These Aren’t Your Father’s Benefits

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Purchasing Power
May 9, 2012
AGENDA

• State of the Benefits Industry
• In the Beginning...
• Where we are now
• Where we are heading
• Your role in the Benefits “Brave New World”
State of the Industry
The Good

• Employees are leaning on employers for “whole life” benefits packages

• More than 50% of employees feel that voluntary benefits increase they value of their company’s offerings (MetLife)

• Technology, social media and the internet allows for larger reach and is changing the way the industry markets and advertises
The Bad

• 60% of employers are having difficulty finding “critically skilled” employees (Towers Watson)

• Less than 19% of employers think their employees have a very good understanding of their benefits (Colonial Life)
The Ugly

- More than 1 in 3 employees are looking for a new job

More than half of Gen Y workers agree that given the choice they hope to be working for another employer in 2012

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Y</td>
<td>54%</td>
</tr>
<tr>
<td>Gen X</td>
<td>37%</td>
</tr>
<tr>
<td>Younger Boomers</td>
<td>27%</td>
</tr>
<tr>
<td>Older Boomers</td>
<td>21%</td>
</tr>
</tbody>
</table>

- 57% of employees admit financial stress contributes to absenteeism
In the Beginning
What year is the earliest known record of benefit being offered?
1636!

While many think employee benefits are a more recent workplace enhancement, they actually date back to 1636 with Plymouth Colony settlers’ military retirement program.
Evolution of Benefits

- Early 20th century - Great Depression provided the first big push for more advanced and substantial benefits that could provide economic stability.

- For example, health-insurance premiums were made tax deductible to employers and became nontaxable to employees.
Introducing Voluntary!

• Employee benefits mushroomed until the 1970s when the Vietnam War and the oil crisis slowed the U.S. economy and prompted a new attitude toward corporate cost-control.

• The **first voluntary benefit** was introduced that would pave the way for allowing employers to offer more robust, yet cost-effective benefits packages.
First Voluntary Benefit?
Where Are We Now?
Recovering Economy
Health Care Reform?
Increasing Costs + Decreasing Engagement and Loyalty
2012 Objectives – LinkedIn Poll

Which HR objective is top priority for your company for the next 12 months?

1220 votes • 35 comments • Ended 15 Oct 2011

- Financial Wellness: 233 (19%)
- Health and Wellness: 131 (11%)
- Education and Training: 195 (16%)
- Employee Engagement and Loyalty: 514 (42%)
- Work-Life Balance: 147 (12%)

Overall demographics:
- Age:
  - 18-29: 135
  - 30-39: 116
  - 40-44: 114
  - 45+: 104
- Seniority:
- Gender:
  - Male: 296
  - Female: 304
  - Manager: 235
And Employers Should Be Worried!

Employees who feel a very strong sense of loyalty to their employers

- 2005: 46%
- 2006: 51%
- 2007: 54%
- 2008: 53%
- 2009: 53%
- 2010: 47%
- 2011: 42%
Great Benefits Can:

• Reduce absenteeism
• Increase employee loyalty
• Improve employee morale
• Increase productivity
• Add to the total rewards package
Benefits Lead to Satisfied Employees

- 70% of employees who are very satisfied with their benefits are very satisfied with their job.

Employees who satisfied with their benefits packages are THREE TIMES more likely to be satisfied with their jobs!

- Of those employees who are dissatisfied with benefits, only 23% are very satisfied with their job.

Source: 10th Annual Metlife Study
Employers Often Underestimate Importance of Benefits!

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and wages</td>
<td>73%</td>
<td>71%</td>
</tr>
<tr>
<td>Health benefits</td>
<td>66%</td>
<td>57%</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>59%</td>
<td>42%</td>
</tr>
<tr>
<td>Advancement opportunities</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>Non-medical benefits (dental, disability, vision, life)</td>
<td>51%</td>
<td>32%</td>
</tr>
<tr>
<td>Company culture</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>A choice of voluntary benefits</td>
<td>40%</td>
<td>24%</td>
</tr>
</tbody>
</table>
And Most Underestimate How Important Benefits Are to Younger Generations!

Benefits are a powerful draw for attracting younger employees to a company

<table>
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<th>Older Boomers</th>
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</thead>
<tbody>
<tr>
<td>Employees agree that the benefits offered were an important reason why they came to work for this employer</td>
<td>56%</td>
<td>52%</td>
<td>40%</td>
<td>31%</td>
</tr>
<tr>
<td>Employees agree that the benefits are an important reason why they remain with their employer</td>
<td>63%</td>
<td>62%</td>
<td>53%</td>
<td>54%</td>
</tr>
</tbody>
</table>
Voluntary Benefits Gaining Importance

• 57% of US employers offer some form of voluntary benefits (LIMRA)

• In next two years, as many as 46 million employees will have access to a new employee-pay-all option (LIMRA)

• Number of voluntary benefits offered by employers (long-term care, critical illness, optional life, optional disability) has increased 23% in 2011 (MetLife)
What’s Popular in Voluntary?

• Life and cancer insurance remain insurance most commonly offered voluntary benefit – more than 300,000 businesses
• Voluntary long-term and short-term disability have more than 20% of employers offering these benefits to employees
• Vision (20%) and dental (19%) remain the most common voluntary benefits on employer’s radar
• 57% of larger companies (500+ employees) offer financial education programs
What’s In the Voluntary Toolbox?

- Discount product and service programs
- Education assistance
- Elder care assistance
- Identity theft protection
- Financial wellness/education programs
- Legal assistance/services
- Pet insurance
- Purchase programs
- Vacation and travel programs
Where Are We Heading?
Where Are Employers Headed?

• Half of large firms (1,000 or more employees) show interest in transitioning their existing benefits to voluntary, which is significantly higher than smaller-sized firms.

• The two benefits most likely to be shifted to voluntary arrangement are medical and prescription drug plans.

Is this what you are hearing?
Where Are Employees Headed?

• 62% of Gen Y and Gen X employees are willing to bear more of the cost of their benefits rather than lose them.

• 57% are interested in a wider array of voluntary benefits offered by their employer, as compared to 43% of Baby Boomers.
Don’t Get Left Behind

Almost 60% of brokers and consultants report that consultative selling and cross-selling are their two primary strategies for meeting the challenges of the post-reform marketplace.

Think Out of the Box with Your Voluntary Toolbox
Your Role In the “Brave New World” of Benefits
It’s All About Adding Value!

• When working with employers, **add value** by helping them meet their HR objectives.

• This is a general framework we put together to help an employer broadly categorize its objectives.
Know Your Audience
Voluntary Benefit Segmentation

<table>
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<tr>
<th>Generation</th>
<th>Benefit</th>
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<tbody>
<tr>
<td>Millennials</td>
<td>Financial awareness education</td>
</tr>
<tr>
<td>Generation Y</td>
<td>Tuition Reimbursement</td>
</tr>
<tr>
<td>Generation X</td>
<td>401K education</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>Retirement education programs</td>
</tr>
</tbody>
</table>
Communicate, Communicate, Communicate!

- 55% of employees say they do not find their benefits materials clear or comprehensive!

3+3 RULE!

- For effective benefits education, employees need at least three ways to learn about their benefits as well as three weeks to process the information before enrollment.
Communication...? But That’s the Client’s Job!

Effective benefits communication drives voluntary success.

• Participation and revenue dramatically increase when the enrollment includes trained benefits counselors who personalize the decision-making process for employees.

• A recent study by Eastbridge Consulting Group, Inc. found the average voluntary benefits participation rate for face-to-face enrollments is 46% higher than the participation rate for a self-enrollment.
Be an Active Participant

• Work with your clients to help understand how employees want to be communicated with and develop a communication plan with your clients

• Use mixed channels for your diverse audience
Case Study - Communication

**Client 1**

Purchasing Power handled Pre-launch e-mail, “Coming Soon” flyers, and Launch mailers.

- First 30 days: 2.1% participation
- Participation: 158 orders out of 7,451 eligibles

158 orders
- Average order of $1,255
  - $198,290

$198,290
- 7% commission
  - $13,880.03

**Client 2**

No flyers or e-mails. The broker included program info in the generic welcome packet.

- First 30 days: 0.17% participation
- Participation: 15 orders out of 8,794 eligibles

15 orders
- Average order of $1,255
  - $18,825

$18,825
- 7% commission
  - $1,317.75
Questions?

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Thank You!