in securing high participation in wellness and disease management programs, along with establishing a "culture of health."

Thirty-four percent of the survey respondents are introducing or planning to increase their financial incentives to encourage participation in wellness programs, and 17% are introducing or expanding financial incentives to participate in disease management programs. As for types of incentives, the results show that of those that offer incentives:

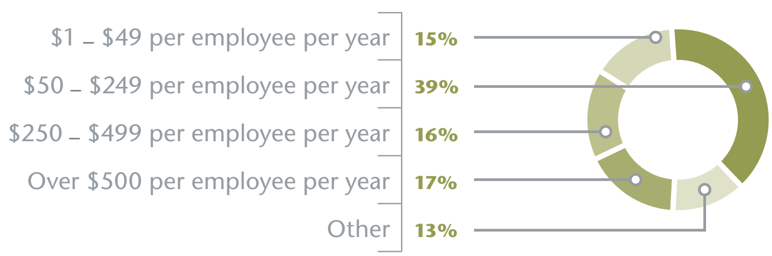
- Gift cards or merchandise remain the most popular incentive type (41%), followed by contribution incentives (29%) in which members are awarded a lower medical contribution for compliance with a wellness activity (such as completing a health risk appraisal, participating in health coaching, etc.).
- 20% of respondents use cash incentives.
- For some employers, a paid-time-off reward motivates participation (11%), while employer contributions to HSAs/HRAs (10%) and FSAs (4%) can also be effective.

## What type(s) of incentives do you offer? (Select all that apply.)




A key decision in offering an incentive is setting the value. An incentive set too low may result in disappointingly low participation, yet monies devoted to participation erode net financial savings. Among respondents, incentives in the range of $50 – $249 per employee per year (PEPY) are the most popular (39%).

## If you offer at least one financial incentive, what is the maximum value of the financial incentive an employee can earn in one year?



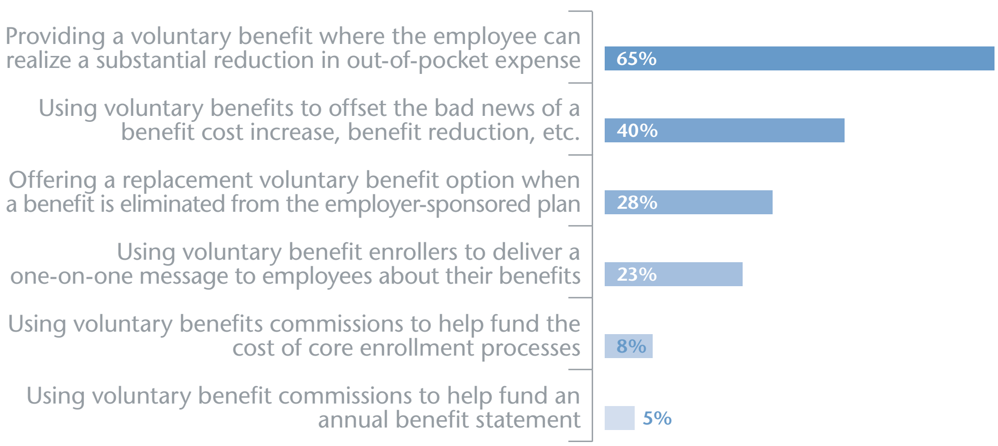

Of survey respondents, only 22% report that they have successfully created a "culture of health." And, 32% monitor the impact of health management programs for participants through metrics pertaining to health risks (smoking, obesity, physical activity). Thirty-six percent monitor participation in corporate wellness activities. Thirty-two percent monitor participation in their corporate disease management program.

## Voluntary Benefits

Many respondents report that they are either using or considering using voluntary benefits:

- Nearly two-thirds (65%) of organizations use or consider using elective benefits to offset employee out-of-pocket costs.
- 40% consider using voluntary benefits to offset the bad news of a benefit cost increase or benefit reduction.
- 28% consider use of a voluntary benefit option when replacing an employer-provided benefit. The percentage was higher among certain industry groups: finance/insurance companies (48%), manufacturing (40%), and professional firms (37%).

### Has your organization considered using voluntary benefits to achieve one or more of the following results? (Select all that apply.)




Less than one-third of employers are using or planning to use voluntary benefits to help employees offset gaps in coverage of high-deductible plans, including:

- Long-term care (32% for individual, 28% for group)
- Hospital indemnity (21%)
- Limited or mini-medical (12%)

## Consumer-directed health plans continue to have employer interest and support.

The number of employers offering consumer-directed health plans, in which employees are asked to take a more active role in their health care decisions, increased to 32% in 2009 from 27% in 2008.

Enrollment in consumer-directed plans is also up slightly in 2009 from 2008.

### Which types of medical plans does your organization offer to benefit-eligible employees? (Select all that apply.)

| Medical Plans | 2008 | 2009 |
|---|---|---|
| Preferred Provider Organization (PPO), which includes Point of Service (POS) | 92% | 92% |
| Consumer-Directed Health (CDH) Plan—Health Reimbursement Account (HRA) | 11% | 13% |
| Consumer-Directed Health (CDH) Plan—Health Savings Account (HSA) | 16% | 19% |
| Health Maintenance Organization (HMO) | 46% | 42% |
| Indemnity Plan | 11% | 10% |

### What is the approximate percentage of employees enrolled in each plan (based on recently completed open enrollment)?

| Medical Plans | 0% | | 1% – 10% | | 11% – 24% | | 25% – 49% | | 50% – 74% | | 75% – 100% | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| PPO (including POS) | 2% | 3% | 6% | 5% | 7% | 7% | 14% | 13% | 24% | 23% | 48% | 49% |
| CDH Plan—HRA | 68% | 70% | 11% | 12% | 6% | 3% | 6% | 4% | 3% | 3% | 6% | 9% |
| CDH Plan—HSA | 60% | 59% | 22% | 22% | 7% | 10% | 5% | 4% | 3% | 2% | 3% | 3% |
| HMO | 22% | 31% | 12% | 10% | 16% | 14% | 19% | 16% | 20% | 16% | 13% | 13% |
| Indemnity Plan | 69% | 76% | 18% | 15% | 6% | 2% | 2% | 1% | 2% | 2% | 4% | 3% |

# Aon Consulting's Call to Action

In recent history, respondents' top health and benefits concern has been reducing health care spending. This year, participants rate the cost of their health and benefits plan as the largest risk to the organization; second is market uncertainty. The need to cut costs is even more critical as organizations position themselves for recovery.

## *Audits and Vendor Management Reduce Costs in the Short-Term*

An increasingly popular short-term tactic to reduce program costs is audits, with vendor payments contingent on the amount of savings. Audit opportunities used commonly in 2009 include dependent eligibility audits, medical claims audits, prescription drug claims audits, and prescription drug rebate audits. Another solution is marketing of group medical and life disability coverage.

Those undergoing vendor changes should:

- Negotiate effective performance guarantees to ensure that their chosen carrier is meeting their clinical, financial, and operational objectives

- Conduct pre-implementation audits of the new vendor to ensure that plan designs and systems are set up to ensure a smooth implementation

## *Benchmarking, Wellness, and Disease Management as Long-Term, Cost-Reduction Strategies*

Longer-term, this is an ideal time for employers to:

- Look for industry-specific benchmarking data to get a 360-degree perspective on whether their programs are competitive

- Continue making significant investments in business-wide wellness and prevention programs, with the ultimate goal being a focused, engaged, and productive workforce to increase competitive edge in a growing global business and labor market

We expect this focus on wellness and productivity to be a priority for U.S.-based employers given that baby boomers will need to work longer due to declines in 401(k) balances and the diminishing number of defined benefit pension plans. Wellness/productivity will be a key priority for the next 5 – 10 years regardless of the design and structure of the new national health reform plan that is expected to become law.

Although many employers offer basic wellness initiatives such as health risk appraisals, employers are changing from tactical wellness offerings to wellness as a comprehensive business strategy and are tracking both program participation and non-participation in terms of key health status metrics and changes in claims cost. C-suite leadership and continued sponsorship will determine the effectiveness of business-wide wellness programs on a national or global basis.

It is important to regularly monitor program utilization and service costs to fully assess the value of investment in health management programs and to keep suppliers honest in their reporting. Employers are advised to monitor a set of financial, participation, health status, utilization, clinical outcomes, productivity and member satisfaction measures as a validity check on supplier-generated return on investment (ROI) reports.

A small, but growing number of employers assess the impact of health status on employee productivity, including absences, disability and presenteeism. New, low-cost tools make it possible for employers to monitor and manage all health-related costs, including medical/pharmaceutical, absence, disability, Family and Medical Leave Act, and presenteeism.

## For More Information

Visit the thought leadership section on **www.aon.com**:

- Health Care Reform Update
- *2009 Spring/Fall Health Care Trend Survey*
- *Complex Chronic Illness: An Essential Ingredient in Health Care Cost Management*
- *Employer Health Assessment Management*
- *Hidden Health Care Plan Costs Unearthed with Dependent Eligibility Audits*
- *Innovative Approaches to Impact Medical Spend and Employee Productivity*
- *The Power of Alternative Employee Benefits Purchasing Models*

# Retirement Key Findings

While the economic crisis and turmoil in the financial markets have increased awareness of financial risks, most survey respondents appear to be taking a cautious approach. An overwhelming majority of respondents say they are not making any changes to their pension plans, while two-thirds continue to employ traditional investment strategies. About half point to higher funding requirements than in prior years.

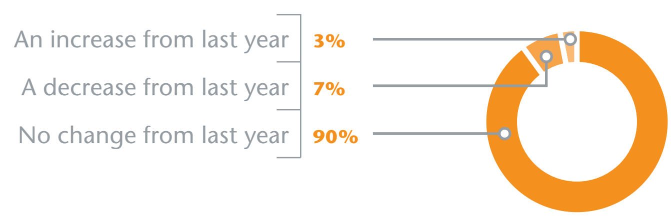
In the midst of this turmoil and change, the retirement findings are:

- Most defined contribution (DC) plan sponsors have not made changes to their benefits.
- A vast majority of plan sponsors are not considering changes to their pension benefits.
- Most defined benefit (DB) plan sponsors continue to take moderate to substantial investment risks.
- Executive benefit plans continue to increase in prevalence and are more common among large employers.

## Most defined contribution plan sponsors have not made changes to their benefits.

Of respondents, 92% sponsor at least one DC plan. Recently, there have been a number of public announcements about 401(k) match freezes in response to the financial crisis, credit freeze, and economic downturn. This was not the case among our survey respondents. In fact, 90% of respondents indicated no change in 2009 DC plan contribution levels compared to last year.

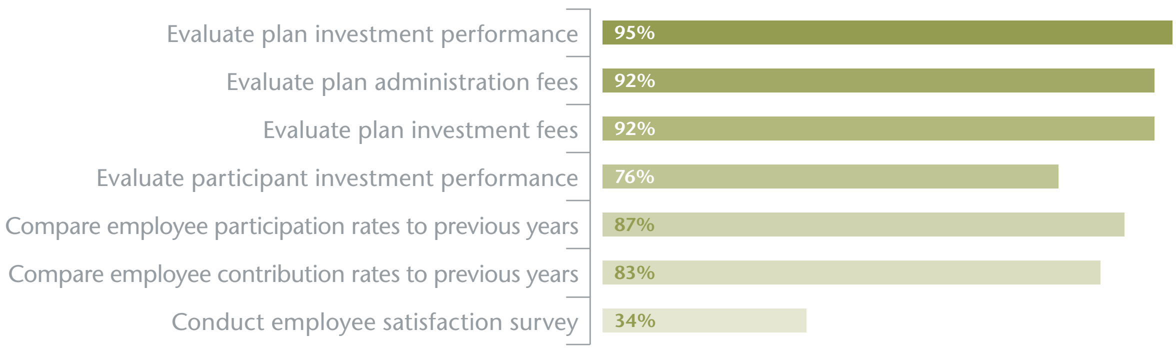
### If you offer a match, does your 2009 match level represent:



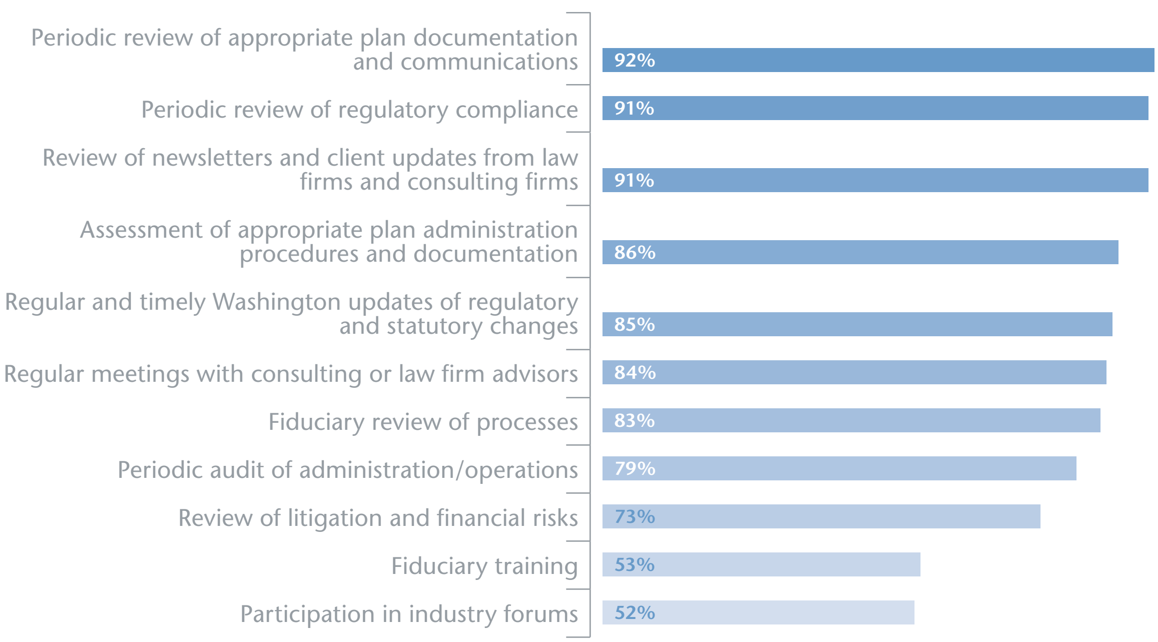

Of respondents, 29% match exactly 50% of their participants' 6% contributions (equal to a 3% employer contribution); 52% of respondents match in excess of 50% of a 6% participant contribution.

Plan sponsors are generally confident that they are managing and administering DC plans well, with more than 90% evaluating plan fees and investments regularly. Seventy-nine percent of plan sponsors are auditing operations, 86% are assessing administration, and 91% are reviewing regulatory compliance. Only 53% of survey respondents are conducting fiduciary training, notwithstanding its potential to eliminate or mitigate operational and compliance risks.

## Which of the following have you performed to ensure maximum plan value and effectiveness?



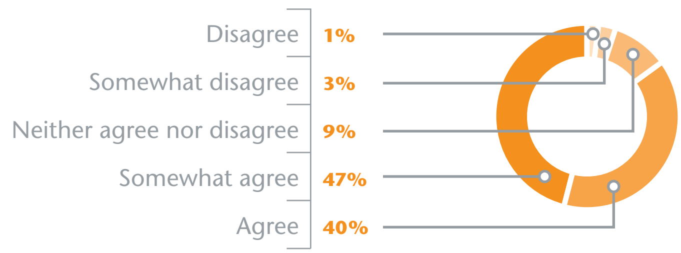

## Which of the following have you implemented to limit operational risk?



Plan sponsors are not confident in their employees' ability to understand retirement needs and plan for retirement; only 8% think that participants understand how much they need for retirement, down just slightly from 10% in 2008.

Of respondents, 87% feel that employees are delaying retirement in light of the economic downturn. This may highlight the potential costs of severance arrangements for employers who want to encourage employees to retire in an economic downturn.

Are employees delaying retirement due to economic conditions?




## *More on Defined Contribution Plans*

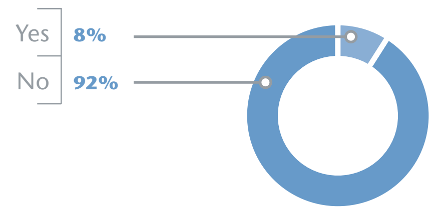
Of those that are making changes to their DC investment lineups, 41% are seeking better performing funds, and 17% are looking for less volatile funds.

Of respondents, 64% make non-elective contributions to their DC plans; 52% provide 3% or higher non-elective contributions; 89% will keep non-elective contributions at the same level as last year.

# A vast majority of plan sponsors are not considering changes to their pension benefits.

Of our survey respondents, 45% sponsor a DB plan. Ninety-two percent of those who do sponsor a plan are not contemplating significant changes to their plan benefits in response to the current economic and market conditions. While some recent surveys indicate that the rate of migration from DB to DC may be slowing (consistent with this finding), other surveys point to the number of organizations that have publicly announced plan closures or freezes. Based on freezes identified by the Pension Rights Center from press releases, news reports, etc., it appears that the number of DB plan sponsors announcing plan freezes may be higher in 2009 than in prior years.

### Are you considering a change to your defined benefit plan?




Of respondents who sponsor a DB plan, 26% have frozen or expect to freeze their plans. About 41% expect to continue managing a frozen plan for the foreseeable future, while 25% report having no end-game strategy in place. This is consistent with Aon Consulting's *2008 Retirement Pulse Survey* that found companies froze their plans to address cash contribution and expense issues, but were not fully addressing pension issues due to other business concerns.

The prevalence of DB plans varies by organization size and industry.

- Of respondents that sponsor DB plans, 35% have less than 500 employees, 44% have between 500 and 5,000 employees, and 57% have more than 5,000 employees.

- Sponsorship levels varied by industry: 50% of organizations in finance and insurance, health care, and manufacturing sponsor DB plans; 27% in professional services sponsor DB plans.

## Most defined benefit plan sponsors continue to take moderate to substantial investment risks.

While there is greater awareness of both the ongoing costs and financial risks of DB plans, most companies have not changed the way they invest assets and continue to take market risks. Only 34% of plan sponsors have made or intend to make investment changes.

This is generally consistent with Aon Consulting's *2008 Retirement Pulse Survey* as well as *Ready 2012 Pension Pulse Survey*, which noted that while many companies intend to make changes, few have actually done so. In light of the significant decline in asset values, in the very near-term it is likely that plan sponsors may be worried about "locking in" the plan's underfunding, thereby guaranteeing what is now only a potential risk—that both funding and accounting costs will increase significantly. As a result, plan sponsors may be using a cautious approach, hoping for an upswing when the economy recovers.

The costs of terminating DB plans remain significantly high. There are two reasons for the high cost of plan terminations:

- Given that the plans are underfunded, significant contributions will be needed immediately to fully fund and terminate the plans.
- Plans can be terminated by paying lumps sums or purchasing annuities.

Currently both options use low discount rates. So plan termination liabilities can be 15% – 20% higher than ongoing liabilities, requiring additional contributions immediately to fund the plan on a termination basis. Therefore, we anticipate that plan terminations, even among fully frozen plans, will not increase until they become economically feasible. The tipping point will vary from organization to organization based on capital constraints and cost/value metrics.

### *More on Defined Benefit Plans*

The most commonly expected change to future investment strategy appears to be increasing fixed income allocation (33%), followed by increased bond duration (31%); another 7% intend to settle their obligations through annuity purchases or cash outs.

About 40% of DB plan sponsors expect their contributions to increase in the near- and long-term, with the most common funding policy being to contribute the IRS minimum requirements (72%) unless other issues make this problematic. Of respondents, 38% are increasing funding enough to avoid benefits restrictions, while 30% are looking to avoid participant notifications.

## Executive benefit plans continue to increase in prevalence and are more common among large employers.

The survey indicates that executive nonqualified plan prevalence increases each year. The percentage of companies that offer nonqualified plans has increased from 20% in 2007 to 26% in 2008 to 42% in 2009. These results are not surprising, as larger companies tend to have more executives who are affected by the limits of the qualified plans.

Company size is a primary factor in whether companies offer nonqualified plans:

- 30% of companies with less than 500 employees offer executive benefits.
- 72% of companies with over 5,000 employees offer executive benefits.

Deferred compensation continues to be the most common executive benefit for organizations of all sizes. Of companies with executive benefits, 83% indicated they had an active deferred compensation plan. While 86% said they were considering no changes to their plans at this time, those who **are** considering changes are doing so to increase benefits to match competitors' benefits (67%) and to attract and retain executives (65%).

The most prevalent reason for decreasing benefits was in response to economic conditions (67%) and company performance (59%).

### What types of executive benefit plans do you currently offer? ("Soft frozen" means that the plan is no longer offered to new employees.)

| | Do Not Offer | Active | Soft Frozen |
|---|---|---|---|
| Deferred compensation | 13% | 83% | 4% |
| Defined benefit SERP | 62% | 29% | 9% |
| Supplemental disability (individual policies, not group) | 67% | 30% | 3% |
| Defined contribution SERP | 70% | 27% | 3% |
| Executive life (individual policies, not group) | 71% | 25% | 4% |
| Long-term care (individual policies, not group) | 87% | 12% | 1% |

## *More on Executive Benefit Plans*

Approximately 30% of companies have a Supplemental Executive Retirement Plan (SERP), with most also having a DC SERP. While the prevalence of DB SERPs has not changed much from prior years, over 9% of respondents with DB SERPs indicate that the plans are soft frozen compared with only 10% of respondents who have DC SERPs.

Of companies with executive benefits plans, 25% to 30% have active executive life and supplemental disability plans; 12% have an active executive long-term care plan. The percentage offering life plans is similar to prior years, but the percentage offering disability plans has increased from approximately 10% in prior years. Of note, disability and long-term care are more prevalent among companies with more than 5,000 employees, at 41% and 21% respectively.

When asked about the importance of executive plans in attracting and retaining talent, roughly half of respondents that offer deferred compensation plans ranked them as providing some or a very significant impact.

In terms of financing nonqualified plans, 52% of the plans are funded with mutual funds. Forty-six percent of respondents also have established Rabbi Trusts.

# Aon Consulting's Call to Action

## *Defined Contribution Plans: Make the plan more efficient and maximize the plan's impact*

While an increasing number of plan sponsors are focusing on the fiduciary aspects of DC plan management, it is not clear if they are taking a broader view of their fiduciary responsibilities. The most important issue around DC plan management is how organizations can make their plans more efficient and maximize the impact to provide retirement security to employees. There are several elements to this:

- An efficient plan design that institutes legally available recourses, such as automatic enrollment and auto escalators
- An investment lineup that matches the diverse needs and behaviors of employees
- Management of investment and administration costs
- Plans to ensure that employees are making prudent decisions about participation, savings, and investments
- Initiatives to control fiduciary risk
- A flexible and targeted communication strategy that appeals to multiple audiences and reflects economic changes and market forces

We believe it is critical for employers to have a broad plan management and governance structure that covers elements beyond the traditional fiduciary functions. It should include regular monitoring of participant behavior and effectiveness of plan features and communications, an investment line-up that reflects behavioral patterns, and an approach that examines market trends, including new and efficient investment products.

## *Defined Benefit Plans: Examine funding and investment strategies*

In this financial market turmoil, we find it surprising that 92% of the organizations that sponsor DB plans are not considering making any changes. As organizations focus on managing their companies through the sustained economic downturn, there may be two main reasons for this.

- In the short-term, employers may look to implement other measures such as pay or 401(k) match freezes, which offer immediate savings and may be less burdensome to implement.
- Many have already closed or frozen their DB plans in response to negative equity returns and low interest rates earlier in this decade.

A clearer picture for DB plans will emerge as more plan sponsors evaluate alternative retirement program designs in response to the financial markets and recent legislative changes such as the Pension Protection Act.

Understandably, DB plan sponsors may be less willing to change their investment policies to lower risk profiles in the short-term given the cost of funding these obligations. However, we do not subscribe to the "wait-and-see-and-then-react" approach that many are taking. In fact, now is the time to put in place coordinated funding and investment strategies that trigger changes automatically as future events dictate. These will ensure that plans are well funded over the next few years and that financial risks are actively managed via dynamic investment policies or are fully eliminated by terminating plans over time.

### *Employee Responsibility*

We are concerned that most plan sponsors surveyed feel their employees have "little" or "very little" understanding about how much income replacement they need for retirement. Aon Consulting's *2008 Replacement Ratio Study* shows that the required "rule-of-thumb" replacement ratios range from 77% for a worker earning $80,000 to 94% for a worker earning $20,000. These ratios are slightly higher than what we observed in 2004.

Furthermore, the trend away from DB and retiree health plans places more responsibility on individuals to actively plan and provide for their own retirement. Most American workers have seen their DC account balances reduced by more than 20% even after continuing to make contributions to their plans. Some have seen their 401(k) matches frozen or eliminated. We do not think that the latter is a long-term change in benefits policy. However, these changes highlight that employees will need more guidance than ever to plan and save effectively for retirement. They need to avoid making adverse decisions around loans or changing their DC plan investments in a knee-jerk fashion.

Just as organizations need a coordinated funding and investment strategy to maintain their retirement programs, employees too need a coordinated funding and investment strategy to fully fund their nest egg! The question that remains is who can—and should—take responsibility for helping the U.S. worker navigate through this and future economic downturns? What is the ultimate cost of inaction to the economy and U.S. organizations?

## For More Information

Visit the thought leadership section on **www.aon.com**:

- *2008 Retirement Pulse Survey*
- *2008 Replacement Ratio Survey*
- *Defined Contribution Plan Management*
- *Managing your Frozen Pension Plan: A New Paradigm*
- *Ready 2012 Pension Pulse Survey*

# Leadership and Talent Management Key Findings

In times of change, adapting to external forces becomes a primary concern for employers. It is a time for HR leaders to adapt their talent strategies to ensure that employees support new business models and are the right resources to lead the organization forward.

The top talent and leadership findings identified in the survey are:

- The current economic climate creates a mandate for HR's leadership to support organizational change and drive innovation; however, respondents report that their organizational effectiveness/organizational change capabilities are not strengths.
- The need for strong leadership is at a premium. However, respondents feel they are not doing enough to improve their bench strength of leaders, self-reporting a weakness in delivery of key human resource outcomes: ability to meet the talent/skill needs for leadership roles, talent management, and succession planning.
- 45% of respondents have no formal communications strategy and the types of communication that employees receive are shifting.
- With increasing cost pressures, HR is looking for innovative ways to reduce people and infrastructure costs.

## Organizational change capabilities are not a strength.

In the economic environment of 2009, change is a constant. The climate creates a mandate for HR's leadership to support organizational change and drive innovation. HR leaders must be ready to respond and lead through the change. However, HR leaders rated their "organization effectiveness/organization change" capabilities relatively low.

### Please rank your HR organization's strengths (1 – 9, with 1 being "top strength").

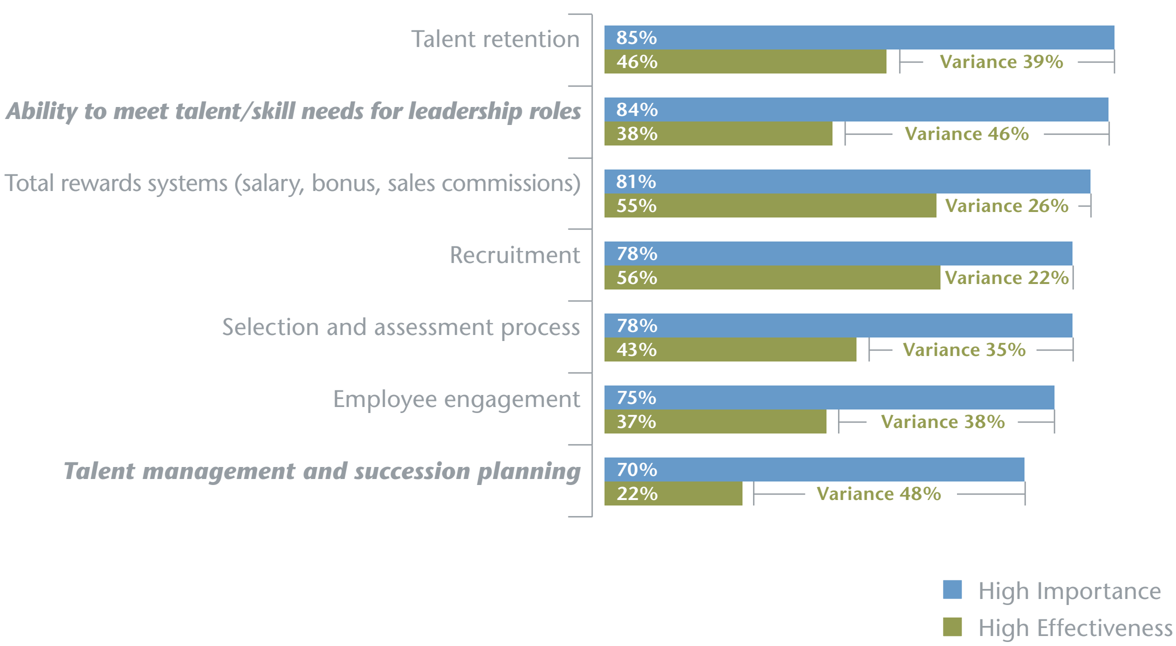
| Rank | | Average |
|---|---|---|
| 1. | Internal service excellence provided to employees | 2.7 |
| 2. | Competitive benefits | 3.6 |
| 3. | Recruiting and developing a talented workforce | 3.8 |
| 4. | Competitive compensation | 4.5 |
| 5. | Low-cost function | 4.9 |
| 6. | Recognition as "employer of choice" in your market | 5.1 |
| 7. | Organization effectiveness/organization change | 5.7 |
| 8. | Driving innovation | 5.9 |
| 9. | Mergers and acquisitions facilitation | 7.8 |

# The need for strong leadership is at a premium.

Having the right talent and leaders in place can dramatically improve organizational performance, employee performance, and engagement. With a glut of talent in the market, this is an ideal time for organizations to preserve core talent and lure high-performers and high-potential talent to ensure a strong leader bench strength. The question is: Are organizations seizing this opportunity to retain and grow their leaders of the future? Perhaps not.

While the ability to meet talent/skill needs for leadership roles and talent management and succession planning rated very high in importance, the self-reported effectiveness paled in comparison.

Indicate how important/effective each issue is to your organization and how effectively you deliver it.

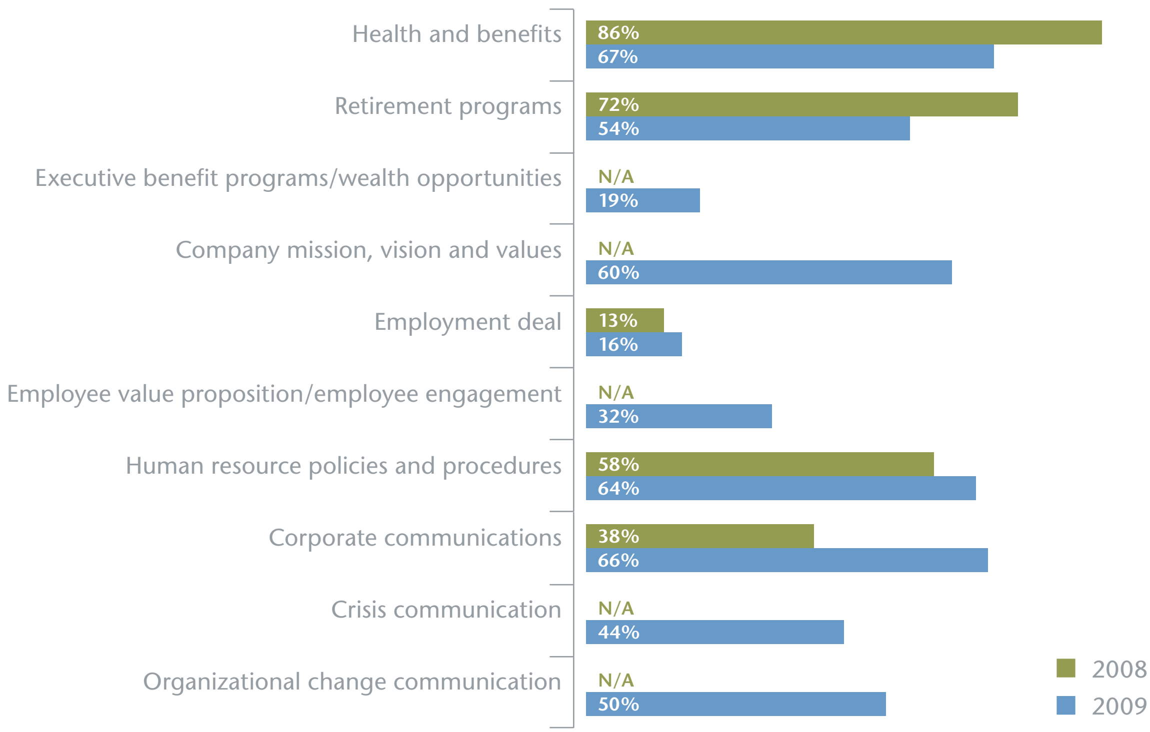


# Types of communication are shifting.

In this time of rapid change, communication can be a vital component of survival. However, 46% of respondents have no formal communications strategy.

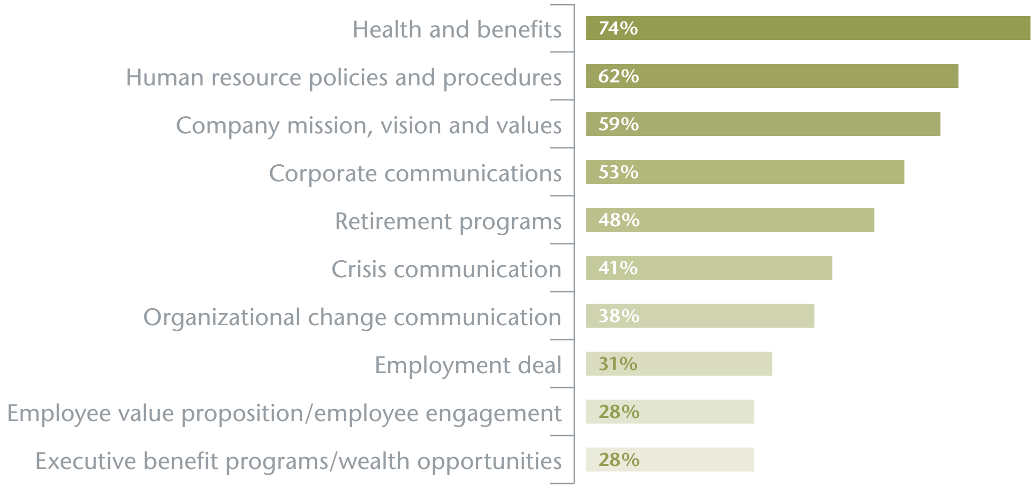
Results further show a major shift in the types of communications that employees receive. Respondents report more corporate communications in 2009 (66%) than in 2008 (38%). However, they note a significant drop in communications about health care (67% in 2009 compared to 86% in 2008) and retirement benefits (54% in 2009 compared to 72% in 2008).

## If you have a formal communication strategy, what programs does it include? (Select all that apply.)



Overall, HR leaders feel they are most effective at communicating about their health and benefits programs and least effective at communicating about executive benefit programs and wealth opportunities and the employee value proposition.

## Respondents who are "very effective" at delivering communications on:



# With increasing cost pressures, HR is looking for innovative ways to reduce people and infrastructure costs.

The current climate is driving organizations to look for innovative ways, beyond transactional functions, to reduce people and infrastructure costs. Among the standout solutions are virtual worker programs and streamlining the recruitment function.

## *The Role of Virtual Work*

Of survey respondents, 31% have at least one virtual employee. Fifty-three percent expect to maintain that percentage, 44% expect it to increase, and 3% expect it to decrease. The expected growth may be due to a greater focus on employer and employee cost-cutting initiatives, increasing influence of the millennial generation on workplace practices and benefits, and new tax incentives for virtual work programs.

Of organizations that have a virtual worker program, increased productivity and performance and increased employee engagement ranked as the first and second most important benefits, followed closely by decreased turnover and decreased job withdrawal.

## *The Role of Recruitment*

In times of economic change, organizations often need to realign their employee and leader skill sets with a new business strategy, increasing the importance of sourcing.

Of respondents, 81% recruit differently for hard-to-fill positions, and 48% outsource at least some of their recruitment functions. Respondents were most likely to outsource manager/executive positions (60%) and professional staff (40%), followed by technical and skilled trades (24%).

In 2008, the top three business drivers for recruitment outsourcing were time to fill (26%), quality (23%) and efficiency (19%). In 2009, the same drivers are identified: quality (30%), efficiency (27%), and time to fill (25%).

## Aon Consulting's Call to Action

Today's challenging environment is forcing organizations to make large-scale transformations to cut costs, increase access to capital, and streamline products and services. HR leaders must lead the change, develop strategies, communicate the vision, and help to ensure that employees' attitudes and aptitudes support the new ways of doing business.

### *Lead Change*

The results show that HR professionals may be unprepared to provide the strong leadership and change management support needed; HR leaders self-report that they are unequipped. With experts predicting the trend of restructuring to continue for the next 24 – 36 months, HR must quickly improve their processes and skills to help their organizations manage large-scale change.

### *Lure High Performers/High-Potential Talent*

This is an ideal time for organizations to preserve core talent and lure high performers and high-potential talent to ensure the best talent for future recovery. And, while it is critical to hire the right employees to move the business forward, most organizations are now recruiting for fewer open positions or adding headcount at a reduced rate—if not reducing headcount altogether. So, how can HR capitalize on the opportunity to make the best hiring decisions and meet hiring timeframes within tight cost constraints? By improving and standardizing the recruitment function to ensure that talent is "upgraded" wherever possible. Organizations also need a clear strategy for talent reduction to take advantage of the opportunity to improve talent.

Recent surveys of CEOs and senior executives indicate a leadership shortage. Can this be true in an era of layoffs? Yes. The shortage may not be in numbers, but in quality. HR must identity a full pipeline of high-potential leaders, with the right skills and aptitudes, to move the organization ahead.

The results show a significant need for training and development and/or mentoring programs to develop future leaders. Organizations should maintain high-potential development programs in this economy, even if they scale them back. They should also keep the leadership pipeline full by systematically assessing high-potential talent, identifying subordinates to assume leadership positions, and objectively examining all employee skills.

### *Manage Costs*

Organizations are also seeking innovative ways to manage talent and cut costs. Implementing virtual worker arrangements have emerged as a solid option. On average, organizations can save between $5,000 and $8,000 per employee on real estate costs alone by implementing virtual worker programs. And there are less quantifiable factors such as virtual work's impact on productivity, morale, and employee commitment.

## For More Information

Visit the thought leadership section on **www.aon.com**:

- *Leading Talent in a Crisis Economy*
- *Upside of Crisis*
- *The Five Do's of High-Volume Recruiting*
- *The Reality of Virtual Work: Is Your Organization Ready?*

# Survey Results

*Percentages have been rounded to whole numbers.*

# Health and Benefits

## Participation and Costs

**1.** Which types of medical plans does your organization offer to benefit-eligible employees? (Select all that apply.)

| | |
|---|---|
| Preferred Provider Organization (PPO), which includes Point of Service (POS) | 92% |
| Consumer Directed Health (CDH) plan—Health Reimbursement Account (HRA) | 13% |
| Consumer Directed Health (CDH) plan—Health Savings Account (HSA) | 19% |
| Health Maintenance Organization (HMO) | 42% |
| Indemnity plan | 10% |

**2.** For 2009, what is the approximate percentage of employees enrolled in each plan (based on recently completed open enrollment)?

| | 0% | 1% – 10% | 11% – 24% | 25% – 49% | 50% – 74% | 75% – 100% |
|---|---|---|---|---|---|---|
| PPO (including POS) | 3% | 5% | 7% | 13% | 23% | 49% |
| CDH Plan—HRA | 70% | 12% | 3% | 4% | 3% | 9% |
| CDH Plan—HSA | 59% | 22% | 10% | 4% | 2% | 3% |
| HMO | 31% | 10% | 14% | 16% | 16% | 13% |
| Indemnity Plan | 76% | 15% | 2% | 1% | 2% | 3% |

**3.** What is your 2009 employer subsidy for the most prevalent medical plan "employee only" coverage?

| | |
|---|---|
| 100% | 11% |
| 90% – 99% | 18% |
| 85% – 89% | 12% |
| 80% – 84% | 24% |
| 75% – 79% | 17% |
| 70% – 74% | 8% |
| 65% – 69% | 5% |
| 61% – 64% | 2% |
| 60% and below | 4% |

## 4. What is your 2009 employer subsidy for the most prevalent medical plan "family" coverage?

| | |
|---|---|
| 100% | 3% |
| 90% – 99% | 8% |
| 85% – 89% | 10% |
| 80% – 84% | 20% |
| 75% – 79% | 16% |
| 70% – 74% | 12% |
| 65% – 69% | 9% |
| 60% – 64% | 7% |
| 50% – 59% | 5% |
| 41% – 49% | 2% |
| 40% and below | 8% |

## 5. What are the appropriate 2009 MONTHLY employee contributions for the following medical plan options (including prescription drug) at your organization? Round to the nearest dollar amount and complete only applicable lines.

| | Employee only | Employee +1 | Employee + spouse | Employee + child | Employee + children | Employee + family |
|---|---|---|---|---|---|---|
| **Full Time (Median)** | | | | | | |
| Most Popular HMO | $73 | $174 | $203 | $168 | $208 | $278 |
| Most Popular HSA | $50 | $98 | $128 | $110 | $125 | $188 |
| Most Popular HRA | $48 | $120 | $165 | $120 | $160 | $239 |
| Most Popular PPO | $84 | $206 | $220 | $191 | $231 | $315 |
| Other | $76 | $209 | $200 | $200 | $216 | $290 |
| **Part Time (Median)** | | | | | | |
| Most Popular HMO | $90 | $241 | $265 | $219 | $255 | $368 |
| Most Popular HSA | $93 | $195 | $167 | $170 | $179 | $281 |
| Most Popular HRA | $79 | $173 | $220 | $209 | $192 | $259 |
| Most Popular PPO | $98 | $251 | $271 | $225 | $274 | $400 |
| Other | $86 | $211 | $237 | $252 | $290 | $334 |

For the most prevalent medical plan option in your organization, what are the appropriate 2009 MONTHLY contributions, as shown on your COBRA enrollment form, that terminated employees pay for COBRA (including the 2% fee)? Round to the nearest dollar.

| **COBRA (Median)** | | | | | | |
|---|---|---|---|---|---|---|
| Most Popular HMO | $399 | $783 | $841 | $741 | $844 | $1171 |
| Most Popular HSA | $338 | $748 | $700 | $660 | $612 | $961 |
| Most Popular HRA | $365 | $736 | $789 | $682 | $745 | $1091 |
| Most Popular PPO | $439 | $903 | $902 | $832 | $909 | $1275 |
| Other | $407 | $839 | $861 | $830 | $944 | $1216 |

# Plan Changes

## 6.

Was there an overall increase in the total cost of your group medical plan rates for 2009 BEFORE plan changes?

| | |
|---|---|
| Yes | 80% |
| No, there was a rate decrease or no change in rates | 20% |

If yes, what was the increase?

| | |
|---|---|
| Under 5% | 18% |
| At least 5% but under 10% | 42% |
| At least 10% but under 15% | 20% |
| At least 15% but under 20% | 9% |
| At least 20% but under 25% | 4% |
| At least 25% but under 30% | 4% |
| 30% or higher | 4% |

## 7.

Was there an overall increase in the total cost of your group medical plan rates for 2009 AFTER plan changes?

| | |
|---|---|
| Yes | 52% |
| No, there was a rate decrease or no change in rates | 48% |

If yes, what was the increase?

| | |
|---|---|
| Under 5% | 32% |
| At least 5% but under 10% | 42% |
| At least 10% but under 15% | 14% |
| At least 15% but under 20% | 5% |
| At least 20% but under 25% | 4% |
| At least 25% but under 30% | 0% |
| 30% or higher | 2% |

8. Do you expect to make more substantial changes to your medical program in 2010 than you did in 2009?

| | |
|---|---|
| Yes | 41% |
| No | 59% |

If yes, in what areas? (Select all that apply.)

| | |
|---|---|
| Introduce or expand a wellness program | 56% |
| Offer CDH plan(s) as the only option(s) | 5% |
| Offer a CDH plan as an option | 17% |
| Introduce or increase wellness financial incentives | 34% |
| Institute a generics-only program | 4% |
| Introduce an exclusive vendor for specialty pharmaceuticals | 5% |
| Introduce or increase financial incentives for disease management participation | 17% |
| Increase deductibles, co-pays, coinsurance or out-of-pocket maximum | 67% |
| Increase employee contributions | 70% |
| Provide a plan design incentive for employees to use "premium" providers | 7% |
| Other | 13% |

# Cost and Quality Initiatives

9. Which initiatives have you implemented or are planning to implement in 2010 or later to reduce costs or improve the quality of healthcare coverage?

| | Have Not Implemented and Not Planning to Implement | Implemented 2007 or Earlier | Implemented in 2008 | Implemented in 2009 | Planning For 2010 or Later |
|---|---|---|---|---|---|
| **Financial** | | | | | |
| Bid new insurer/claims administrator | 29% | 16% | 11% | 17% | 27% |
| Convert from insured to self-insured | 49% | 39% | 2% | 3% | 6% |
| Salary-based premiums/benefits/ contributions | 80% | 11% | 2% | 0% | 7% |
| Length-of-service-based premiums/benefits/ contributions | 95% | 2% | 0% | 0% | 3% |
| Spousal/Domestic partner surcharge or other restrictions on coverage of spouses/domestic partners | 74% | 10% | 3% | 3% | 10% |
| Incentives to waive or opt-out of coverage | 70% | 18% | 1% | 0% | 11% |
| Coalition purchasing | 86% | 5% | 0% | 1% | 7% |

| | Have Not Implemented and Not Planning to Implement | Implemented 2007 or Earlier | Implemented in 2008 | Implemented in 2009 | Planning For 2010 or Later |
|---|---|---|---|---|---|
| **Audits** | | | | | |
| Dependent eligibility verification | 34% | 27% | 7% | 12% | 20% |
| Electronic prescription drug audit | 68% | 9% | 3% | 4% | 16% |
| Prescription rebate audit | 68% | 12% | 3% | 4% | 12% |
| Medical claims audit | 50% | 25% | 6% | 6% | 13% |
| Clinical (care management, utilization management, large claimant) | 50% | 29% | 5% | 5% | 11% |
| Disability | 70% | 14% | 3% | 4% | 9% |
| **Strategy/Structured Approach** | | | | | |
| Establish a data warehouse for medical and Rx claims | 72% | 13% | 4% | 3% | 8% |
| Identify cost drivers (intensive data analysis) | 33% | 29% | 8% | 10% | 20% |
| Promote high-performing networks with plan design incentives | 65% | 13% | 3% | 4% | 15% |
| Measure program success/ROI (metrics) | 47% | 17% | 5% | 6% | 25% |
| Promote international medical tourism | 95% | 2% | 0% | 1% | 2% |
| Promote Centers of Excellence/High Performance Networks | 70% | 13% | 3% | 3% | 11% |
| **Plan Design** | | | | | |
| Consumer Directed Health plan—full replacement | 77% | 6% | 0% | 2% | 14% |
| Consumer Directed Health plan—as an option | 52% | 19% | 4% | 4% | 22% |
| Preventive benefits covered at 100% | 27% | 42% | 11% | 9% | 11% |
| **Prescription Drug (Rx)** | | | | | |
| Carve-out administration | 66% | 21% | 2% | 3% | 7% |
| Reintegrate prescription drug program | 81% | 11% | 1% | 1% | 5% |
| Modify deductibles/coinsurance | 23% | 24% | 9% | 14% | 29% |
| Add new tier for specialty drugs | 46% | 23% | 6% | 5% | 20% |
| Add new tier for lifestyle drugs | 72% | 8% | 3% | 2% | 15% |
| Promote use of generic drugs | 11% | 65% | 8% | 8% | 8% |
| Promote use of mail-order drugs | 13% | 66% | 6% | 7% | 8% |
| **Consumerism Tools** | | | | | |
| Promote use of online medical information | 27% | 38% | 11% | 9% | 15% |
| Online plan comparison tools | 39% | 29% | 9% | 7% | 15% |
| Promote online health care quality information | 29% | 32% | 11% | 10% | 18% |
| Promote online medical procedure cost and/or provider pricing information | 48% | 19% | 7% | 9% | 16% |
| Promote self-care | 34% | 34% | 7% | 9% | 16% |
| Promote use of personal health records | 54% | 16% | 6% | 6% | 17% |

# Health Management

## 10. Which wellness and disease management initiatives have you implemented or are planning to implement in 2010 or later? Do you offer an incentive to motivate employees to participate?

| | Have Not Implemented and Not Planning to Implement | Implemented 2007 or Earlier | Implemented in 2008 | Implemented in 2009 | Planning For 2010 or Later | Incentive? | |
|---|---|---|---|---|---|---|---|
| | | | | | | Yes | No |
| Health risk appraisals (HRAs) | 28% | 27% | 15% | 10% | 20% | 46% | 54% |
| Telephonic health care coaching | 38% | 27% | 14% | 8% | 13% | 15% | 85% |
| Biometric screening (e.g., cholesterol, blood sugar) | 31% | 31% | 11% | 10% | 16% | 29% | 71% |
| Smoking cessation program | 30% | 38% | 10% | 8% | 15% | 30% | 70% |
| Weight management/obesity program | 32% | 34% | 10% | 8% | 16% | 30% | 70% |
| Stress management | 41% | 28% | 9% | 7% | 15% | 13% | 88% |
| Promote exercise/physical activity | 22% | 45% | 12% | 10% | 12% | 31% | 69% |
| On-site fitness center | 60% | 33% | 2% | 2% | 3% | 14% | 86% |
| On-site medical clinic | 83% | 10% | 0% | 1% | 6% | 7% | 93% |
| On-site Rx services | 88% | 9% | 0% | 0% | 3% | 9% | 91% |
| Disease management (e.g., heart disease, diabetes, asthma, COPD, other) | 26% | 46% | 10% | 7% | 10% | 12% | 88% |

## 11. What type(s) of incentives do you offer? (Select all that apply.)

| | |
|---|---|
| Reduction in employee contribution | 29% |
| Reduction in member drug copays | 10% |
| Reduction in medical deductibles | 4% |
| Additional employer contribution to employee's HSA or HRA | 10% |
| Additional employer contribution to employee's FSA (flexible spending account) | 4% |
| Gift card or merchandise | 41% |
| Incentives available to dependents | 3% |
| Paid-time-off | 11% |
| Cash | 20% |
| Other | 17% |

## 12. If you offer at least one financial incentive, what is the maximum value of the financial incentive an employee can earn in one year?

| | |
|---|---|
| $1 – $49 per employee per year | 15% |
| $50 – $249 per employee per year | 39% |
| $250 – $499 per employee per year | 16% |
| Over $500 per employee per year | 17% |
| Other | 13% |

**13.** Has your organization adopted a "culture of health" with written goals that support employee health, with visible support from senior management, and health-enhancing policies and procedures?

| | |
|---|---|
| Yes | 22% |
| No | 78% |

**14.** For your absence programs, what practices have you implemented? (Select all that apply.)

| | |
|---|---|
| Integrated STD with LTD | 55% |
| Integrated STD with medical plan case management | 9% |
| Integrated STD with FMLA administration (insourced) | 50% |
| Integrated STD with FMLA administration (outsourced) | 13% |
| Integrated management of occupational and non-occupational absences (insourced) | 16% |
| Integrated management of occupational and non-occupational absences (outsourced) | 6% |
| Improved tracking for incidental absences | 22% |
| Improved tracking for STD | 39% |
| Prevented absences by investing in wellness and prevention programs | 27% |
| Achieved consistent return-to-work for occupational and non-occupational absences | 23% |
| Improved FMLA administration | 55% |
| Moved from a traditional time-off program to a Paid Time Off (PTO) bank | 28% |
| Revised FMLA policies and procedures to conform to regulations effective January 2009 (e.g., medical certification and return to work) | 79% |

**15.** For which of the following health measures does your organization track current status?

| | Annually | Quarterly | Do Not Track |
|---|---|---|---|
| Tobacco use | 12% | 1% | 87% |
| Overweight employees | 6% | 2% | 92% |
| Employees who exercise regularly | 6% | 5% | 89% |
| Participation in your corporate wellness/preventive activities | 21% | 15% | 64% |
| Biometric data (high cholesterol, high blood pressure, etc) | 23% | 5% | 73% |
| Employees with unscheduled absences, FMLA or sick leave | 24% | 41% | 35% |
| Measures of presenteeism | 4% | 6% | 90% |
| Employees with chronic conditions | 12% | 14% | 75% |
| Medical costs of chronic conditions | 23% | 22% | 54% |
| Disability costs of chronic conditions | 12% | 10% | 78% |
| Absence costs of chronic conditions | 7% | 6% | 87% |
| Participation in your corporate disease management program | 18% | 14% | 69% |

**16.** Do you have a process in place to measure the impact of your health management program on medical and prescription claims for:

| | |
|---|---|
| **Participants** | |
| Yes | 24% |
| No | 76% |
| **Non-Participants** | |
| Yes | 6% |
| No | 94% |

# Vendor Performance

**17.** What practices do you follow, or would consider following, with your healthcare vendors to improve your plan's performance and outcomes? (Select all that apply.)

| | |
|---|---|
| Negotiate discount guarantees | 55% |
| Negotiate claims performance guarantees | 53% |
| Negotiate customer-service guarantees | 50% |
| Negotiate account management/implementation guarantees | 40% |
| Negotiate vendor-paid implementation audits | 28% |
| Negotiate medical management guarantees | 29% |
| Host vendor summit | 11% |
| No changes are anticipated at this time | 36% |

**18.** Under Sarbanes Oxley, plan sponsors are expected to regularly monitor vendor performance. Does your company:

| | |
|---|---|
| Only conduct pre-implementation audits prior to installing a new vendor | 18% |
| Conduct vendor performance audits on a regular basis | 50% |
| Have no plans to conduct vendor performance audits in the near future | 32% |

# Voluntary Benefits

**19.** Has your organization considered using voluntary benefits to achieve one or more of the following results? (Select all that apply.)

| | |
|---|---|
| Offering a replacement voluntary benefit option when a benefit is eliminated from the employer-sponsored plan | 28% |
| Using voluntary benefits to offset the bad news of a benefit cost increase, benefit reduction, etc. | 40% |
| Providing a voluntary benefit where the employee can realize a substantial reduction in out-of-pocket expense | 65% |
| Using voluntary benefit enrollers to deliver a one-on-one message to employees about their benefits | 23% |
| Using voluntary benefits commissions to help fund the cost of core enrollment processes | 8% |
| Using voluntary benefit commissions to help fund an annual benefit statement | 5% |

**20.** If you are currently offering voluntary benefits or are considering offering voluntary products in 2010 or 2011, please indicate which products. (Select all that apply.)

| | Plan On Offering in 2010 or 2011 | We Currently Offer | Do Not Plan to Offer |
|---|---|---|---|
| Additional Life Insurance—Individual Term Life | 3% | 50% | 48% |
| Additional Life Insurance—Individual Whole Life | 1% | 13% | 86% |
| Additional Life Insurance—Individual Universal Life | 2% | 13% | 85% |
| Additional Life Insurance—Group Supplemental Term Life | 2% | 72% | 26% |
| Additional Life Insurance—Group Universal Life | 1% | 13% | 86% |
| Disability—Individual Short-Term | 4% | 30% | 66% |
| Disability—Group Short-Term | 2% | 54% | 43% |
| Disability—Individual Long-Term | 3% | 27% | 70% |
| Disability—Group Long-Term | 2% | 66% | 32% |
| Critical Illness—Individual | 4% | 23% | 73% |
| Critical Illness—Group | 3% | 6% | 91% |
| Long-Term Care—Individual | 8% | 24% | 67% |
| Long-Term Care—Group | 7% | 21% | 71% |
| Accident—Individual | 3% | 32% | 65% |
| Accident—Group | 2% | 45% | 52% |
| Dental | 1% | 85% | 14% |
| Hospital Indemnity | 2% | 19% | 78% |
| Limited Medical or Mini Medical | 3% | 9% | 89% |
| Vision | 4% | 79% | 18% |

# Life and Disability

## 21. Do you offer employer-subsidized group-term life insurance?

| | |
|---|---|
| Yes | 86% |
| No | 14% |

If yes, what level of insurance do you provide to most employees? (Select the answer that most closely matches your coverage.)

| | |
|---|---|
| Under 1X pay | 3% |
| 1X pay | 35% |
| 1.5X pay | 9% |
| 2X pay | 28% |
| 3X pay | 5% |
| Greater than 3X pay | 1% |
| Flat amount over $50,000 | 3% |
| Flat amount $50,000 or less | 16% |

## 22. What special life insurance plans does your organization currently offer to executives or highly compensated employees? (Select all that apply.)

| | |
|---|---|
| Group Universal Life (GUL) or Group Variable Universal Life (GVUL) | 12% |
| Split-dollar arrangement | 3% |
| Company paid, permanent (i.e., Section 162) bonus plan | 4% |
| No special life insurance coverage | 82% |

## 23. Do you offer employer-subsidized, long-term disability coverage?

| | |
|---|---|
| Yes | 74% |
| No | 26% |
| **Partially pay for:** | |
| 50% or less of pay | 19% |
| 51% to 60% of pay | 48% |
| More than 60% of pay | 32% |
| **Fully pay for:** | |
| 50% or less of pay | 15% |
| 51% to 60% of pay | 54% |
| More than 60% of pay | 31% |
| **Supplemental executive disability plan:** | |
| Fully paid by employer | 66% |
| Partially paid by employer | 8% |
| Paid for by executive | 26% |

# Benefits Communication

**24.** Does your organization provide employees with annual total compensation or total rewards statements?

| | |
|---|---|
| Yes | 48% |
| No | 52% |

If yes, how?

| | |
|---|---|
| Online and print | 18% |
| Online only | 14% |
| Print only | 68% |

**25.** To what extent are you communicating the value of total rewards and the employee value proposition to help employees understand your organization's total investment in pay, benefits, learning and development, and other rewards?

| | |
|---|---|
| Very great extent | 6% |
| Great extent | 18% |
| Some extent | 36% |
| Little extent | 13% |
| Very little extent | 23% |
| Don't know | 4% |

**26.** If you provide annual total compensation or total rewards statements, using the scale provided, indicate how much of an impact they have on the following:

| | |
|---|---|
| **Employee/Executive retention** | |
| Very little impact | 20% |
| Some impact | 34% |
| Moderate impact | 30% |
| Significant impact | 12% |
| Very significant impact | 4% |
| **Employee engagement** | |
| Very little impact | 15% |
| Some impact | 40% |
| Moderate impact | 34% |
| Significant impact | 9% |
| Very significant impact | 2% |
| **Employee savings activity or participation** | |
| Very little impact | 20% |
| Some impact | 40% |
| Moderate impact | 32% |
| Significant impact | 6% |
| Very significant impact | 2% |
| **Understanding by executives of their unique pay, benefits and wealth accumulation opportunities** | |
| Very little impact | 18% |
| Some impact | 30% |
| Moderate impact | 30% |
| Significant impact | 21% |
| Very significant impact | 2% |
| **Participation in voluntary plans** | |
| Very little impact | 32% |
| Some impact | 31% |
| Moderate impact | 29% |
| Significant impact | 7% |
| Very significant impact | 1% |
| **Understanding and appreciation of the value of their benefits and our substantial investment** | |
| Very little impact | 7% |
| Some impact | 29% |
| Moderate impact | 38% |
| Significant impact | 21% |
| Very significant impact | 4% |

# Benefits Outsourcing

**27.** With respect to benefits administration, which of the following tools/services have you already deployed or are planning to deploy in the timeframe listed below.

| | Have Not Deployed or Not Planning to Deploy | Deployed Prior to 2009 | Deployed in 2009 | Plan to Deploy in 2010 | Plan to Deploy in 2011 or Later |
|---|---|---|---|---|---|
| Employee self-service | 27% | 40% | 7% | 13% | 13% |
| Manager self-service | 42% | 27% | 6% | 13% | 12% |
| Plan and cost-comparison modelers for health benefit programs | 50% | 30% | 5% | 8% | 8% |
| Retirement planning modelers | 31% | 57% | 3% | 4% | 5% |
| Online enrollment | 20% | 51% | 6% | 12% | 10% |
| Online employment verification | 67% | 19% | 4% | 5% | 6% |
| Online paystubs | 25% | 49% | 9% | 9% | 8% |

**28.** Do you currently outsource at least one HR function?

| | |
|---|---|
| Yes | 64% |
| No | 36% |

If yes, which of the following reasons led to your decision to outsource? (Select all that apply.)

| | |
|---|---|
| Employ use of experts | 74% |
| Focus on core competencies | 31% |
| Focus on strategic issues rather than transactional business | 40% |
| HR process redesign reengineering | 12% |
| Improve service and quality | 51% |
| Access to leading-edge technology platforms | 32% |
| Lack of internal technology support | 23% |
| Reduce costs | 33% |
| Reduce/Share risks | 28% |
| Shift from fixed costs to variable costs | 3% |
| Other | 2% |

If no, what is the primary reason for that decision?

| | |
|---|---|
| Employee resistance | 1% |
| Company culture does not support | 22% |
| Not a current management priority | 31% |
| Price | 16% |
| Selection of vendors | 2% |
| Sufficient in-house technology | 29% |

## 29. Has your interest in outsourcing changed due to the current economic environment?

| | |
|---|---|
| Decreased | 3% |
| About the same | 88% |
| Increased | 9% |

## 30. Which of the following administration functions does your organization currently outsource? (Select all that apply.)

| | |
|---|---|
| COBRA/HIPAA | 75% |
| Defined benefit | 32% |
| Defined contribution | 68% |
| Employee benefits call center | 16% |
| Annual enrollment | 21% |
| Flexible spending account | 77% |
| Ongoing enrollment | 19% |
| FMLA/STD | 21% |
| Payroll | 31% |
| Profit-sharing plan | 17% |
| Retirees | 11% |
| Talent management | 4% |
| Vendor management | 9% |
| Recruitment selection and processing | 10% |

## 31. How do you cover the cost of administration services, either insourced, outsourced or co-sourced? Please select a percentage for each cost method.

| | |
|---|---|
| **Pass cost along to employees** | |
| 0% | 66% |
| <25% | 26% |
| 25% – 49% | 3% |
| 50% – 74% | 1% |
| 75% – 100% | 3% |
| **Pay through commission** | |
| 0% | 57% |
| <25% | 22% |
| 25% – 49% | 10% |
| 50% – 74% | 4% |
| 75% – 100% | 7% |

| Pay as direct fee | |
|---|---|
| 0% | 14% |
| <25% | 16% |
| 25% – 49% | 8% |
| 50% – 74% | 8% |
| 75% – 100% | 54% |
| **Other** | |
| 0% | 82% |
| <25% | 11% |
| 25% – 49% | 0% |
| 50% – 74% | 0% |
| 75% – 100% | 7% |

**32.** Which outcome(s) has your organization achieved from outsourcing? (Select all that apply.) Also indicate the best estimate of the percentage of improvement, if known.

| | We have achieved this outcome, but I do not know the % improvement. | % Improvement | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 0 | <5% | 5% – 9% | 10% – 14% | 15% – 19% | 20% – 24% | >25% |
| Improved analytics | 59% | 10% | 2% | 4% | 4% | 2% | 4% | 15% |
| Improved cost management | 61% | 12% | 2% | 7% | 4% | 4% | 5% | 6% |
| Improved productivity | 60% | 7% | 2% | 3% | 6% | 3% | 6% | 13% |
| Improved profitability | 55% | 22% | 4% | 6% | 2% | 3% | 5% | 4% |
| Improved quality | 56% | 7% | 5% | 4% | 5% | 4% | 5% | 14% |
| Improved service | 57% | 9% | 3% | 5% | 3% | 5% | 4% | 15% |
| Increase in employee engagement | 51% | 20% | 4% | 6% | 7% | 2% | 4% | 6% |
| Increase in employee understanding of programs | 50% | 14% | 6% | 7% | 8% | 3% | 4% | 8% |
| Integration of all HR functions | 53% | 26% | 4% | 5% | 2% | 4% | 2% | 3% |
| Reduced costs | 58% | 15% | 7% | 2% | 9% | 1% | 3% | 5% |

## 33. What do you think makes outsourcing successful? (Select all that apply.)

| | |
|---|---|
| Vendor understands organization's goals and objectives | 65% |
| Flexibility in systems and processes | 60% |
| Consultative approach of administrator | 49% |
| Change management of legacy processes to a best practice approach | 24% |
| Outsourcing non-core services is part of my organization's strategic vision and plan | 15% |
| Strong governance in place for ongoing management of relationships | 18% |
| Properly structured contract | 36% |
| Open communication with vendor | 69% |
| Senior executive support and involvement | 25% |
| Careful attention to personnel issues | 25% |
| Near-term financial justification | 12% |
| Leveraging outside expertise | 51% |

## 34. Approximately, what is the typical length of your outsourcing contract?

| | |
|---|---|
| 1 year | 38% |
| 2 years | 16% |
| 3 years | 27% |
| 4 years | 2% |
| 5 years | 5% |
| Longer than 5 years | 12% |

# Retirement

## Defined Benefit Plans

**35.** Do you offer a defined benefit plan?

| | |
|---|---|
| Yes | 45% |
| No | 55% |

**36.** Please select all the current defined benefit plan(s) that you operate and the number of plans in each category.

| | Ongoing | Soft Frozen | Hard Frozen | 1 | 2 | 3 | More than 4 |
|---|---|---|---|---|---|---|---|
| Union plan(s) (employer-sponsored) | 57% | 17% | 26% | 68% | 16% | 10% | 6% |
| Multi-employer plan(s) (union-sponsored plans) | 53% | 10% | 37% | 67% | 24% | 5% | 5% |
| Management plan(s) | 61% | 15% | 24% | 87% | 6% | 6% | 0% |
| All employee plan(s) | 74% | 15% | 11% | 82% | 9% | 7% | 2% |

**37.** Recent accounting changes and economic turmoil have helped to further highlight the financial risks associated with defined benefit pension plans. What operational changes, if any, have you made in 2008 or plan to make to your plan as a result of increasing pension risks? (Select all that apply.)

| | Have Not Implemented and Not Planning to Implement | Implemented 2007 or Earlier | Implemented in 2008 | Implemented in 2009 | Planning For 2010 or Later |
|---|---|---|---|---|---|
| Increasing future benefits under the plan | 86% | 7% | 3% | 1% | 3% |
| Decreasing future benefits under the plan, but not eliminating them | 76% | 8% | 3% | 6% | 6% |
| Freezing the plan (eliminating future benefits under the plan) | 74% | 13% | 2% | 4% | 7% |
| Freezing new entrants from the plan | 65% | 20% | 3% | 6% | 6% |
| Changing from a traditional plan formula (final average pay, career average pay or flat dollar) to a hybrid plan formula (cash balance, pension equity) | 85% | 10% | 2% | 1% | 3% |
| Changing the plan investments | 47% | 9% | 22% | 13% | 9% |
| Changing the cash funding strategy | 69% | 5% | 10% | 9% | 7% |

38. Are you considering a change to your DB plans?

| | |
|---|---|
| Yes | 8% |
| No | 92% |

If yes, please select all of the reasons why.

| | |
|---|---|
| Company-required contributions are too high | 71% |
| Volatility is too great | 47% |
| Administration of the plan is too expensive (in time and money) | 35% |
| Changing rules make long-term planning impossible | 6% |
| Plan is not appreciated by participants | 12% |
| Competitors do not offer DB plans | 24% |
| Other | 18% |

39. Have you made the following changes to your pension investments in the past two years, or are you considering making these changes in the next two years?

| | |
|---|---|
| No, we have not made changes to the pension investments over the past two years and do not intend to make any changes in the next two years. | 66% |
| Yes, we have made or intend to make changes to our pension investment strategies and techniques. | 34% |

Changes to our pension investment strategies and techniques:

| | Have Made | Intend to Make | Do Not Intend to Make |
|---|---|---|---|
| Increased bond duration | 22% | 31% | 47% |
| Increased fixed income allocations | 39% | 33% | 28% |
| Added swap overlays | 9% | 6% | 85% |
| Annuitized or cashed-out liabilities | 11% | 7% | 82% |

40. Describe the DB pension asset investment methodology that best describes your current philosophy.

| | |
|---|---|
| We invest based on a standard equity/fixed/other strategy (e.g., 60%/30%/10%) | 67% |
| We invest using an immunization strategy and a high fixed income allocation basis | 4% |
| We invest using hedges and derivatives as an overlay to a standard | 1% |
| We have increased our allocation to alternatives to increase diversification | 13% |
| We employ other strategies | 14% |

**41.** As a result of the current economic situation and the significant financial turmoil it has generated, what cash contributions do you expect to make over various periods when compared to "typical historical contribution levels?" (Select one for each time period.)

| | Decrease | No Change/ Same Level | Small (<25%) Increase | Large (25% or >) Increase | So Large We Are Looking for Help/ Waivers |
|---|---|---|---|---|---|
| Short term (less than 1 year) | 7% | 52% | 21% | 18% | 1% |
| Medium term (2 – 3 years) | 2% | 54% | 27% | 15% | 1% |
| Long term (more than 3 years) | 2% | 60% | 22% | 15% | 1% |

**42.** Changes to the contributions are being driven by a need or desire to: (Select all that apply.)

| | |
|---|---|
| Meet minimum required IRS funding requirements | 72% |
| Avoid IRS funding rules regarding underfunded plans' benefit restrictions | 38% |
| Avoid IRS funding rules regarding underfunded plans' required participant notifications | 30% |
| Meet corporate guidelines regarding the funded status of the plan | 31% |
| Avoid FASB accounting repercussions associated with a lowering of the funded status | 24% |
| Generate sufficient assets to allow for the termination of the plan | 4% |
| Other | 11% |

**43.** If you have a frozen defined benefit plan, which statement describes the company philosophy regarding the plan? (Select all that apply.)

| | |
|---|---|
| We intend to "restart" the plan | 5% |
| We have only frozen the plan to new entrants and currently intend to continue to run the plan for the foreseeable future | 41% |
| We have frozen the plan and intend to terminate the plan once funding allows us to do so | 20% |
| We have frozen the plan and do not have a strategy with regard to termination | 25% |
| We are considering redesigning the retirement benefits (DB or DC) to reflect the freeze | 9% |
| We are negotiating to change the plan | 6% |
| Answer differs on a plan-by-plan basis | 19% |

## 44. If you are planning on terminating a frozen defined benefit plan(s), which considerations are important to you? Please rate each item.

| | Not Important | Somewhat Important | Important | Very Important | Extremely Important |
|---|---|---|---|---|---|
| Price | 3% | 6% | 18% | 27% | 45% |
| Speed and attentiveness to timelines | 12% | 6% | 48% | 24% | 9% |
| Single point of contact | 12% | 21% | 42% | 12% | 12% |
| Experience—plan knowledge, history, and current plan experience | 9% | 6% | 41% | 24% | 21% |
| Experience—recent termination experience and client list | 9% | 9% | 44% | 21% | 18% |
| Quality—proven, clearly delineated process | 12% | 6% | 35% | 38% | 9% |
| Quality—legal/regulatory understanding | 6% | 3% | 32% | 38% | 21% |
| Union issues | 63% | 3% | 22% | 6% | 6% |
| Employee satisfaction issues | 6% | 9% | 44% | 26% | 15% |
| Other—geographical proximity to corporate headquarters | 63% | 16% | 19% | 3% | 0% |

## 45. Do you use a bundled service provider?

| | |
|---|---|
| Yes | 36% |
| No | 64% |

If yes, what business issues would be of most concern to you in using a bundled service provider? (Select all that apply.)

| | |
|---|---|
| Cost savings | 75% |
| Proven quality—expertise would need to be shown across multiple disciplines | 71% |
| Service—a bundled vendor would have to provide appropriate metrics | 69% |
| Legal or fiduciary restrictions | 42% |
| Ability to obtain or access second opinions when needed | 31% |
| Other | 2% |

**46.** As you operate your defined benefit plan, which of the following do you implement or plan to implement to limit operational risk?

| | Implemented | Plan to Implement in 2010 or Later | Do Not Intend to Implement |
|---|---|---|---|
| Periodic audit of administration/operations | 84% | 3% | 14% |
| Periodic review of regulatory compliance | 91% | 4% | 5% |
| Periodic review of appropriate plan documentation and communications | 90% | 5% | 5% |
| Assessment of appropriate plan administration procedures and documentation | 87% | 6% | 7% |
| Review of litigation, cashflow, and financial risks | 79% | 8% | 13% |
| Fiduciary review of processes | 81% | 10% | 9% |
| Fiduciary training for pension committee | 61% | 11% | 28% |
| Regular meetings with consulting or law firm advisors | 85% | 4% | 11% |
| Regular and timely Washington updates of regulatory and statutory changes | 82% | 6% | 11% |
| Participation in industry forums | 54% | 7% | 39% |
| Review of newsletters and client updates from law firms and consulting firms | 86% | 2% | 11% |

# Defined Contribution Plans

**47.** Do you offer a defined contribution plan?

| | |
|---|---|
| Yes | 92% |
| No | 8% |

**48.** As you operate your defined contribution plan, which of the following do you implement or plan to implement to limit operational risk? (Select all that apply.)

| | Implemented | Plan to Implement in 2010 or Later | Do Not Intend to Implement |
|---|---|---|---|
| Periodic audit of administration/operations | 79% | 11% | 10% |
| Periodic review of regulatory compliance | 91% | 4% | 4% |
| Periodic review of appropriate plan documentation and communications | 92% | 7% | 2% |
| Assessment of appropriate plan administration procedures and documentation | 86% | 10% | 4% |
| Review of litigation and financial risks | 73% | 14% | 13% |
| Fiduciary review of processes | 83% | 10% | 7% |
| Fiduciary training | 53% | 21% | 26% |
| Regular meetings with consulting or law firm advisors | 84% | 6% | 11% |
| Regular and timely Washington updates of regulatory and statutory changes | 85% | 5% | 9% |
| Participation in industry forums | 52% | 14% | 34% |
| Review of newsletters and client updates from law firms and consulting firms | 91% | 3% | 6% |

**49.** Which of the following have you performed or do you intend to perform in the future to ensure maximum plan value and effectiveness?

| | Have Performed | | Intend to Perform | |
|---|---|---|---|---|
| | Yes | No | Yes | No |
| Evaluate plan administration fees | 92% | 8% | 97% | 3% |
| Evaluate plan investment fees | 92% | 8% | 96% | 4% |
| Evaluate plan investment performance | 95% | 5% | 97% | 3% |
| Evaluate participant investment performance | 76% | 24% | 80% | 20% |
| Compare employee participation rates to previous years | 87% | 13% | 89% | 11% |
| Compare employee contribution rates to previous years | 83% | 17% | 88% | 12% |
| Conduct employee satisfaction survey | 34% | 66% | 56% | 44% |

**50.** Compared to one year ago, do you feel your fiduciary liability for your DC plan has:

| | |
|---|---|
| Decreased | 5% |
| Stayed the same | 52% |
| Increased | 36% |
| Don't know | 7% |

**51.** Over the next 12 to 24 months, what investment changes are you considering in your DC plan? (Select all that apply.)

| | |
|---|---|
| Seeking better performing funds | 41% |
| Seeking less volatile funds | 17% |
| Reducing the number of funds in the plan | 8% |
| Adding additional strategies | 20% |
| Seeking less expensive funds | 13% |
| Eliminating employer stock or providing additional investment flexibility | 2% |
| Changes to ensure ERISA 404(c) compliance | 11% |
| No changes currently being considered | 39% |
| Other | 7% |

**52.** Regarding investment-related questions from plan participants, how have the number of requests changed from January 2008 to December 2008?

| | |
|---|---|
| Decreased | 3% |
| No change | 34% |
| Increased 0% to 25% | 42% |
| Increased 26% to 50% | 16% |
| Increased 51% to 75% | 5% |
| Increased 76% to 100% | 1% |
| Increased greater than 100% | 0% |

**53.** Do you currently provide a match on a 6% contribution?

| | |
|---|---|
| Yes | 56% |
| No | 44% |

If yes, what is the match?

| | |
|---|---|
| Between 0% and 3% | 18% |
| Exactly 3% | 29% |
| Between 3% and 4.5% | 22% |
| Exactly 4.5% | 3% |
| Between 4.5% and 6% | 10% |
| 6% or more | 17% |

The 2009 match level represents:

| | |
|---|---|
| An increase from last year | 3% |
| A decrease from last year | 7% |
| No change from last year | 90% |

## 54. Excluding matching contributions, what is your current expected contribution to your DC plans?

| | |
|---|---|
| No contribution other than the match | 36% |
| Between 0% and 3% of pay | 13% |
| Exactly 3% of pay | 6% |
| Between 3% and 4.5% of pay | 14% |
| Exactly 4.5% of pay | 0% |
| Between 4.5% and 6% of pay | 11% |
| 6% of pay or more | 21% |

This represents:

| | |
|---|---|
| An increase from last year | 3% |
| A decrease from last year | 8% |
| No change from last year | 89% |

## 55. What percentage of eligible employees would you estimate contribute to the plan?

| | |
|---|---|
| 90% – 100% | 20% |
| 80% – 89% | 27% |
| 70% – 79% | 19% |
| 60% – 69% | 14% |
| 50% – 59% | 8% |
| Less than 50% | 12% |

## 56. What reasons do you attribute to employees not participating?

| | |
|---|---|
| Not aware of the plan | 1% |
| Cannot afford it | 67% |
| Do not understand how to enroll | 1% |
| Do not know how to select investment options | 5% |
| No company match | 5% |
| Other | 20% |

## 57. Which of the following defined contribution features do you currently offer? (Select all that apply.)

| | |
|---|---|
| Target date funds | 65% |
| Automatic enrollment | 42% |
| Roth feature in your 401(k) or 403(b) plan | 29% |
| Personalized Web-based retirement planning tools | 87% |
| Automatic increases in defined contribution deferrals | 25% |

**58.** Do you offer automatic enrollment?

| | |
|---|---|
| Yes | 41% |
| No | 59% |

If yes, what is the default percentage?

| | |
|---|---|
| 1% | 6% |
| 2% | 12% |
| 3% | 53% |
| 4% | 13% |
| 5% | 7% |
| 6%+ | 9% |

**59.** Do you plan to change the default percentage in 2009?

| | |
|---|---|
| Yes | 1% |
| No | 99% |

If yes, by how much do you plan to increase or decrease the default percentage in 2009?

| | |
|---|---|
| Decrease by less than 2% | 0% |
| Decrease by 2% or more | 67% |
| Increase by 2% or more | 0% |
| Increase by less than 2% | 33% |

**60.** Our studies show that most individuals will need a retirement income of between 77% and 94% of their pre-retirement income. In your opinion, to what extent do your employees understand the percentage of pre-retirement income they will need to maintain their current standard of living after retirement?

| | |
|---|---|
| Very great extent | 1% |
| Great extent | 7% |
| Some extent | 52% |
| Little extent | 22% |
| Very little extent | 16% |
| Don't know | 3% |

**61.** Indicate how much you agree with the following statement: "Employees are delaying their retirements due to economic conditions."

| | |
|---|---|
| Disagree | 1% |
| Somewhat disagree | 3% |
| Neither agree nor disagree | 9% |
| Somewhat agree | 47% |
| Agree | 40% |

# Retirement Communication

**62.** Considering current economic conditions, are you communicating with employees more or less about the importance of continuing to save for retirement through your organization's defined contribution plan?

| | |
|---|---|
| Less | 2% |
| More | 36% |
| About the same | 62% |

If you selected less, are you communicating less due to:

| | |
|---|---|
| General budget constraints | 50% |
| Unfavorable message about pay and benefits | 25% |
| Other | 25% |

# Executive Benefits

**63.** Do you offer a stock purchase plan?

| | |
|---|---|
| Yes | 12% |
| No | 88% |

**64.** Do you offer executive non-qualified plans [e.g., deferred compensation or supplemental executive retirement (SERP)]?

| | |
|---|---|
| Yes | 42% |
| No | 58% |

**65.** What types of executive benefit plans do you currently offer? Check the “soft frozen” column if the plan is no longer offered to new employees.

| | Do Not Offer | Active | Soft Frozen |
|---|---|---|---|
| Deferred compensation | 13% | 83% | 4% |
| Defined benefit SERP | 62% | 29% | 9% |
| Defined contribution SERP | 70% | 27% | 3% |
| Executive life (individual policies, not group) | 71% | 25% | 4% |
| Supplemental disability (individual policies, not group) | 67% | 30% | 3% |
| Long-term care (individual policies, not group) | 87% | 12% | 1% |

**66.** Using the scale provided, rank the importance of each benefit plan on your ability to attract and retain leadership talent.

| | Do Not Offer | Very Little Impact | Little Impact | Neutral | Some Impact | Very Significant Impact |
|---|---|---|---|---|---|---|
| Deferred compensation | 13% | 13% | 7% | 18% | 35% | 14% |
| Defined benefit SERP | 60% | 7% | 4% | 8% | 11% | 10% |
| Defined contribution SERP | 67% | 6% | 2% | 8% | 10% | 6% |
| Executive life (individual policies, not group) | 65% | 8% | 10% | 7% | 10% | 1% |
| Supplemental disability (individual policies, not group) | 61% | 11% | 8% | 9% | 8% | 3% |
| Long-term care (individual policies, not group) | 74% | 9% | 5% | 8% | 4% | 0% |
| Perquisites, such as cars or financial planning | 42% | 10% | 10% | 12% | 22% | 5% |

**67.** Using the scale provided, rank how well your organization understands the following areas of your executive benefit plans:

| | Not Understood At All | Not Well Understood | Neutral | Well Understood | Very Well Understood |
|---|---|---|---|---|---|
| Compliance | 1% | 3% | 27% | 47% | 22% |
| Plan competitiveness | 1% | 5% | 35% | 47% | 11% |
| Value to executives | 1% | 4% | 25% | 54% | 16% |
| Plan(s) administration | 1% | 5% | 28% | 50% | 16% |
| Benefit security | 1% | 5% | 33% | 47% | 14% |
| Plan cost | 0% | 8% | 27% | 44% | 22% |

**68.** Nonqualified plans such as deferred compensation plans often involve informal financing as these plans cannot be formally funded without immediate taxation to executive participants. Please indicate if the financing vehicle or technique is used or not and the degree to which you believe it is understood by those responsible for managing it.

| | Use Financing Vehicle | | Financing Vehicle Understood | | | | |
|---|---|---|---|---|---|---|---|
| | Yes | No | Not Understood At All | Not Well Understood | Neutral | Well Understood | Very Well Understood |
| Mutual funds | 52% | 48% | 6% | 1% | 24% | 54% | 14% |
| Corporate Owned Life Insurance (COLI) | 25% | 75% | 8% | 7% | 44% | 22% | 19% |
| Company stock | 12% | 88% | 13% | 0% | 45% | 28% | 15% |
| Alternative investments | 12% | 88% | 17% | 2% | 44% | 22% | 15% |
| Rabbi trust | 46% | 54% | 4% | 8% | 37% | 39% | 12% |
| Secular trust | 0% | 100% | 20% | 7% | 60% | 10% | 3% |
| Plan is formally funded | 24% | 76% | 9% | 8% | 32% | 40% | 11% |

**69.** Are you considering changes to your executive benefit offerings in 2009 and beyond?

| | |
|---|---|
| No, we have no plans to change the current executive benefit offerings at this time | 86% |
| Yes, changes to the executive benefit offerings are being considered at this time | 14% |

Executive benefits are being increased to:

| | Little or None | Some | Significant Degree |
|---|---|---|---|
| Attract/Retain executives | 35% | 47% | 18% |
| Shift compensation away from stock options | 93% | 7% | 0% |
| Match competitors' benefits | 33% | 40% | 27% |
| Better mirror qualified plans | 43% | 36% | 21% |
| Reflect the growing size of the company | 47% | 27% | 27% |

Executive benefits are being decreased to:

| | Little or None | Some | Significant Degree |
|---|---|---|---|
| Simplify programs | 69% | 23% | 8% |
| Address "disclosure optics" | 71% | 29% | 0% |
| Respond to legislative complexity | 73% | 13% | 13% |
| Respond to company performance | 41% | 41% | 18% |
| Match competitors' benefits | 73% | 20% | 7% |
| Better mirror qualified plans | 73% | 13% | 13% |
| Respond to general economic conditions | 33% | 39% | 28% |
| Respond to "at risk" status of qualified defined benefit plan | 80% | 20% | 0% |

**70.** In calculating your cost to replace a senior executive, which multiplier of salary and benefits do you believe will provide the most accurate assessment?

| | |
|---|---|
| Less than 1X salary and benefits | 20% |
| Between 1X and 1.99X salary and benefits | 45% |
| Between 2X and 2.99X salary and benefits | 23% |
| Greater than 3X salary and benefits | 12% |

# Leadership and Talent Management

## HR Role and Effectiveness

**71.** Please indicate below the extent to which you agree or disagree with each statement. HR currently…

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Plays a valued role in my business' overall strategic planning | 0% | 9% | 17% | 48% | 26% |
| Is helping the organization reduce costs | 0% | 3% | 12% | 56% | 28% |
| Is closely aligned to our business needs | 1% | 2% | 15% | 52% | 30% |
| Plays a key role in creating and implementing large-scale change | 1% | 10% | 17% | 44% | 28% |
| Is leading us to become an employer of choice (image, loyalty, incentives, work-life balance, flex options, diversity) | 1% | 9% | 21% | 46% | 24% |
| Contributes to our organization's flexibility (outsourcing, alliances, shared services) | 0% | 8% | 32% | 47% | 14% |
| Ensures we derive benefits from globalization efforts (new knowledge, worker transfer, strategic information, leadership integration) | 3% | 13% | 42% | 33% | 10% |

**72.** What risk do the following challenges pose to your business?

| | No Risk | Low Risk | Moderate Risk | Significant Risk | Very Significant Risk |
|---|---|---|---|---|---|
| Unstable financial markets | 0% | 6% | 34% | 34% | 25% |
| Weakening global economies | 4% | 17% | 35% | 27% | 17% |
| Regulatory and compliance risks | 2% | 16% | 35% | 30% | 17% |
| Aging consumers and workforce | 8% | 29% | 32% | 22% | 9% |
| Healthcare and benefits costs | 0% | 12% | 26% | 35% | 27% |
| Emerging markets | 13% | 33% | 43% | 8% | 3% |
| Industry consolidation/transition | 7% | 35% | 39% | 14% | 5% |
| Development and retention of talent | 1% | 14% | 39% | 37% | 10% |
| Shortage of qualified and skilled resources | 3% | 23% | 38% | 27% | 9% |
| Changing demographics | 6% | 33% | 41% | 17% | 4% |
| Outsourcing/Offshoring | 27% | 45% | 23% | 4% | 2% |
| Absenteeism | 11% | 42% | 32% | 13% | 2% |
| Regional/Geographic diversity | 15% | 48% | 28% | 7% | 2% |

## 73. Please rank your organization's HR strengths (1 – 9 with 1 being top strength)

| | Rank |
|---|---|
| Internal service excellence provided to employees | 1 |
| Recruiting and developing a talented workforce | 3 |
| Driving innovation | 8 |
| Low-cost function | 5 |
| Competitive benefits | 2 |
| Competitive compensation | 4 |
| Recognition as "employer of choice" in your market | 6 |
| Organization effectiveness/organizational change | 7 |
| Mergers and acquisitions facilitation | 9 |

## 74. Please indicate how important each issue is and how effective your organization delivers each using the following scales:

| HR Program Importance | Not Important | Somewhat Important | Important | Very Important | Extremely Important |
|---|---|---|---|---|---|
| Total rewards system (salary, bonus, sales compensation) | 1% | 3% | 15% | 44% | 37% |
| Recruitment | 2% | 3% | 17% | 49% | 29% |
| Selection and assessment process | 0% | 2% | 19% | 48% | 30% |
| Talent retention | 0% | 2% | 13% | 45% | 40% |
| Talent management and succession planning | 0% | 8% | 21% | 45% | 25% |
| Ability to meet talent/skill needs for critical non-management roles | 1% | 4% | 28% | 48% | 20% |
| Ability to meet talent/skill needs for leadership roles | 0% | 2% | 13% | 44% | 40% |
| Large-scale organizational change | 3% | 15% | 34% | 31% | 16% |
| Employee engagement | 1% | 3% | 21% | 43% | 32% |
| Mergers and acquisitions facilitation | 48% | 16% | 17% | 14% | 6% |
| Innovation and creativity required to be competitive | 2% | 7% | 29% | 32% | 30% |
| Employer branding (reputation in marketplace) | 1% | 6% | 18% | 40% | 36% |
| Recognition as "employer of choice" in your market | 4% | 9% | 26% | 33% | 28% |

| HR Program Effectiveness | Not Effective | Somewhat Effective | Effective | Very Effective | Extremely Effective |
|---|---|---|---|---|---|
| Total rewards system (salary, bonus, sales compensation) | 2% | 14% | 28% | 44% | 11% |
| Recruitment | 1% | 9% | 34% | 47% | 9% |
| Selection and assessment process | 2% | 13% | 43% | 34% | 9% |
| Talent retention | 1% | 13% | 39% | 35% | 11% |
| Talent management and succession planning | 9% | 32% | 37% | 19% | 3% |
| Ability to meet talent/skill needs for critical non-management roles | 2% | 15% | 43% | 35% | 5% |
| Ability to meet talent/skill needs for leadership roles | 2% | 19% | 42% | 32% | 6% |
| Large-scale organizational change | 6% | 22% | 49% | 19% | 4% |
| Employee engagement | 2% | 21% | 40% | 29% | 8% |
| Mergers and acquisitions facilitation | 38% | 16% | 29% | 13% | 4% |
| Innovation and creativity required to be competitive | 2% | 19% | 42% | 29% | 8% |
| Employer branding (reputation in marketplace) | 3% | 17% | 28% | 37% | 15% |
| Recognition as "employer of choice" in your market | 5% | 20% | 36% | 27% | 13% |

# Employee, Leadership Selection and Performance Management

**75.** What impact has the current economic crisis had on your ability to source top talent?

| | |
|---|---|
| No impact | 39% |
| More top talent available | 53% |
| Less top talent available | 8% |

**76.** When, if ever, do you anticipate that a shortage of qualified, critical, non-management employees will impede your organization's performance?

| | |
|---|---|
| We have a critical non-management shortage right now that is impeding our organization's performance | 4% |
| In the next 1 – 2 years | 13% |
| In the next 3 – 4 years | 21% |
| In the next 5 – 9 years | 13% |
| In the next 10+ years | 4% |
| We do not anticipate a critical non-management shortage that will impede our organization's performance | 45% |

**77.** When, if ever, do you anticipate that a shortage of qualified leadership will impede your organization's performance?

| | |
|---|---|
| We have a qualified leadership talent shortage right now that is impeding our organization's performance | 7% |
| In the next 1 – 2 years | 14% |
| In the next 3 – 4 years | 23% |
| In the next 5 – 9 years | 14% |
| In the next 10+ years | 5% |
| We do not anticipate a qualified leadership shortage that will impede our organization's performance | 37% |

**78.** Which one of the following potential results of a qualified leadership shortage most concerns you?

| | |
|---|---|
| Reduced ability to meet revenue growth goals | 23% |
| Reduced ability to innovate | 19% |
| Reduced ability to meet profitability targets | 18% |
| Reduced ability to deliver desired customer service levels | 16% |
| None of the above | 23% |

**79.** Indicate how much you agree with the following statement, "Our organization has a performance management system that motivates employees to provide excellent service."

| | |
|---|---|
| Disagree | 9% |
| Somewhat disagree | 12% |
| Neither agree nor disagree | 21% |
| Somewhat agree | 34% |
| Agree | 24% |

**80.** How do you think the percentage of "virtual employees" (those who routinely work outside of the office at least 2 – 3 times per week) will change over the next 3 years?

| | |
|---|---|
| It will go up | 44% |
| It will remain about the same | 53% |
| It will go down | 3% |

## 81. What are the major barriers to promoting a virtual workforce in your organization? (Select all that apply.)

| | |
|---|---|
| IT security (e.g., control of confidential information, intellectual property) | 38% |
| IT expenses (e.g., costs of network connectivity, hardware) | 28% |
| Management resistance (e.g., supervisor discomfort with managing remotely) | 52% |
| Organizational culture | 58% |
| Job structure (e.g., ability to do the work remotely) | 60% |
| Difficulty in assessing performance and tracking attendance | 29% |
| Lack of organizational virtual work policy | 16% |
| Employee selection (e.g., right job-person fit) | 10% |
| No barriers, our organization is accepting of a virtual workforce | 5% |
| Other | 5% |

## 82. What potential benefit of a virtual worker program would be most valuable to your organization? (Please rank from 1 – 9, with 1 being the most valuable.)

| | Rank |
|---|---|
| Reduced real estate costs | 6 |
| HR cost savings (e.g., relocation costs) | 5 |
| Reduced transportation expenses (e.g., commuting reimbursement) | 8 |
| Increased productivity and performance | 1 |
| Increased employee engagement | 2 |
| Decreased turnover | 3 |
| Decreased job withdrawal | 3 |
| Reduced recruitment costs | 7 |
| Social responsibility (e.g., reduced energy costs) | 9 |

# Employee Engagement

## 83. Please indicate the extent to which you agree or disagree with each statement.

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Employees are passionate and enthusiastic about their work | 0% | 2% | 18% | 64% | 16% |
| Employees are devoted to getting the job done right | 0% | 1% | 11% | 64% | 24% |
| Employees are immersed fully in their work | 0% | 5% | 32% | 53% | 9% |
| Employees are focused and concentrate intensely while on the job | 0% | 5% | 35% | 51% | 9% |
| Employees are driven to do whatever it takes to complete the job | 0% | 5% | 27% | 52% | 16% |

# Recruitment

**84.** Do you recruit differently for hard-to-fill positions?

| | |
|---|---|
| Yes | 81% |
| No | 19% |

If yes, what describes your recruiting approach for hard-to-fill positions?

| | |
|---|---|
| We recruit applicants for hard-to-fill positions when they become open | 58% |
| We continuously recruit for hard-to-fill positions to establish a pool of candidates | 38% |
| [No response] | 4% |

**85.** Over the last two years, when you were not successful in hiring your top recruits, what was the main reason?

| | |
|---|---|
| They go elsewhere for pay that they perceive is higher | 47% |
| They go elsewhere for benefits that they perceive are better | 2% |
| They go elsewhere for long-term incentive/equity compensation they perceive is better | 8% |
| They go elsewhere for career development opportunities they perceive are better | 19% |
| They go elsewhere for perceived work/life advantages | 10% |
| Other | 13% |

**86.** Do you outsource any part of your recruitment effort?

| | |
|---|---|
| Yes | 48% |
| No | 52% |

If yes, what is the key business driver for recruitment outsourcing?

| | |
|---|---|
| Cost | 5% |
| Quality | 30% |
| Scale | 5% |
| Time to fill | 25% |
| Efficiency | 27% |
| No in-house capability | 8% |

If yes, for which job functions are you most likely to outsource the recruitment? (Select all that apply.)

| | |
|---|---|
| Sales | 15% |
| Hourly and/or support | 15% |
| Professional | 40% |
| Call center | 4% |
| Technical and/or skilled trades | 24% |
| Manager/Executive | 60% |
| Other | 11% |

# Communication

## 87. Do you have a formal communication strategy?

| | |
|---|---|
| We do not have a formal strategy in place | 46% |
| We are planning to design and implement a formal strategy | 14% |
| We currently have a formal communication strategy | 41% |

If you have a formal communication strategy, what programs does it include? (Select all that apply.)

| | |
|---|---|
| Health and benefits | 67% |
| Retirement programs | 54% |
| Executive benefit programs/wealth opportunities | 19% |
| Company mission, vision and values | 60% |
| Employment deal | 16% |
| Employee value proposition/employee engagement | 32% |
| Human resource policies and procedures | 64% |
| Corporate communications | 66% |
| Crisis communication | 44% |
| Organizational change communication | 50% |

## 88. Please rate how effectively your organization delivers communication of each.

| | Not Effective | Somewhat Effective | Effective | Very Effective | Extremely Effective |
|---|---|---|---|---|---|
| Health and benefits | 1% | 5% | 21% | 46% | 28% |
| Retirement programs | 3% | 12% | 37% | 31% | 17% |
| Executive benefit programs/ wealth opportunities | 11% | 20% | 41% | 20% | 8% |
| Employment deal | 11% | 13% | 44% | 24% | 7% |
| Employee value proposition/ employee engagement | 7% | 24% | 41% | 22% | 6% |
| Human resource policies and procedures | 1% | 7% | 29% | 43% | 19% |
| Corporate communications | 3% | 13% | 31% | 41% | 12% |
| Company mission, vision, and values | 4% | 11% | 26% | 34% | 25% |
| Crisis communication | 4% | 18% | 38% | 28% | 13% |
| Organizational change communication | 2% | 21% | 39% | 27% | 11% |

**89.** Please rate the impact communication has on participation in/appreciation of your health and benefits program.

| | |
|---|---|
| Very little impact | 3% |
| Some impact | 12% |
| Moderate impact | 20% |
| Significant impact | 46% |
| Very significant impact | 18% |

**90.** Please rate the impact communication has on participation in/appreciation of your retirement program.

| | |
|---|---|
| Very little impact | 9% |
| Some impact | 16% |
| Moderate impact | 31% |
| Significant impact | 31% |
| Very significant impact | 13% |

**91.** Please rate the impact communication has on participation in/appreciation of your employment deal.

| | |
|---|---|
| Very little impact | 15% |
| Some impact | 18% |
| Moderate impact | 36% |
| Significant impact | 24% |
| Very significant impact | 6% |

# Multinational Company Questions

**92.** How is your HR organization structured?

| | |
|---|---|
| Centralized | 31% |
| Decentralized (managed at the country level) | 23% |
| A combination of centralized and decentralized | 45% |

**93.** How is your organization's employee benefits plan managed?

| | |
|---|---|
| Centralized | 43% |
| Decentralized (managed at the country level) | 35% |
| A combination of centralized and decentralized | 23% |

**94.** What region of the world is your employee population most prevalent outside the US?

| | |
|---|---|
| EMEA (Europe, Middle East, Africa) | 65% |
| Asia | 16% |
| Canada | 14% |
| Latin America (including Mexico) | 5% |

**95.** Do you plan on growth in the next year?

| | |
|---|---|
| Yes | 54% |
| No | 46% |

If yes, in what region(s) will this growth be focused? (Select all that apply.)

| | |
|---|---|
| United States | 78% |
| EMEA (Europe, Middle East, Africa) | 51% |
| Asia | 35% |
| Canada | 13% |
| Latin America (including Mexico) | 20% |

**96.** Do you plan to reduce your workforce inside or outside of the US in the next year?

| | |
|---|---|
| Yes | 46% |
| No | 54% |

If yes, in what region(s) will this reduction be focused? (Select all that apply.)

| | |
|---|---|
| United States | 88% |
| EMEA (Europe, Middle East, Africa) | 46% |
| Asia | 23% |
| Canada | 20% |
| Latin America (including Mexico) | 12% |

**97.** Do you have a global governance strategy for your benefits plans?

| | |
|---|---|
| Yes | 32% |
| No | 68% |

**98.** Do you have a global strategy for your benefits programs?

| | |
|---|---|
| Yes | 34% |
| No | 66% |

If yes, what is the program's primary objective?

| | |
|---|---|
| Cost savings | 18% |
| Compliance with accounting, regulatory, corporate-based standards | 16% |
| Ability to direct the programs to align with business objectives and strategies | 41% |
| Consistency of benefit packages and total rewards offered | 25% |
| Reduce HR service levels | 0% |
| Other | 0% |

**99.** Please select your biggest concern(s) regarding employee benefits compliance. (Select all that apply.)

| | |
|---|---|
| Accuracy of financial reporting for employee benefit costs | 41% |
| Managers who make employee benefits promises without fully understanding the consequences | 21% |
| The correct and full implementation of corporate guidelines | 38% |
| The involvement of local-level consultants or brokers who may not be aware of corporate guidelines | 9% |
| Timely and correct fulfillment of employee benefit promises | 26% |
| Hidden or unrecognized costs of benefit promises | 48% |

## 100. Has your multinational firm adopted a global wellness strategy with services offered to non-U.S. employees?

| | |
|---|---|
| Yes | 11% |
| No | 89% |

If yes, which services are offered through your global wellness program to non-U.S. employees? (Select all that apply.)

| | |
|---|---|
| Health risk assessment | 87% |
| Employee Assistance Program | 80% |
| Web portal with health information | 73% |
| Online health information | 80% |
| Personal health record | 40% |
| Telephone-based health coaching | 53% |

## 101. Do you have expatriate or third-country national employees?

| | |
|---|---|
| Yes | 63% |
| No | 37% |

If yes, are these employees receiving any of the following specialized benefit programs due to their employment circumstances? (Select all that apply.)

| | |
|---|---|
| Offshore retirement program | 16% |
| Expatriate or TCN medical | 59% |
| Expatriate or TCN dental | 49% |
| Expatriate or TCN life insurance coverage | 41% |

## 102. Do you participate annually in benefit surveys to address the needs of your multinational benefit programs?

| | |
|---|---|
| Yes | 36% |
| No | 64% |

## 103. What is the most important change that you will be considering in your international operations in the next year due to the economic downturn?

| | |
|---|---|
| Reduction in workforce | 20% |
| Reviewing compensation elements and levels | 19% |
| Reviewing retirement offerings | 4% |
| Reviewing non-mandatory benefit options (reduction or elimination) | 2% |
| Reviewing funding arrangements | 8% |
| Consolidating benefit programs where possible for maximum leverage with providers | 10% |
| Reviewing benefit providers for competitive market rates and financial stability | 37% |

# About Aon Consulting

*Aon Consulting (www.aon.com) pools the best thinking and most advanced research from hundreds of global disciplines through one local point of contact to deliver creative, customized, human resource solutions, seamlessly, anywhere in the world.*

**Health and Benefits:** We are a global leader in health and benefits consulting, differentiated by size and scale as well as the way we help our clients. We use data to help our clients act on three fronts: manage their health care spend, maintain the integrity of their core offerings, and meet the needs of their varied employee population.

Our services include group life and health plan design, data-driven health strategies, audits, absence management and productivity, consumer-driven health care, health care management, individual life and health, benefits administration, and executive benefits.

**Retirement:** Our retirement and investment consultants provide comprehensive and integrated retirement services to increase organizational impact through alignment of retirement plans with workforce policies. We also manage adverse outcomes through financial, fiduciary, and operational risk management.

Our services include pension plan actuarial, defined contribution management, and fiduciary governance and compliance services for qualified and non-qualified retirement programs that are sponsored by domestic and multinational organizations.

**Human Capital Consulting and Outsourcing:** Our human capital consultants help drive organizational success through the leadership of talent and mitigation of human capital risk. We offer forward-looking ways to help our clients recruit, attract, select, develop, and engage employee and leadership talent, improve organizational effectiveness, strategically lead human capital, and create messaging to drive employee behaviors.

Our services include talent strategy, recruitment outsourcing, talent acquisition and management, leadership assessment and development, organizational change, call center solutions, communication consulting, and total reward statements.

**Employee Benefit Outsourcing:** Our employee benefits outsourcing business serves 1.2 million participants in large and mid-sized organizations, spanning all geographies and industries. Using state-of-the-art tools, a scalable business model, integrated communication support, and a consultative approach, we help clients build a cost-efficient benefits outsourcing strategy that is tailored for their business.

Our services include health and benefits administration, defined benefits administration, participant advocacy call center services, and flexible spending account administration.

**Corporate Transactions:** As leaders in the human capital transformation and transactions arena, we counsel companies that are undergoing corporate transitions on their human capital assets—helping them assess and structure leadership teams, address organizational and workforce effectiveness, and optimize program efficacy and impact.

Our corporate transactions team is comprised of world leaders who have successfully led and managed some of the most significant, successful, and complex global transactions.

Our services include a full range of consulting on mergers, acquisitions, and restructuring.

**Global Benefits:** We have one of the largest, wholly-owned networks of worldwide offices and actively manage a benefits network to provide support and advice to clients in more than 100 countries. Our employee benefit consulting solutions and web-based global benefits tool help us coordinate and deploy benefit packages in all countries so that our clients can drive global employee benefits efficiently from a central headquarters without losing sight of the important tactical issues that impact benefit packages locally.

Our services include health care group purchasing and multinational health care pooling programs.

**Global Compensation:** Our compensation experts in McLagan and Radford help clients balance employee and shareholder interests, achieve business objectives, and attract and retain key employees using market compensation and executive reward strategies.

McLagan helps our clients in the financial services industry make better decisions by applying market pay and performance information to their business problems. Radford is the leading provider of compensation market intelligence and compensation services for the technology and life sciences industries.

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