

BENEFIT

Plan Developments



A report covering plan design and legislative changes

Volume 53, Number 3

Employers Committed To Helping Workers Save For Retirement

In response to warning signs that employees may not be saving successfully for retirement, growing numbers of employers plan to step up their efforts over the coming year to help workers maximize their 401(k) savings, according to the results of a survey of retirement plan sponsors by human resources consultancy Hewitt Associates.

Results of the annual survey of 162 mid- to large-sized U.S. companies representing 5.7 million employees showed that just over one-half of employers polled in 2010 (54%) were confident about their workers' ability to retire with sufficient assets, compared with two-thirds surveyed in 2009 (66%). Meanwhile, fewer than one in five (18%) indicated

they are very confident about their employees' ability to make their retirement income last until the end of their lives.

Also In This Issue

- More Highly Skilled Professionals Are Working From Home
- Presenteeism And The H1N1 Virus
- "Green" Policies Promote Employee Satisfaction

The 2010 findings also confirmed a continued emphasis among employers on automating 401(k) plans to help workers save more effectively for retirement. Approximately 59% of respondents reported they offer automatic enrollment, up from 51% in 2009. Among those that do not currently offer the feature, more than one-quarter (27%) said they are very or somewhat likely to add it in the coming year.

In addition, more than half of the employers (54%) reported that they currently offer automatic rebalancing, a tool that helps employees regularly balance their portfolios with their target allocations. Of the companies that do not already offer automatic rebalancing, 46% said they are very

WR WebsterRogers LLP
CERTIFIED PUBLIC ACCOUNTANTS ♦ CONSULTANTS
www.websterrogers.com

Florence, SC 1411 Second Loop Road / 29505 • P.O. Box 6289 / 29502 • (843) 665-5900 (ph) • (843) 678-9523 (fx)

Georgetown, SC 1759 North Fraser Street / 29440 • P.O. Drawer 1628 / 29442 • (843) 546-2426 (ph) • (843) 546-0028 (fx)

Myrtle Beach, SC Parkway Center, Suite 201 • 950 48th Avenue North • (843) 448-1500 (ph) • (843) 497-2588 (fx)

Sumter, SC 380 West Wesmark Blvd. • (803) 905-4000 (ph) • (803) 905-4001 (fx)

Charleston, SC Carolina First Center, Suite 320 • 40 Calhoun St. / 29401 • P.O. Box 20099 / 29413 • (843) 577-5843 (ph) • (843) 723-3075 (fx)

Litchfield, SC Litchfield Commons, Suite 2A • 14361 Ocean Highway 17 • P.O. Box 350 / 29585 • (843) 237-9004 (ph) • 843-237-9160 (fx)

Columbia, SC The Tower at 1301 Gervais • Suite 802 • (803) 312-0001 (ph) • (803) 255-8886 (fx)

Summerville, SC 100 South Main Street • Suite G / 29483 • (843) 873-4400 or (800) 551-6032 (ph) • (843) 873-7227



Of the respondents that suspended or reduced their company match in 2009, 80% said they are planning to reinstate or increase the match in 2010.

or somewhat likely to add it to their plan in 2010. Moreover, 59% of respondents reported that they offer automatic contribution escalation, a tool that allows participants to elect to have their contribution rates increased automatically over time. Of those companies that do not yet provide this option, 38% indicated they are very or somewhat likely to start offering it this year.

When asked if they expect to change their matching contributions to their 401(k) plans in 2010, 71% of all companies surveyed said no change is planned. Of the respondents that suspended or reduced their company match in 2009, 80% said they are planning to reinstate or increase the match in 2010.

The findings also showed that 29% of companies currently offer a Roth 401(k) plan to their employees, in line with results from the 2009 survey. However, one-quarter (25%) said they are very or somewhat likely to add a Roth 401(k) plan in 2010. When the companies that have not yet adopted the Roth 401(k) option were asked why they are hesitating, the top reasons cited were concerns about whether usage will be significant enough to justify adding the plan and worries about the administrative complexity or costs involved in offering the plan.

The survey further indicated that an increasing number of employers are offering investment services and tools to help employees make better investment and savings decisions. Half of the employers (51%) said they currently offer online investment guidance, and another 42% reported that they are very or somewhat likely to do so in 2010. In addition, 28% said they currently offer managed accounts, which allow workers to delegate the overall management of their accounts to an outside professional. One-quarter (25%) indicated they are very or somewhat likely to offer managed accounts in the coming year.

Researchers observed that employers are taking considerable action to mitigate risk in their 401(k) plans. More than two-thirds of respondents (68%) said they are

very or somewhat likely to increase the amount of employee communication surrounding the investment fees and overall fund fees in their 401(k) plans in the coming year. In addition, 60% told researchers they are very or somewhat likely to review their plan's governance structure.

The results suggest that companies are taking a similar risk management approach for their defined benefit pension plans. Of the employers that offer pension plans, 80% indicated they are very or somewhat likely to review their funding strategy, and 73% said they are very or somewhat likely to assess how their current strategies are approaching pension plan risks. Almost two-thirds (64%) said they intend to adjust equity exposure and/or overall asset allocation, while slightly more than half (52%) indicated they are very or somewhat likely to adjust their plan investments to align with their plan's liabilities.

More Highly Skilled Professionals Are Working From Home

The trend toward working at home appears to be accelerating, especially among higher earners and well-educated employees, with more than 11 million people working from home by the middle of the last decade, according to a report recently released by the U.S. Census Bureau.

The report cites figures from "Home-Based Workers in the United States: 1999–2005," a series of tables that provide details of the types of employment, the occupations, and the characteristics of Americans who work from home. The tables cover the total workforce and compare employees who work at home with those who do not. The data displayed in the tables are based on a supplement to the Census Bureau's Survey of Income and Program Participation (SIPP).

The data showed that, between 1999 and 2005, the number of home-based workers increased by nearly two million,

from about 9.5 million in 1999 to 11.3 million in 2005. Thus, employees who worked at home comprised 8% of the total U.S. workforce in 2005, compared with 7% in 1999. Results further showed that, of those who worked at home in 2005, about 8.1 million did so exclusively, up from 6.7 million in 1999.

The survey also analyzed the demographic and occupational characteristics of people who worked at home. The 2005 survey showed that nearly one-third of home workers (32%) were employed in professional and related services, and other significant sectors included business and repair services (12%) and finance, insurance, and real estate (10%). The most common occupations reported by home workers were professional (25%); executive, administrative, and managerial (22%); and sales (18%).

Just over half of employees who worked from home in 2005 (51%) were women, and a slight majority (52%) were between the ages of 35 and 54. Categorized by race, the findings indicated that white non-Hispanics comprised about 82% of home-based workers; blacks, 6%; Hispanics, 6%; Asians, nearly 4%; and all other races, about 3%.

The data further showed that the median monthly earnings of employees who worked at home were about \$2,400 in 2005, and the median annual family income for these workers was approximately \$68,000. In the 2005 survey, 46% of respondents who said they worked at home some or all of the time reported earning at least \$75,000 per year, compared with 34% of non-home workers. Moreover, those who worked both at home and in an office were found to have the greatest percentage of high-paying jobs, with about 54% of them reporting earnings of \$75,000 or more in 2005.

Home-based workers also appear to have higher-than-average levels of education. Nearly half of respondents in the 2005 survey who worked at home (47%) reported having at least a bachelor's degree, almost one-third (32%) said they had at least some college, 17% said they had a

high school diploma, and just 5% indicated they had less than a high school diploma.

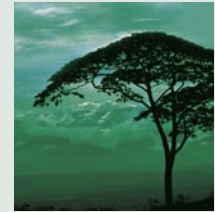
Presenteeism And The H1N1 Virus

During the peak months of the H1N1 “swine flu” pandemic in 2009, an estimated 26 million American workers became infected with the virus, and as many as 7 million cases may have occurred in the workplace due to “presenteeism,” according to a study by the Institute for Women’s Policy Research.

The paper, “Sick at Work: Infected Employees in the Workplace During the H1N1 Pandemic,” was written by Robert Drago, professor of Labor Studies at Pennsylvania State University, and Kevin Miller, a senior research associate at the Institute. The findings are based on data from the Centers for Disease Control and Prevention (CDC) and the Bureau of Labor Statistics (BLS).

The analysis showed that almost 26 million employed Americans aged 18 and older may have been infected with H1N1 during the months of September through November 2009, the peak months of the pandemic to date. The findings indicated that 18 million employees took at least part of a week off in response—which means that about 8 million employees took no time off from work while infected. Furthermore, employees who went to work while sick with H1N1 may have caused the infection of as many as 7 million co-workers.

The findings also revealed that, more than 90% of public sector employees, but only 66% of private sector employees, took time off when infected with H1N1. The authors noted that the United States is one of the few developed nations without universal paid sick days. While the vast majority of public sector employees in the United States receive paid sick days, two out of five private sector employees have no access to paid sick days.



Results further showed that, of those who worked at home in 2005, about 8.1 million did so exclusively, up from 6.7 million in 1999.

“The data suggest that only two-thirds of private sector employees took time away from work when infected with H1N1, despite advice to stay home,” Miller said. “Workers without paid sick days must choose whether to go to work sick or lose pay, a choice that many can’t afford to make.”

“Presenteeism—attending work while ill—among private sector employees without paid sick days may have extended the duration of the outbreak in that sector,” the authors concluded.

“Green” Policies Promote Employee Satisfaction

An employer’s commitment to environmentally friendly policies can have a greater impact on worker satisfaction than strong financial performance, according to a study by researchers at the Charlton College of Business, University of Massachusetts, Dartmouth.

“A Greener Company Makes for Happier Employees More So than Does a More Valuable One: A Regression Analysis of Employee Satisfaction, Perceived Environmental Performance and Firm Financial Value,” was written by Cassandra Walsh and Adam J. Sulkowski. The findings are based on an analysis of 113 companies in the Standard & Poor’s 250 that report on corporate responsibility.

The authors examined the financial performance of these companies, while also analyzing Vanno’s measures of perceived environmental performance and employee satisfaction at these organizations. The Vanno Company Reputation Index gauges relative company reputations using collective commentary,

numerical scoring, and votes by thousands of stakeholders on specific topics, including employee satisfaction and environmental performance. Companies with high “green” ratings excel in areas such as recycling, use of clean and renewable energy, sustainability, and conservation and preservation.

The authors set out to test the hypotheses that employee satisfaction is positively affected when a company is perceived as performing well environmentally, and that employee satisfaction is positively influenced by perceived environmental performance. The results of the statistical analysis showed that, while there is no significant relationship between company financial performance and employee satisfaction, a significant positive relationship exists between perceived environmental performance and employee satisfaction.

Speculating about the reasons for the disconnect between financial performance and employee satisfaction, the authors cited research showing that some firms may boost profitability by cutting benefits, which displeases workers. By contrast, they noted that numerous studies have shown that workers respond positively when firms communicate facts and narratives related to corporate responsibility, including environmental performance.

Thus, the authors asserted, employee perceptions of corporate responsibility can positively influence an employee’s perception of organizational attractiveness, job satisfaction, organizational commitment, citizenship behavior, and performance. The findings indicate “that a more valuable company does not result in more satisfied employees, but a greener company leads to happier employees, which potentially results in a more valuable company.”



Companies with high “green” ratings excel in areas such as recycling, use of clean and renewable energy, sustainability, and conservation and preservation.
