

FYI[®] Roundup

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Recent Research in HR and Employee Benefits 2016 – Summer Edition

Our summer *FYI Roundup* examines a variety of publications identifying trends and analyzing HR and employee benefit developments of interest to employers. In this issue we focus on executive compensation, global workforce issues, and the ACA's impact on employer-provided healthcare benefits, millennials' and retirees' views on health insurance, financial wellness, and cybersecurity.

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Executive Compensation

“Say on pay” regulations and a growing emphasis on corporate governance have thrust CEO pay into the limelight. Current research looks at trends in compensation packages for executives who lead publicly traded firms:

[2016 CEO Trends](#) examines CEO pay at S&P 500 companies over the last five years. The analysis tracks changes to base salary and annual cash bonus payouts as well as performance-based awards based on proxy filings. One trend identified in the research — CEO base salary and annual cash bonus payouts remained stable compared to an increase in performance-based equity-based awards (Meridian for Equilar, 2016).

[Survey of CEO Compensation 2016](#) summarizes perceptions of 107 CEOs and directors of Fortune 500 companies of CEO pay practices among the largest U.S. corporations. The survey included questions on performance metrics; discretionary bonuses, value creation, stock awards, compensation limits and government intervention. Responses highlight gaps between what directors think and what the public thinks about CEO pay packages. One key observation noted in the report — despite the fact that most boards feel CEOs are performing well — the public continues to believe that CEO pay levels should be reduced (Stanford Rock Center for Corporate Governance, Stanford Graduate School of Business, and Heidrick & Struggles, 2016 — *this is the executive summary only*).





Global Workplace/Workforce Issues

Employee Benefits

Employee benefits are a key component in total reward programs that are trending among employers. Recently published surveys provide global insights into how employees think about benefits, how benefits fit into the company's overall value proposition, and the role they play in attracting and retaining talent:

[Employee Benefits Generating Business Impact](#) provides global insights from MetLife's Employee Benefit Trends Studies. The report underscores that benefits are an important recruitment and retention tool across the globe. Survey data shows that voluntary benefits, wellness, retirement and financial options are the most "sought after benefits" by employees, and increasingly are becoming "must-have" parts of total rewards packages. The report highlights benefits most desired by employees in India, Mexico, Australia, United Arab Emirates, United Kingdom and Russia (MetLife, 2016).

Future Workforce

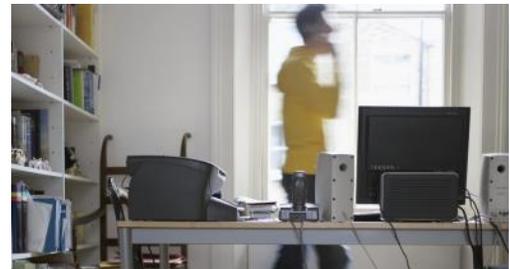
How will technology and employee mobility shape the workplace of the future? According to several studies, the future workplace will be more mobile, more productive and more technologically advanced.

[How is Work Today? The Future Workforce Study](#) marshals feedback from full-time workers around the globe on how the sharing economy, augmented virtual reality, artificial intelligence, and the Internet of Things will contribute to the rise of the smart office (Dell and Intel, 2016).

Mobile Workforce

According to researchers at [Strategy Analytics](#), 42% of the global workforce will be mobile by 2020. As the mobile workforce evolves, employers will face challenges in workplace culture, employee engagement and talent acquisitions. Recent studies discuss mobility trends and their effect on the workplace.

[Mobility, Performance and Engagement](#) reports on the role of mobile technology on the employee experience, and how Chief Information Officers can contribute to business performance by shaping that experience. More than 1,800 employees in industries around the globe provided insight on how mobile technology impacts productivity, creativity, employee satisfaction and engagement in the workplace (The Economist Intelligence Unit for Aruba, 2016).



[Global Mobility Trends](#) explores mobility trends within the global competitive economy and the demands on the HR talent acquisitions function. This annual report provides key insights from global firms on the challenges multinational companies face in attracting and retaining leadership with deep international experience. It suggests that the pressures of maximizing millennials and their perspectives on the workplace, governance, business outcomes, and cost-containment concerns present an opportunity for HR professionals to demonstrate their value as a strategic partner in implementing effective business solutions for an increasingly mobile workforce (Brookfield Global Relocation Services. *The report can be downloaded from Brookfield's website*).

Talent Acquisition

The talent war continues to be one of the most critical challenges for CEOs. Attracting and retaining talent on a global scale is the focus of one recent study by a recruitment processing outsourcing provider:

[Brand Detectives: A New Generation of Global Candidates](#) discusses how and why employer-employee trust is a crucial factor in attracting and retaining talent and what companies can do to effectively enhance their efforts. The survey highlights the rise in the importance of employer brand/reputation, particularly among millennials. The report includes global best practices for building employer brand (Manpower Group Solutions, 2016).

Health

Healthcare costs, the impact of healthcare reform on workplace benefits, consumer behavior and engagement in selecting coverage remain hot button issues for employers and employees alike. Recently reported data and trends will be helpful to employers and HR professionals in strategic planning, designing, and benchmarking employee health benefits programs:

Affordable Care Act

[Employer-Sponsored Health Care: ACA's Impact](#) analyzes how single-employer plans are being affected by the Affordable Care Act (ACA) and what employers are doing with their plans as a result. The report includes major survey findings on plan design and funding, employee communications, health insurance exchanges, cost and cost-management initiatives, the Cadillac Tax, and ACA reporting and disclosure mandates (International Foundation of Employee Benefit Plans [IFEFP], 2016. Gratis copies can be downloaded by IFEFP members; non-members may purchase the report).



Healthcare Benefits

[Annual Health Benefits Report](#) tracks key health benefits data from 300 large employers, details significant trends in employer-provided benefits between 2014 and 2016, and provides 2016 benchmarks and trends for large employer plans. Employee eligibility and participation, employer premium contributions, and plan cost data is provided; cost metrics show midpoint and quartile ranges for premium costs as a percent of employer contributions. Trends reported include: employer-provided healthcare plans in the large market remain stable; employers are adjusting to ACA mandates; changes in costs remain

modest; most large employers use some form of self-funding; premium costs vary by industry; and health premiums correlate directly to employee compensation (ADP, 2016).

[The State of Employee Benefits](#) begins a new research series into employee behaviors during plan enrollment. Key insights that will be helpful to employers in planning benefit strategies focus on what employers are thinking now, the 2020 “Cadillac Tax,” underutilization of HSAs, and untapped opportunities in providing voluntary benefits (BenefitFocus, 2016. *Registration is required to download the report*).

[State of Employer-Sponsored Healthcare](#) provides valuable information on employer-sponsored health plans and the challenges large employers face in offering health insurance to employees and their dependents. Chief Human Resources Officers (CHROs) and senior benefit managers from some of the largest firms in the US comment on a

the sustainability of employer-sponsored health insurance in the workplace, its value in attracting and retaining talent, costs, lagging technology in the health sector, consumerism and engagement, and complex legal and regulatory compliance issues (American Health Policy Institute, 2016).

Millennials and Healthcare

[Millennial Survey: Young Adults' Healthcare Reality](#) focuses on Millennials' experience with health insurance and their future plans for health and wellness, and presents interesting insights into how this generation thinks about insurance. Often cited in the press is the survey's finding that Millennials rely most on their moms and doctors for health information, rather than the wealth of information available to them through their healthcare provider (Transamerica Center for Health Studies and Harris Poll, 2016).

Healthcare Costs – Retirees

[2016 Retirement Health Care Cost Data Report](#) examines emerging trends and retiree healthcare expense projections. It focuses on the impact of inflation, the elimination of Social Security filing strategies, and adjustments to Medicare surcharge brackets. The effects of longevity, cost shifting, and healthcare expenses exceeding Social Security benefits on total healthcare cost projections are examined. A case study analyzes savings a typical retired couple needs to cover healthcare costs using income replacement ratios (HealthView Insights, 2016).



Health in the Workplace

[The Workplace and Health](#) poll asked full- and part-time US workers a series of seven questions related to health in the workplace. Employees rated their overall health experiences at work including the use of employer-sponsored benefits, treatment while ill or caring for a sick family member, job functions and stress, and paid vacation. The findings demonstrate that a significant share of working adults believe their current job affects their overall health, family life, social life, stress level, weight, eating habits, and sleeping habits. Nearly half of them gave their workplace fair or poor ratings in trying to reduce their stress, with a majority of those in low-paying jobs, dangerous jobs, and disabled workers, workers in medical and restaurant jobs, and people who work 50 or more hours per week. The information will be helpful to employers in planning their healthcare programs with the multigenerational workforce in mind (Robert Wood Johnson Foundation, Harvard School of Public Health & NPR, 2016).



Wealth

Recent publications reflect how behavioral economics is becoming more and more prevalent in the retirement literature. Along with reports and surveys that provide benchmarking information on retirement plans, employer and employee perceptions are playing a key role in predicting how savings behaviors can influence pension/retirement plan design.

Defined Contribution Plans

[Defined Contribution Plan Participants' Activities](#) analyzes 2015 DC plan assets activities, providing a snapshot of how plan participants manage their accounts. Data examines equity returns, and trends on withdrawal, contributions, investment and loan activity (ICI, 2016).

401(k) Plans

[Plan Wellness Scorecard](#) monitored participants' savings behavior and new plan design features and services provided by plan sponsors. An analysis of data from a proprietary database of 2.98 million 401(k) participants with \$155 billion in assets reveals that employees are saving more and using employer-provided financial wellness tools to save and prepare for retirement. Additionally, the research discovered that employer plan designs can influence savings behavior, and effective education and communication can increase employee engagement (Bank of America-Merrill Lynch, 2016).

[The Current State of 401\(k\)s: The Employer's Perspective](#) surveys emerging trends surrounding retirement security and provides data from plan sponsors and workers about their 401(k) and similar plan offerings. Recommendations for employers and policy makers illustrate how they can positively affect employees' retirement outlook. Key takeaways identify the importance of 401(k) and similar plans as a workplace benefit, the lack of plan sponsorship for part-time employees, and phased-retirement as a "double disconnect." The research suggests that plan sponsors have a tremendous opportunity to help employees in two areas: financial literacy and support for caregivers (Transamerica Center for Retirement Savings, 2016).

Retirement Savings

[The Future of Retirement](#), the 13th report in a series focused on retirement and aging across generations, provides key insights and perceptions about retirement from pre-retirees and retirees. The report highlights research on: values and priorities in life; priorities and feelings about retirement; retirement finances; and preparing for the future. Plan sponsors will find this information helpful in evaluating retirement program designs (HSBC, 2016).

Focus on Cybersecurity

According to TD Ameritrade's [RIA Sentiment Survey](#), 56% of registered investment advisors (RIAs) identified investing in technology as a top business initiative for firm growth, with more than half of those investments allocated to cybersecurity. Additionally, the [Identity Theft Resource Center](#) (ITRC) — an organization that monitors data breaches, and cybersecurity, scams/fraud and privacy issues on behalf of victims of identity theft — reports that in 2015 alone, a total of 780 identified breaches exposed nearly 178 million records containing Social Security numbers, and financial account information. More than 120 million of those records involved medical/healthcare records, making plan sponsors' adherence to stringent HIPAA rules on privacy and security, and risk management strategies to safeguard retirement plans against cyberattacks is more important than ever. How serious are cyber-threats? Data captured by the [ITRC](#) shows that the number of 2016 breaches (January – August 25, 2016) exposing Social Security numbers and financial account information will remain an ongoing threat:



Category	# Breaches	% Breaches	# Records Exposed	% Records Exposed
Banking/Credit/Financial	20	3.2%	5,262	0.0%
Business	272	43.7%	2,492,842	9.0%
Educational	63	10.1%	405,496	1.5%
Government/Military	43	6.9%	12,250,484	44.3%
Medical/Healthcare	224	36.0%	12,485,004	45.2%

Source: [ITRC: Breach Stats Report Summary 2016](#)

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