

# FYI<sup>®</sup> Roundup

## For Your Information<sup>®</sup>

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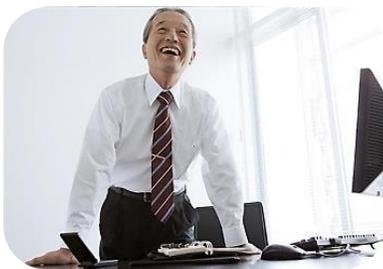
## Recent Research in HR and Employee Benefits 2015 — Fall Edition

Our fall edition of *FYI Roundup* highlights selected reports and surveys released in the last few months that will be of interest to employers. In this issue, we focus on executive compensation, health benefits, specialty pharmacy programs, latest trends in the use of HR technology applications, defined contribution plan designs, growing interest in multiple employer plans, insight about Millennials, financial concerns of the multigenerational workforce, and a new research tool for the digital age.

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### Executive Compensation

The trend to include total shareholder return (TSR) in long-term incentive plans has been increasing over the last few years. The effectiveness of this incentive in driving corporate performance was recently examined by the Institute of Compensation Studies:



[TSR, Executive Compensation, and Firm Performance](#) — This issue brief investigates whether including TSR in long-term incentive plans for executives results in improved company performance. Companies listed on the S&P 500 were used for the study. The researchers noted that more executives are receiving TSR in their compensation plans, but that their relative weight is

decreasing. The analysis showed that there is no strong evidence to support the notion that TSR impacts performance. The need for more empirical evidence in including TSR and other metrics of firm performance in executive compensation plans is addressed. (Cornell University, Institute of Compensation Studies, 2015).

### Health Care Costs

Employers continue to scrutinize health care costs as they adopt the requirements of the Affordable Care Act. Data to benchmark plan offerings is valuable for employers to gauge whether their plan designs are competitive and will attract and retain employees. Surveys that provide costs associated with health insurance programs are essential for



employers to examine benefit trends and help them determine if they will continue to sponsor such programs in the future:

[2015 Employer Health Benefits Survey](#) — This annual survey of employers, conducted from January to June 2015, provides current information about health benefit trends covering premiums, contributions, cost-sharing provisions, enrollment, HDHPs, retiree health benefits, prescription drugs and more. The 2015 survey, for the first time, asked questions on financial measures for wellness programs and employer strategies, including the excise tax or “Cadillac” tax on high-cost health plans. Data is segmented broadly by firm size, region and industry (Kaiser Family Foundation/Health Research & Educational Trust, 2015).

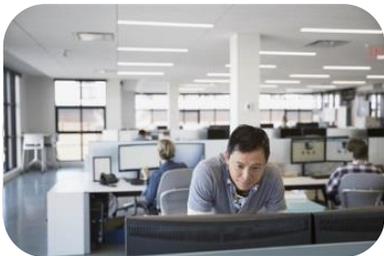
### Specialty Pharmacy Benefits — Employers’ Perspective

Employers identify specialty pharmacy as one of the top challenges in benefits management. A recent study, part of series of initiatives dedicated to providing an in-depth review of employers’ perspectives of the specialty pharmacy landscape, reports the latest design strategies used by health plan sponsors to contain specialty drug costs:

[National Employer Initiative on Specialty Drug Management](#) — Information culled from 81 employers, representing 1.5 million employees in manufacturing, science and technology, financial services, government and health care industries, was examined to report strategies for managing specialty drug programs offered to their employees. Information about strategies for patient outcomes, oncology plan design, and plan design elements to drive people to the lowest cost site of care will be helpful to employers who are considering plan design changes or who want to benchmark their current pharmacy benefit offerings. Data showing the impact of cost-sharing increases on pharmacy benefit programs will also be helpful for benchmarking purposes [Midwest Business Group on Health (MBGH). **Note:** these are highlights from MBGH’s 4<sup>th</sup> Annual Employer Survey Results, 2015].

## HR Technology

Technology has profoundly impacted every aspect of human resources from talent management to data analytics used to assess workforce optimization. Trends and insights about its use in various HR applications will be extremely valuable to employers who are continuously seeking to improve and develop HR systems on an enterprise-wide basis:



### [Sierra-Cedar 2015–2016 HR Systems Survey White Paper, 18th Annual Edition](#)

— Based on feedback from HR Information Technologists and Information Technologists, this annual survey “serves as a global benchmark of Human Resources (HR) technology adoption.” In addition to HR application usage data, the report suggests implications and recommendations for the use of technology

in administrative applications, service delivery applications (including ESS and MSS), and workforce management applications. Additional insights are provided for supporting HR practices: systems strategy, adoption blueprints, integration practices, implementation practices, change management practices and expenditure and resource strategies. The key takeaway from this year’s survey is that 40% of the participants indicate they are looking at improving or developing a new enterprise HR systems strategy this year. (Sierra-Cedar, 2015. **Note:** registration is required to download the report.)

## Wealth

### DC Plans — Benchmarking Data

With more than 90 million Americans covered by DC plans, benchmarking plan design features from a reliable resource will give employers valuable information to develop their retirement programs:



[How America Saves 2015](#) — This seminal report, now in its 14<sup>th</sup> year, provides data and highlights key trends in DC benefits based on recordkeeping information culled from 400 plans. The data is segmented into three areas: accumulating plan assets, covering eligibility, vesting, contributions, automatic enrollment, participation rates (including Roth participation), and account balances; managing participant accounts, which covers asset allocation investment options, index core offerings, types of options used, professionally

managed allocations, target date funds, participant equity allocations, advice offered, company stock as an investment option, investment returns, and trading activity; and the last segment, assessing plan assets, with data pertaining to plan loans, plan withdrawals, plan distributions, rollovers, and access methods and the Internet (Vanguard, 2015).

### Multiple Employer Plans

Multiple employer plans or MEPs (plans that can be maintained as a single plan in which two or more unrelated employers participate) are gaining attention as a way for small employers to provide a retirement savings plan to their employees. There is a movement underway, endorsed by AARP, the U.S. Chamber of Commerce and other similar organizations, calling for the removal of tax laws and regulations that restrict the use and growth of these plans, even among large employers who have undergone corporate restructuring:

[Multiple Employer Plans](#) — This paper outlines the legislative and regulatory actions needed to expand access to MEPs for small employers, along with a prototype plan that incorporates features that would make it attractive for employees to save. Data addressing the retirement coverage gap is provided. Challenges with the tax law, ERISA, fiduciary liability and DOL enforcement issues are discussed, and solutions to facilitate sponsorship and use of MEPs are presented (Prudential, 2015).

### Millennials & Retirement Savings

According to an article about Millennials that appeared in *The New York Times* last July, “Millennials also participate less frequently in 401(k) plans, and scarred by the recession, invest less and keep more than half their money in cash — not a good long-term strategy.” This sentiment is one reason why employers are focused on this generation, and the literature is rife with research concerning their financial well-being and retirement savings:



[The Millennials -- Now Streaming: The Millennial Journey from Saving to Retirement](#) — This white paper, formatted as a proposal for a fictitious web-based show, examines how Millennials will manage their finances throughout their working years into retirement. Information about the drivers of financial

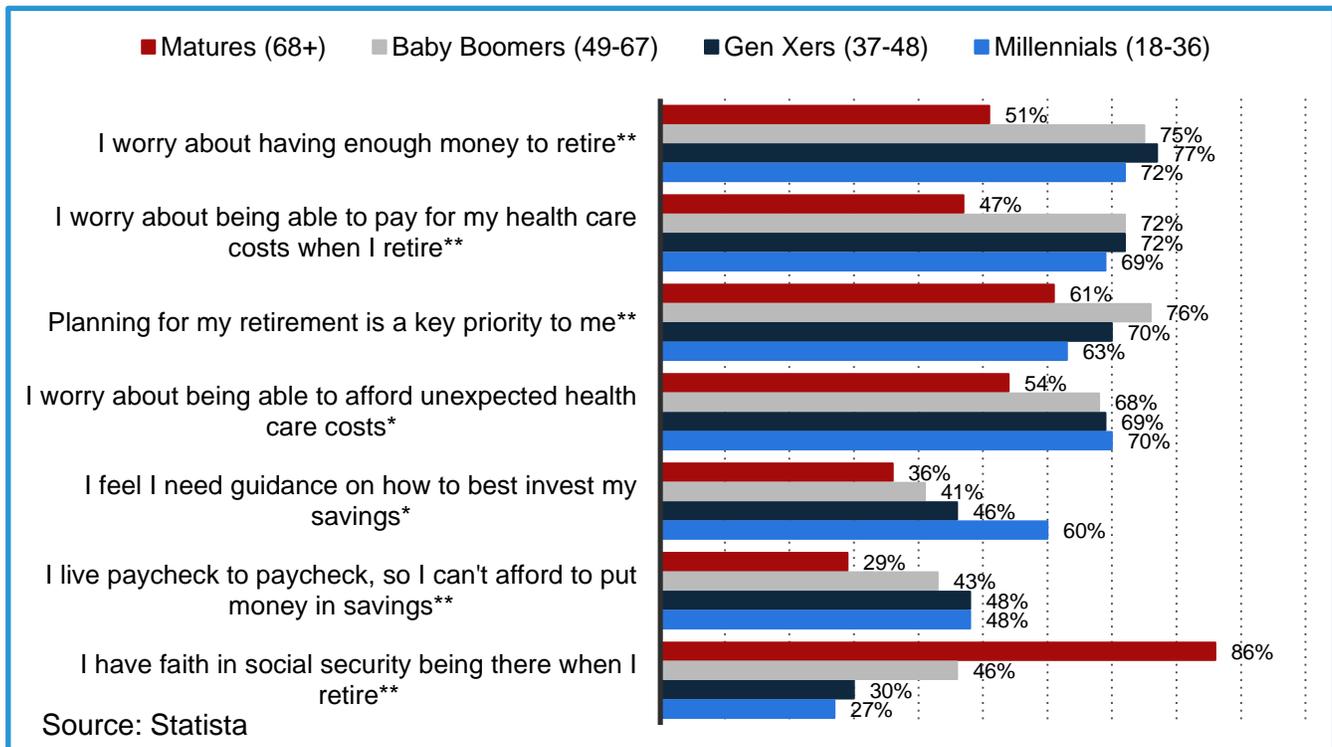
security and their impact on Millennials offers additional insight to this generation of workers who, this year, will exceed the Boomers as the largest living generation in the U.S. (J. P. Morgan, Asset Management, 2015).

[Will Millennials Ever Be Able to Retire?](#) — The research provides insight about Millennials’ attitudes and preparedness for retirement and examines similarities and differences from other generations in the workforce. The

research indicates that contrary to popular belief, Millennials are concerned about retirement and are planning for it now (Insured Research Institute and The Center for Generational Kinetics, 2015).

### Generational Financial Concerns

This chart, based on data from a Harris Interactive Poll, reflects the financial concerns of four generations in the U.S. in 2014:



### Research Tools

Now that we are entrenched in the digital age, concern about organizing and preserving digital knowledge is growing. One Internet library gaining attention is a San Francisco-based nonprofit library established expressly to build an Internet library for researchers, historians and the public:

[The Internet Archive](#) — The archive includes texts, audio, moving images, software and web pages on any topic imaginable. Collaborators include Google, Microsoft, Yahoo, Library of Congress, Harvard and the Smithsonian. The search engine provides basic and advanced searching for locating information on the internet. Looking for missing web pages? Try the “Wayback Machine.” Another feature allows users to capture a web page and save it for future citation. This tool, as its search engine suggests, provides “universal access to knowledge” somewhere in cyberspace.



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