BENEFIT
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Americans Worry about Saving For Health Care in Retirement

Even though a majority of working Americans over age 50 report that they are saving for health care costs in retirement, many doubt they will have enough money to cover their health care expenses when they reach retirement age, according to the results of a recent survey conducted by AARP.

The survey of 1,002 non-retired and 502 retired adults aged 50+, conducted in June 2014, examined the extent to which older workers are planning for their future retirement, and how potential health care costs fit into this planning. The survey also looked at whether older workers are concerned about these expenses, and what sources of income they expect to have to cover potential costs.

The results showed that 38% of the older workers surveyed are not saving for health care costs. Of these, just 28% said they plan to begin saving within the next few years, while 44% reported they have no plans to do so in the future. When these respondents were asked what was preventing them from saving for health care costs, the most commonly cited reason was that they cannot currently afford to do so because they have other expenses or are taking care of others.

The survey also found that, of the 62% of respondents aged 50+ who indicated they are saving for health care costs, more than half (55%) said they are still worried they may not be able to cover their health care expenses. The poll also showed that respondents aged 50-59 expressed higher levels of concern than those aged 60+, and that female respondents (61%) were more likely than male respondents (51%) to say they are worried. Researchers speculated that this gender gap may exist because women tend to make the health care decisions in families, and are therefore more likely than men to be aware of the potential costs.

Researchers further observed that there is a sizeable gap between the

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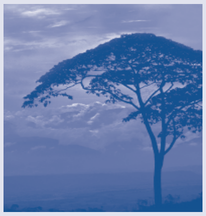


There is a sizeable gap between the point in life when respondents believe they should begin saving for health care costs, and when they actually start saving.

point in life when respondents believe they should begin saving for health care costs, and when they actually start saving. For example, the findings indicated that 68% believe that an individual should begin saving at age 35 or younger, but that only 28% actually began saving by that age. Moreover, a significant share (43%) admitted they started saving too late for retirement.

Commenting on the findings, AARP vice president for financial security Debbie Banda observed that when faced with future health costs, many people are either overwhelmed or overconfident. "Thinking that your health care will be paid for by Medicare alone or avoiding health care planning altogether are not the right solutions," she said. "The more you know and plan for you and your family's health care, the better off you will be in the long run."

Retirement Plan Participation Rebounded in 2013

The percentage of workers in both the private and public sectors who participate in an employment-based retirement plan increased in 2013 for the first time since 2010, and participation levels among all types of workers showed signs of recovering from the sharp declines in participation following the financial crisis, a report by the nonpartisan Employee Benefit Research Institute (EBRI) published in October 2014 has revealed.

Based on an analysis of recently released data from the Census Bureau's Current Population Survey, the study found that the percentage of all workers participating in an employment-based retirement plan increased to 40.8% in 2013, up from 39.7% in 2010. The findings also indicated that the number of workers participating in a retirement plan rose to 64.2 million in 2013, the highest number since 2007. Craig Copeland, senior research associate at EBRI and the author of the report, noted that in 2013 participation levels for all categories of workers hit their highest point since the economic recession began in 2008.

However, the analysis also showed that the percentage of workers participating in a plan in 2013 still varied significantly by the type of worker being considered. The study found that among all American workers in 2013, 51.3% worked for an employer or union that sponsored a retirement plan (the sponsorship rate), while 40.8% participated in a plan. Meanwhile, among wage and salary workers aged 21-64, the sponsorship rate increased to 56%, and the share participating increased to 45.8%.

The analysis further showed that among full-time, full-year wage and salary workers aged 21-64, the sponsorship rate was 62.3%, and 54.5% of these workers participated in a retirement plan. Among wage and salary public sector workers, the participation rate in an employment-based retirement plan was found to be 74%.

Moreover, the analysis indicated that demographic factors have a big impact on whether a worker participates in a retirement plan. For example, the results indicated that being white was associated with higher probabilities of participating in a retirement plan in 2013. The study also found that compared to both white and black workers, Hispanic wage and salary workers were significantly less likely to have participated in a retirement plan in 2013, although native-born Hispanics had higher participation levels than non-native born Hispanics. The findings further showed that the overall gap between the percentages of black and white plan participants narrowed when compared across earnings levels, with blacks surpassing whites at the income level of $75,000 or more.

Broken down by education, the analysis indicated that workers with lower educational attainment had relatively low levels of retirement plan participation in 2013. Copeland observed that while educational attainment clearly has a strong correlation with earnings, even after controlling for that factor the results indicated that highly educated workers still had the highest levels of participation, while those who lacked a high school diploma had significantly lower levels of participation than those who had at least graduated from high school.

The results further showed that even though the overall share of women participating in a retirement plan was lower than that of men in 2013, the female participation level actually surpassed the male level after controlling for work status or earnings. Copeland noted that the gender gap in retirement plan participation had been narrowing from 1987 to 2009, but widened in 2010–2012, and had nearly closed again in 2013.

In addition, the study found that in 2013 workers at large employers were far more likely to have participated in a retirement plan than workers at smaller firms. Broken down by industry, the analysis showed that workers in the manufacturing, transportation, utilities, information, and financial industries had the highest probabilities of participating; while those in other service industries had the lowest likelihood.

The findings also revealed that retirement plan participation rates in 2013 varied by geographic location: wage and salary workers aged 21-64 living in Florida had the lowest probability (38.3%) of participating in a plan, while those living in Iowa had the highest probability (56.9%).

Overall, Copeland concluded that the workers who were not participating in a retirement plan in 2013 tended to be young, part-time, low-income, or employed by small firms. For example, the analysis showed that of the 67.9 million wage and salary workers who were working for an employer that did not sponsor a plan in 2013, 17.9 million (26.4%) were aged 25 or younger, or were aged 65 or older. Moreover, almost 30 million (43.6%) of these workers were not full-time, full-year employees; 29.2 million (43%) had annual earnings of less than $20,000; and 39.3 million (57.8%) worked for employers with fewer than 100 employees.

According to Copeland, the increases in 2013 generally reflect the slowly improving national economy and employment rate in the aftermath of the recession. "Retirement plan participation by workers is tied to macroeconomic factors such as the labor market, in addition to various demographic factors," he said. "Other underlying factors also have an impact, but higher employment generally leads to higher levels of retirement plan participation."

Executives Anticipate Business and Salary Growth in 2015

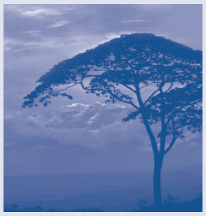
Nearly three-quarters of executives anticipate that their business will expand in 2015, and most expect to increase staff salaries in the year ahead, according to the results of a recent survey conducted by leadership and talent consultancy Korn Ferry.

The survey of 518 executives conducted in September and October 2014 found that 71% of respondents plan to increase staff salaries in 2015. In addition, most of the executives polled appear to believe that 2014 will end on a positive note, with 90% reporting that their organization will award year-end bonuses, and 36% saying they expect bonus amounts to be higher in 2014 than they were in 2013.

Meanwhile, two-thirds (66%) of the executives polled reported that base salaries for staff at their company had increased in 2014 from the previous year, while 28% said salaries stayed the same, and just 6% said salaries had decreased.

When asked if they expect their business will grow in 2015, 74% said they anticipate it will expand, 18% said they expect it will remain stable, and just 8% said they expect it will contract.

Moreover, when asked what outside factor would most likely influence them to increase hiring in 2015, 59% said increasing consumer demand worldwide,



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20% said EU economic stability, and 14% said the United States lowering its corporate tax rate.

"The bottom line for most companies is in top line growth," said Nels Olson, vice chairman and co-leader of Korn Ferry's board and CEO services practice. "Executives indicate that the number one reason they would increase hiring is an increase in consumer demand. In this environment, those who are driving sales and revenue are in a much stronger position to secure bigger bonuses and increases."

Companies with Effective HR Strategies Outperform Peers

Employers rated as having highly effective and efficient human resources processes and strategies outperform their peers, as they have lower costs per worker and operate with fewer employees than the typical company, according to a report released in October 2014 by business benchmarking consultancy The Hackett Group.

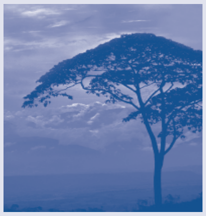
The report's findings are based on an analysis of more than 100 in-depth HR benchmark studies performed at large companies over the past few years. The analysis used benchmarking methodologies to identify a group of "world-class HR organizations" which make up the top quartile of the companies studied in terms of both efficiency and effectiveness.

The study found that these world-class HR organizations excel in several specific areas. For example, the analysis revealed that these companies achieve higher levels of self-service and dramatically higher levels of automation across a wide array of administrative and transactional activities, in part by spending 8% more on technology than typical companies. These organizations were also shown to be highly committed to complexity reduction, operating with far fewer job grades, health and welfare administration plans, and compensation plans than are typical. Moreover, these companies were found to have significantly flatter hierarchical structures than their less efficient competitors, with 22% fewer managers, 23% fewer clerical staff, and 26% more professionals.

The results further showed that world-class organizations utilize HR outsourcing more effectively than typical companies: while both groups use outsourcing at the same level, the world-class companies take more care to reconfigure internal staff and retain significantly fewer employees in-house. At the same time, these organizations were found to be better than typical companies at retaining managers and professionals.

Another key driver of superior performance among these companies was found to be their comprehensive approach to strategic workforce planning. The analysis indicated that at world-class organizations, senior business leaders are twice as likely to be involved in strategic workforce planning than at typical companies.

Finally, world-class HR organizations were found to excel in measurement and analytics. For example, the findings showed that these organizations publish scorecards of standard performance metrics 53% more often than typical companies, and are 179% more likely to publish scorecards on a quarterly basis. These organizations were also found to measure the business impact of HR projects over 80% more often than typical companies, and to spend significantly more time analyzing—but about half as much time collecting—these data as typical companies.



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