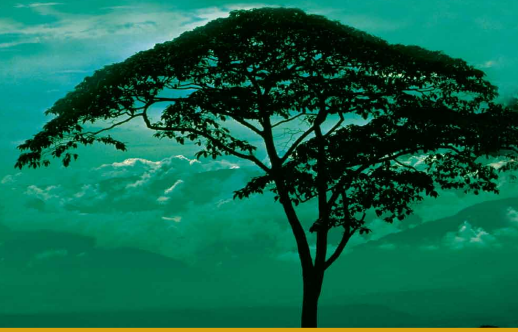


BENEFIT

Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

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Delaying Retirement To Accumulate More Savings

Many Baby Boomers and Gen Xers who have not saved enough for retirement intend to keep working past the age of 65 in an effort to boost their retirement income. However, this strategy may not necessarily succeed without participation in a defined contribution plan during those additional years on the job, according to a June 2011 study, "The Impact of Deferring Retirement Age on Retirement Income Adequacy," by Jack VanDerhei and Craig Copeland published by the Employee Benefit Research Institute (EBRI).

Using a projection model, the authors looked at the question of whether retirement age deferral is sufficient to solve retirement income adequacy problems for most Americans who are currently of working

age. Based on the assumption that the level of income before retirement is crucial to cover basic expenses and health care costs in retirement, the study investigated how working

past age 65 affected different pre-retirement income groups.

The results of the simulation showed that, for those in the lowest quintile of income, only 29.6% of households would have sufficient resources to avoid running short of money in retirement 50% of the time if they retired at age 65. If retirement is deferred until age 67, however, this increases to 34.6%, and to 46.5% if deferred until age 69. The analysis indicates that the incremental increase in the percentage of households in the lowest pre-retirement income quartile, having at least a 50% probability of success, levels off for several years, but then picks up again after age 75. Nearly one-half (49.1%) of the lowest pre-retirement income quartile households retiring at age 75 would have

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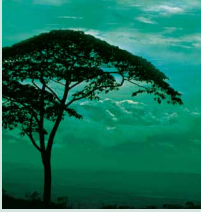
- Small Businesses Could Benefit From Healthcare Reform
- Many Employees Take A Summer "Workation"
- CEOs Expect Higher Levels Of Employee Productivity

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Pre-retirement income alone does not determine the chances that working past retirement can achieve retirement income adequacy within a reasonable period of time.

at least a 50% probability of success, but the share increases to 61.7% at age 80, and to 90.2% at age 84.

While this suggests that households in higher income categories would be more likely to have accumulated enough savings by age 65 to cover their retirement income needs 50% of the time, they would still face some challenges if the bar were raised to 70%. For the second pre-retirement income quartile, the simulation revealed that less than a quarter (23.5%) of households would have a 70% probability of accumulating adequate income if they retired at age 65. This rises to 36.5% if they continue working to age 69.

For the third pre-retirement income quartile, almost half (49.1%) would have a 70% probability of success if they retired at age 65, and this increases to 60.5% if they keep working to age 69. Finally, among the highest pre-retirement income quartile, the simulation showed that around three-quarters (75.9%) of households would have a 70% probability of having adequate income for retirement if they retired at age 65. This rises to 81.1% if they keep working to age 69.

VanDerhei and Copeland emphasized that pre-retirement income alone does not determine the chances that working past retirement can achieve retirement income adequacy within a reasonable period of time. “One of the factors that makes a major difference in the percentage of households satisfying the retirement income adequacy thresholds at any retirement age is whether the worker is still participating in a defined contribution plan after age 65,” the authors said. The increase in the percentage of households that are predicted to have adequate retirement income as a result of defined contribution participation varies by retirement age, pre-retirement income quartile, and the probability of retirement income adequacy; but, this factor results in at least a 10-percentage point difference in the majority of the retirement age/income combinations investigated.

Small Businesses Could Benefit From Healthcare Reform

While there has been a significant decline in the number of Americans covered by employer-sponsored health plans over the last decade, the Patient Protection and Affordable Care Act of 2010 (PPACA) could help reverse this trend, especially among small businesses and their employees, according to two different 2011 studies by the Robert Wood Johnson Foundation (RWJF).

Researchers from the University of Minnesota analyzed data from the U.S. Census Bureau’s Annual Social and Economic Supplement of the Current Population Survey and other sources to examine trends in employer-sponsored healthcare plans over the past decade.

The findings indicated that the percentage of non-elderly Americans who have employer-sponsored healthcare coverage declined eight percentage points over the period studied, from 69% in 1999/2000 to 61% in 2008/2009. This means that some 7.3 million fewer Americans have employer-provided coverage than a decade previously; of this group, 4.1 million, or nearly 57%, are dependents.

Even as coverage rates declined, the cost of insurance went up. The results of the analysis showed that, in 2008/2009, the average annual premium for employer-provided coverage was \$4,528 for individual private-sector workers, representing an increase of 82% relative to 1999/2000. Over the same period, premiums for family coverage rose 75%, to \$11,208.

“For 60 years, American businesses have been the conduit to health insurance for most families, so this decade-long decline in employer-sponsored insurance is troubling,” said Risa Lavizzo-Mourey, president and CEO of the RWJF. “Policy-makers must work hand-in-hand with business leaders and insurers to make

certain that this pillar of health insurance doesn't further erode."

The authors noted that, while the decline occurred across all income levels, more than half of those who lost employer-sponsored healthcare coverage were in families earning moderate incomes (about \$44,000–\$88,000 annually for a family of four). Further, the share of private employers nationwide offering health plans declined by 3.6 percentage points between 1999/2000 and 2008/2009, and that the decline was greater among small businesses (fewer than 50 employees), from 47% to 42%.

The second study at the Urban Institute examined whether the newly enacted healthcare legislation would help stop the erosion of employer-sponsored healthcare coverage after 2014, when most of the law's key provisions go into effect. Using a simulation model, the researchers estimated that insurance offer rates for all companies with fewer than 100 employees would increase by 9.7% under the PPACA, from a projected 43.4% to 47.6%.

Specifically, the biggest increase would be seen in the smallest companies, with a projected increase in offer rates of 14.2% among businesses with fewer than 10 employees. The results also showed that, when combined with a projected drop in premium costs, employer-sponsored coverage will increase modestly for workers at companies with fewer than 50 employees.

"Small business owners have struggled for years to provide health insurance to employees," said Lavizzo-Mourey. "The estimates based on the Urban Institute's simulation model suggest that relief could be in sight for small businesses that want to cover their employees, but have been unable to do so in the past due to ever-rising costs."

The study also noted that employees of small companies and their families are expected to reap substantial benefits from the Medicaid expansion, individual health insurance exchanges, and premium subsidies to low-income families under the PPACA, which should bring significantly reduced rates of lack of insurance for this group.

Many Employees Take A Summer "Workation"

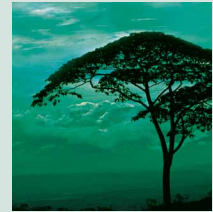
According to a 2011 survey conducted by Regus, a workplace solutions provider, for many professionals, taking a complete break from work responsibilities has become a choice of the past, as their smartphones and laptops now keep them tethered to the office.

The results from more than 5,000 U.S.-based professionals indicated that a majority of respondents expect to stay connected to the office during their vacation this year, with many saying they will be checking emails, taking work with them, or participating in online meetings.

The survey showed that 50% of respondents anticipate having to work during their vacation this year, 75% plan to stay connected to the office in some way while on vacation, 66% expect to be checking and replying to emails during their time off, and 29% expect they may have to attend meetings virtually while on vacation.

Researchers recommended that employees plan in advance to reduce the amount of time they spend on work-related tasks during their vacation by making a few adjustments. For example, employees should ask colleagues to send only one update daily, rather than questions or updates throughout the day. They may also consider altering their phone settings so that they have to actively check their emails, rather than be interrupted with emails coming in all day long. Finally, employees who need to set aside time for working each day, should try to find a quiet area with no distractions to complete their work as quickly and efficiently as possible.

"Modern work pressures mean that more and more of us work during our vacations," said Guillermo Rotman, CEO of Regus. "The important thing is to minimize the inconvenience by working as efficiently as we can."



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CEOs Expect Higher Levels Of Employee Productivity

According to a June 2011 survey released by Hay Group, a global management consulting firm, American business leaders have set ambitious growth targets for 2011 and expect workforce productivity levels to rise to meet business objectives. However, many companies do not have a clear strategy in place for motivating employees to improve their individual performances.

The information was gathered from 1,660 senior decision-makers in large companies across more than 30 countries worldwide, including 250 U.S. executives, and showed that companies globally are targeting 5.4% growth for 2011, with U.S. companies anticipating growth of 4.9% this year. Researchers pointed out that these targets outstrip International Monetary Fund (IMF) local economic forecasts for GDP growth. Based on the latest IMF figures, the U.S. economy is forecast to grow at a rate of 2.8% in 2011.

Two-thirds (66%) of the U.S. CEOs surveyed admitted their growth targets present a challenge. When asked how they intend to achieve these targets, respondents said they need to increase productivity by 6% on average, with 69% saying they intend to ask even more of their workforces. At the same time, more than half (54%) have concerns that their employees are already being pushed to the limit.

“U.S. business leaders face a significant challenge as they work to achieve aggressive growth targets with a workforce that is already stretched thin,” said Katie Lemaire, vice president at Hay Group. “To fully harness the power of their employees, executives need to take a fresh look at how performance is really

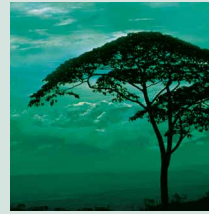
managed to ensure people are enabled to drive organizational performance.”

More than two-thirds (68%) agree that individual performance management is an important driver of overall business performance, and more than half (56%) believe it makes a difference to the bottom line. The majority (68%) said they plan to implement more rigorous individual performance management programs this year. However, just 13% reported that their organization aligns its performance management system with company strategy. And, while nearly all (93%) agreed that culture has an important influence on the effectiveness of performance management, only 27% said their company aligns its performance management strategy to company culture and values.

Despite this misalignment of performance management systems with corporate objectives, 27% reported that they spend just 10% or less of their time managing poor performance. More than two-thirds (36%) said they believe managers fail to use their performance management process effectively, and 40% do not actively support the performance management process. Almost one-quarter (23%) described their company’s process as a “tick-box exercise.”

“In response to the economic downturn, U.S. business leaders focused solidly on controlling costs,” Lemaire observed. “Now, as they look to improve business results and get more discretionary effort from their people, it’s time for them to shift their focus to performance management.”

Lemaire also pointed out that companies seeking to improve their performance management process do not need to throw out their existing systems. Instead, she recommended enhancement of current systems by having leaders provide more direction and clarity, so that employees understand how they impact “big picture” results.



Business leaders have set ambitious growth targets for 2011 and expect workforce productivity levels to rise to meet business objectives.