

# BENEFIT

## *Plan Trends*



A monthly update focusing on Retirement and Executive Viewpoints

Volume 59, Number 3

## Easing Access to Multiple Employer Retirement Plans

On January 26, U.S. Secretary of Labor Thomas Perez announced that President Obama will propose a number of new retirement plan initiatives in his fiscal year 2017 budget, including asking Congress to make it easier for groups of unrelated employers to pool together in a shared 401(k) plan known as a multiple employer plan (MEP).

In a joint statement with Jeffrey Zients, director of the National Economic Council and assistant to the President, released by the White House, Secretary Perez said the new proposals are designed to help more workers save for retirement, and to test approaches to make savings vehicles more portable and effective for an increasingly mobile workforce.

Secretary Perez observed that currently around one-third of U.S.

workers do not have access to a retirement savings plan, and that even workers who have a workplace plan may have to manage a number of retirement accounts left over from prior employers or complete an often burdensome process to move

balances from job to job, assuming their new job allows them to do so. "Their careers may be mobile, but too often their retirement accounts and savings are not," he pointed out.

To address these barriers to retirement saving, President Obama is proposing a new program that will provide grants to states and nonprofits to test innovative, more portable approaches to providing retirement and other employment-based benefits. "The goal is to encourage the development of new models that are portable across employers and can accommodate contributions from multiple employers for an individual worker or independent contractor, as well as contributions from individuals whose work patterns don't provide reliable amounts of income each month," Secretary Perez explained.

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*These proposals build on the administration's existing proposals to ensure near universal access to workplace retirement accounts.*

To make it easier for such innovations to occur, Secretary Perez said the administration is proposing legislation to enable multiple unrelated employers to come together and form pooled 401(k)s, which are expected to result in lower costs and reduced compliance burdens for each employer. Through these open multiple employer plans (open MEPs), small businesses would be able to offer cost-effective plans to their employees, while certain nonprofits and other intermediaries would be able to create pooled plans for contractors and other self-employed workers who currently lack access to a plan at work.

According to a White House fact sheet, MEPs already allow employers with a "common bond" to form a pooled retirement plan, offering benefits through the same administrative structure but with lower costs and lower compliance burdens than if each employer offered a separate plan. In his fiscal year 2017 budget, the President will for the first time propose the removal of the common bond requirement, enabling employers to take advantage of open MEPs, while adding significant new safeguards to ensure workers are protected.

Under the proposal, employees moving between employers participating in the same open MEP would be permitted to continue contributing to the same plan and receiving employer contributions, even if they switch jobs; and independent contractors participating in a pooled plan using the open MEP structure would be allowed to contribute regardless of which client is paying them.

According to Secretary Perez, these proposals build on the administration's existing proposals to ensure near universal access to workplace retirement accounts by automatically enrolling approximately 30 million workers without access to workplace plans in IRAs; providing tax credits to encourage small businesses to offer plans and automatically enroll workers in those plans; and ensuring that long-term, part-time workers are allowed to participate in their employer's retirement plans.

## Health Plan Costs Continue To Outpace Inflation

While health care cost growth in the U.S. has been slowing in recent years, the average cost of employer-sponsored medical plans globally is still substantially higher than the overall inflation rate in most countries, and is expected to continue to increase well ahead of inflation in the years ahead, according to a report by human resources consultancy Aon Hewitt.

Released on January 14, the report reflects the medical trend expectations of employer-sponsored medical plans in 90 countries based on reported data from professionals, clients, and carriers represented in the firm's portfolio of medical plan business in each country. The study found that the average cost increases for employer-sponsored medical plans globally will be 9.1% in 2016; or 5.5 percentage points higher than the global average projected inflation rate of 3.6%. Similarly, in 2015 the global average medical trend rate of 8.75% was 5.5 percentage points higher than the average inflation rate of 3.2%.

The analysis also showed that projected trend rates in 2016 vary significantly by region: both Latin America (20.0%) and the Middle East (11.6%) are expected to see double-digit average medical trend rates, while Europe (5.9%) and North America (5.8%) will experience much lower trend rates. But researchers emphasized that the average trend rates for all of the regions studied are expected to exceed average regional inflation levels by at least four percentage points.

In addition, the report found that cardiovascular diseases, cancers, and gastrointestinal issues are the most prevalent health conditions driving health care claims around the world. According to the analysis, the main global risk factors expected to drive future claims and to contribute the most to the adverse trends driving medical cost increases are non-communicable

diseases, including diseases related to high blood pressure, obesity, high cholesterol, and physical inactivity.

The findings further indicated that the prevalence of employer-sponsored medical plans is increasing in all countries covered by the survey, and that the scope of the provisions offered by supplementary plans is expanding.

Researchers added that their projections suggest that medical plan costs will continue to rise due to global population aging, overall declining health, poor lifestyle habits becoming pervasive in emerging countries, continuing cost shifting from social programs, and increasing utilization of employer-sponsored plans.

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## Digital Media Are Transforming the Way People Work

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While it is clear that digital technologies can boost productivity and enhance flexibility for workers and employers, it is also essential that companies develop proactive strategies for integrating digital media and technology into workflows, and for addressing the opportunities and pitfalls that increased connectivity brings to the business and its employees, a report recently released by the World Economic Forum has recommended.

Published on January 20, “The Digital Media and Society” report explores the implications of people’s evolving relationships with digital media, entertainment, and information (MEI) services. The report’s findings are based on a survey conducted in October 2015 of 5,076 digital media users aged 15-69 living in five countries: the U.S., Germany, China, Brazil, and South Africa.

According to the report, innovations in digital technology are altering the very fabric of daily life as people are interacting and connecting with each other in novel ways, and the boundaries between private and professional life are being blurred as

many jobs now can be performed anywhere and at any time, facilitated by the growing availability of high-speed internet connections; as well as improved messaging, audio, and video technologies.

The survey found that reported increases in the amount of time people spend online appear to be driven mainly by the need to do work or find information, followed by the desire to use digital media for social and entertainment purposes. The results also showed that digital media consumption for private and professional motives is becoming increasingly integrated, with individuals using digital media to move seamlessly between work and personal activities.

The findings further indicated that majorities of respondents believe that digital media improve their effectiveness at work in a number of ways, including in their ability to learn and develop professionally (68%), to do their work (66%), to collaborate with their colleagues (65%), to build relationships with professional contacts (63%), to find work (61%), to maintain balance between their work and their personal life (59%), and to collaborate with stakeholders outside of their organization (58%).

In addition, the survey found that more than two-thirds of respondents reported that their use of digital media for work-related purposes had increased significantly over the past three years (69%).

However, the respondents were split on the question of whether engaging with social media makes them more effective at work: whereas nearly two-thirds of respondents in China and Brazil said they believe that using social media enhances their work effectiveness, only 14% of German and 11% of U.S. respondents agreed.

Researchers observed that the rapid development and spread of digital technologies represent real changes for employers as well as workers, permitting work and talent to flow in and out of organizations, while boosting agility, productivity, and competitiveness. However, they also warned employers to encourage




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employees not just to turn on, but to turn off digital devices; and to recognize when it is optimal for work to be performed remotely, and when face-to-face interaction and collaboration are needed.

## Improve Corporate Culture to Achieve Growth

As workers become increasingly mobile and skills shortages loom, business leaders who want to deliver more growth and productivity for their company should seek to improve organizational culture and employee engagement levels, according to a report published by professional services firm Deloitte.

On January 20 the firm announced they have developed a planning solution that enables companies to measure their culture, pinpoint strengths and gaps, and drive behaviors needed to achieve critical business objectives. The solution measures eight specific indices that help the leadership and HR professionals within an organization understand the company's current culture. These indices consist of four foundational attributes that are core to the achievement of specific business strategies—collective focus, risk and governance, external orientation, and change and innovation; and four differentiating attributes tied directly to behavioral motivations and emotions—courage, commitment, inclusion, and shared beliefs.

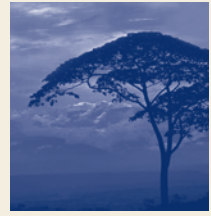
Citing the findings of the report “Global Human Capital Trends 2015,” researchers noted that 87% of business leaders surveyed claim that organizational culture and employee engagement as their top challenge, and that around 80% see workforce capability as being increasingly important. However, 22% of these respondents reported that their organization has either a poor program or no program

for measuring and improving engagement; and only 7% rated themselves as excellent at measuring, driving, and improving engagement and retention. Moreover, only 12% of respondents said they believe their organization is excellent at effectively driving the desired culture.

Researchers observed that the demand for skills is driving a trend toward greater use of hourly, contingent, and contract workers. They pointed out that as the job market has heated up and new technologies have exploded, power has shifted from the employer to the employee: social media and professional recruitment and networking websites not only increase transparency about a company's workplace; they make it far easier for employees to learn about new job opportunities and about company cultures.

According to the study's authors, these trends toward greater transparency and employee mobility highlight the need for employers to develop better processes, policies, and tools to source, evaluate, and reward talent that exists outside of traditional corporate and organizational balance sheets. They stressed that companies should develop tools and methods that measure and capture employee feedback and sentiment on a real-time, local basis so they can continuously adjust management practices and the work environment at a local level.

To transform their company culture, researchers further recommended that organizations focus on aligning their culture with their business strategy by defining the behaviors that contribute to achieving that strategy. They also emphasized that business leaders should seek to make emotional connections with employees. Specifically, researchers suggested that managers consider using the techniques of consumer marketing companies to create emotional connections between the strategy and the workforce to create engaged, productive, and loyal employees.



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