BENEFIT Plan Trends

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CFOs Express Optimism about Year Ahead

Chief financial officers (CFOs) are generally optimistic about their company's prospects for the year ahead, but remain concerned about external risks such as industry regulation, government policy, and equity market valuations, according to the findings of a quarterly survey conducted by professional services firm Deloitte.

The survey of 102 CFOs from large North American companies conducted in November 2014 found that for the fourth quarter of 2014, 49% of CFOs expressed improving optimism, up from 43.7% in the third quarter; while only 15.6% of CFOs expressed declining optimism. The overall findings indicated that net optimism increased from +32.0 in the third quarter to +33.3 in the fourth quarter.

The results also suggested that confidence in the North American economy is high, with 63% of CFOs describing the economy as good or very good, and another 63% saying they believe conditions will be better a year from now. Researchers noted that optimism was reflected in the CFOs' year-over-year expectations for key metrics, which were higher than they were one year previously, but slightly lower on a quarter-on-quarter basis: the average estimate of sales growth in the fourth quarter was 6%, up from 4.1% one year previously, though down from 6.8% in the third quarter. Earnings expectations also increased to 9.7% from 8.6% one year previously, though they were down from 10.9% in the third quarter of 2014.

Researchers pointed out that despite the positive forecasts for key performance metrics, the CFOs surveyed continued a recent trend by signaling a decline in dividend growth expectations: from 4.1% in the third quarter to 3% in the fourth quarter. They added that this figure represents the third quarterly decline in a row, and is the lowest dividend growth projection in two years.

The results further indicated, however, that expectations on capital spending, which fell sharply in the third quarter to 5%, rebounded to

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5.5% in the fourth quarter. Forecasts for the U.S., where capital spending forecasts reached a survey low of 3.5% in the third quarter, rose to 5.8% in the fourth quarter.

Amid improving optimism and relatively strong sales and earnings forecasts, 55% of the CFOs polled said they will raise prices this year, while just 18% said they will lower prices. The survey also found that while 72% of respondents expect interest rates to be higher in a year, only one-third indicate that this issue is affecting their pricing. Similarly, just 27% reported that energy prices are influencing their pricing.

The survey also asked CFOs to identify their main areas of concern. The results showed that the respondents are most worried about industry-specific regulation (69%), followed by monetary policy (55%), geopolitical events (49%), and fiscal policy (40%).

In addition, the survey found that CFOs are turning to more aggressive tactics to cope with retirement risk. Nearly half (45%) of respondents with pension plans reported using comparatively aggressive tactics: for example, 25% said they have used voluntary lump-sum payouts for retirees, and 42% said they have offered these payouts to terminated employees.

Employers Move to Automate Their Talent Management Functions

A failure to fully automate their talent management and other human resource functions may be holding companies back, a recent report by cloud-based talent management solutions provider SilkRoad has warned.

In a survey of 961 HR professionals conducted in May through November 2014, the majority (64%) of respondents reported that their HR systems are at least partially automated, while 28% said their systems are fully automated, and 8% indicated they still use paper-based, manual processes. For example, a significant share reported using non-automated tools like spreadsheets for some purposes, such as maintaining employee records or tracking candidates.

The results further showed that 62% reported that their organization has some level of HR systems integration, and that the functions most likely to be integrated into a human resource management system (HRMS) are payroll systems (67%) and benefits (57%), followed by applicant tracking (35%), performance (34%), onboarding (26%), and learning (21%).

While the findings revealed that the biggest challenge HR professionals face in aligning HR with overall company strategy is working in a reactive company culture, and thus constantly fighting fires (56%); the second biggest obstacle is a lack of HR technology to support company objectives (45%).

In addition, the survey found that the top three problems HR professionals face are a lack of critical data and analytics (65%), a lack of consistent workflow (64%), and the duplication of efforts (63%). When asked to identify their leading technology concerns, the respondents were most likely to cite having sound data and analytics for a clear picture of the workforce (47%), followed by the integration of HR systems (42%).

When asked about the benefits they derive from using an HRMS, 72% said the system protects their most sensitive data, and 67% said it increases their productivity. By contrast, just 39% reported that the use of an HRMS has improved their decision-making processes by giving them a clear view of talent across the company.

The survey also questioned the HR professionals about their technology agenda for the coming year. More than half said they expect to add one or more new applications (52%), and to work on better integrating existing applications (51%). By contrast, just 18% of respondents said they expect to adopt big data technologies. However, 44% said they anticipate adding data analytics tools.

When asked to identify their more general HR management concerns, the respondents were most likely to cite engaging and retaining the best employees (49%), developing leaders and managing skills gaps (39%), and recruiting the best employees (34%); and were least likely to cite securing the budget for all HR initiatives (9%), creating succession plans (9%), and managing employee compensation programs (11%).

In addition, the findings showed that 71% of respondents perceive that the HR planning process is linked with their company's overall business strategy.

Americans Express a High Degree of Confidence in 401(k) Plans

Most Americans have considerable confidence in 401(k) and other defined contribution (DC) retirement plans, and are largely opposed to changing the tax preferences or investment control in retirement accounts, according to the results of a survey conducted by the Investment Company Institute (ICI).

The survey, which was conducted among a representative sample of 3,046 U.S. households in November and December 2014, asked respondents about their views on DC retirement account saving and their confidence in 401(k) and other DC plan accounts. The survey showed that 71% have a favorable impression of 401(k) retirement plan accounts, up from 66% of those polled in fall 2013, and 65% of those surveyed in 2012/2013. However, just 47% in 2014 who do not own a DC account or IRA said they have a favorable view of these accounts, compared to 84% who do.

The 2014 findings also indicated that 73% of all respondents are confident that 401(k) and other employer-sponsored retirement plan accounts can help people meet their retirement goals, including 80% who own DC accounts or IRAs and 61% of non-owners.

In the most recent survey, 70% of respondents with DC accounts agreed with the statement: "Knowing that I'm saving from every paycheck makes me less worried about the stock market's performance." Researchers noted that younger respondents were just as likely as older respondents to agree with the statement.

The survey also showed that 46% of respondents with DC accounts agreed with the statement: "I probably wouldn't save for retirement if I didn't have a retirement plan at work." The share who agreed with the statement was highest (66%) among those with annual incomes of less than $30,000, and lowest (33%) among respondents with incomes of $100,000 or more.

The findings further revealed that 82% of DC-owning respondents agreed that the "tax treatment of my retirement plan is a big incentive to contribute." Agreement was found to be high across all age and income groups, although it tended to increase with age, and was somewhat higher among respondents with annual incomes of $30,000 or more (more than 80%) than among respondents with incomes of less than $30,000 (75%).

In addition, the survey found that most DC account-owning respondents agreed that employer-sponsored retirement accounts help them "think about the long term, not just my current needs" (91%), and that payroll deduction "makes it easier for me to save" (92%). According to researchers, there was little variation in responses to these questions across age and income groups.

The survey also showed that 82% of DC account-owning respondents agreed that their plans offer a good lineup of investment options. Researchers noted that satisfaction with the lineup of investment options was high across all age and income groups, although it was somewhat higher for respondents with incomes of $100,000 or more (87%).

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When asked about government policies related to DC accounts, 88% of all survey respondents said they are opposed to the government taking away the tax advantages of DC accounts, and 90% said they disagree with reducing the amount individuals can contribute to DC accounts.

ACA Compliance Continues To Be a Challenge for Employers

While employers that are affected by the Affordable Care Act (ACA) have had several years to get ready to meet the law's complex requirements, organizations are still in the process of preparing to demonstrate compliance, according to the findings of a survey conducted by the ADP Research Institute.

The survey of 806 human resource heads and senior HR/benefits executives and managers conducted in August and September 2014 found that taking on ACA-related challenges appears to be a team effort: the results indicated that 64% of mid-sized employers (50-999 employees) and 59% of large organizations (1,000+ employees) are relying on multiple people in different functional areas to make strategic decisions concerning ACA compliance. The poll also showed that the key decision-maker on ACA compliance is most likely to be the CEO at mid-sized companies (52%) and the head of HR at large companies (60%). However, the findings indicated that the head of HR is usually responsible for managing day-to-day tasks related to ACA compliance at most organizations, regardless of size.

In addition, the survey found that a majority of employers do not believe they are fully prepared to comply with ACA requirements. Among mid-sized employers, for example, just 33% said they are prepared in the area of exchange notice management, 46% reported they are prepared in terms of annual health care reporting, and 36% said they are ready to handle penalty management.

However, the results also indicated that in order to attract and retain employees, many organizations are extending health care coverage beyond ACA full-time populations, and are not limiting employee hours in response to ACA service-hour requirements: 49% of the mid-sized organizations and 60% of the large employers surveyed reported extending coverage beyond the mandated ACA full-time population. Moreover, only one-quarter of the mid-sized employers polled said they already have or are planning to limit the hours of at least some employees.

At the same time, the findings showed that employers are increasingly shifting health care-related costs to their employees: about 70% of the mid-sized organizations and 80% of the large organizations surveyed said they are increasing the share of costs that they charge their employees in the form of deductibles and co-pays.

Researchers also observed that employers concerned about incurring excise tax penalties starting in 2018 are beginning to introduce consumerism into the health care cost equation through revised plan design, including by offering consumer-driven health plans (CDHPs). The survey showed that nearly 20% of mid-sized employers and more than one-third of large organizations have introduced a low minimum value plan, or a plan which covers a minimum of 60% of all health care costs, as part of their ACA compliance strategy.

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