



EXPERTISE IS ESSENTIAL

A Companion Report to the
Study of Employee Benefits:
2009 & Beyond

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This companion report to the **Study of Employee Benefits: 2009 & Beyond** from The Prudential Insurance Company of America provides quick access to the most salient findings as related to one of the main report's key themes: "Expertise is Essential." This theme focuses on plan sponsors' need for benefits advice and guidance from brokers and consultants.

The Economic Downturn of the Past Year Has Already Had a Considerable Effect on the Employee Benefits Industry

No one knows exactly how significant and long-lasting the impact of the recent economic downturn will be on plan sponsor organizations, benefits brokerage and consulting firms, insurance carriers, and legal/regulatory entities.

Benefits brokers and consultants can play a critical role in helping plan sponsors develop comprehensive benefits strategies that meet their companies' needs—maintaining a reasonably competitive benefits program while identifying opportunities for greater efficiency and cost savings.

Most Plan Sponsors Rely on Benefits Brokers/Consultants for Help With Their Employee Benefits Programs

Benefits brokers and consultants have been providing valued benefits advice and support to employers of all sizes for many years. That trend continues today, as more than eight in ten plan sponsors say they use a broker and/or consultant for assistance with their employee benefits programs.

Of the 17% who do not currently use a broker or consultant, over half (11%) expect to begin working with an intermediary in the next five years.

PLAN SPONSORS' CURRENT AND FUTURE USE OF BENEFIT BROKERS/CONSULTANTS BY EMPLOYER SIZE

	All	50–99 Employees	100–499 Employees	500–999 Employees	1,000–4,999 Employees	5,000+ Employees
Currently use a broker/consultant	83%	82%	88%	84%	78%	74%
Use of broker/consultant will increase in the next five years	17%	15%	18%	19%	15%	18%
Use of broker/consultant will stay the same in the next five years	64%	68%	67%	66%	54%	54%
Use of broker/consultant will decrease in the next five years	8%	6%	6%	10%	15%	14%
Don't know how use of broker/consultant will change	11%	11%	9%	5%	16%	14%



Plan Sponsors Who Take a More Strategic Approach to Employee Benefits Place Greater Value on Guidance From Brokers/Consultants

Regardless of employer size or industry, plan sponsors who use benefits in a more strategic way to support their companies' business and financial objectives are more likely to be working with a benefits broker/consultant.

BENEFITS PHILOSOPHY OF PLAN SPONSORS BY CURRENT USE OF BROKER/CONSULTANT

PERCENTAGE OF PLAN SPONSORS RATING ITEM "VERY IMPORTANT"

Benefits Philosophy	Use a Broker/Consultant	
	Yes	No
Upper management sees employee benefits as being strategically important for the company	57%	47%
Closely links benefits decisions with business strategy and financial goals	54%	45%
Places high importance on communication/education to help employees make better benefits decisions	56%	43%
Making plan design changes to control benefits costs	40%	27%
Places high importance on the use of benefits technology to control costs	33%	23%

Nine in ten plan sponsors are satisfied overall with the support they receive from their broker/consultant, with 40% being "highly satisfied." The largest companies (5,000+ employees) give somewhat lower ratings to their brokers/consultants, while 12% of them are unsure about their level of satisfaction—underscoring the opportunity for intermediaries to better understand and meet the needs of this plan sponsor segment.

Controlling Benefits-Related Costs Is a High Priority at Most Companies—Implementing Effective Cost-Containment Strategies Will Be Critical Over the Next Five Years

Looking ahead to 2014, brokers/consultants and plan sponsors agree that plan design changes and cost-sharing will continue to be among the most common approaches to controlling benefits costs. Nonetheless, further gains are still expected from wellness and absence management/productivity initiatives, especially among companies with at least 1,000 employees.

The degree to which brokers/consultants expect all cost-containment strategies to increase in importance is higher when compared with plan sponsors; however, the two groups tend to agree on the relative prioritization of those strategies.



**EMPLOYERS' TOP COST MANAGEMENT STRATEGIES IN 2014—
AS PERCEIVED BY PLAN SPONSORS AND BROKERS/CONSULTANTS**
PERCENTAGE RATING ITEM "HIGHLY IMPORTANT"



	Plan Sponsors	Brokers/Consultants	Difference
Make plan design changes to control benefits costs	54%	69%	+15
Implement consumer-directed health plans	37%	61%	+24
Share more of the cost of contributory benefits with employees	38%	55%	+17
Coordinate/integrate parts of your medical, pharmacy, disability, and workers' compensation plans	35%	53%	+18
Use fewer carriers and/or consolidating carriers to reduce costs and/or improve efficiencies	44%	52%	+8
Provide a wider array of voluntary benefits offerings (i.e., employees pay 100% of the cost)	30%	51%	+21
Provide accommodations to assist employees in returning to work following a leave, illness, or disability	34%	48%	+14
Use purchasing groups to control benefits costs	33%	43%	+10
Increase outsourcing of benefits administration	29%	41%	+12
Shifting more risks to benefits providers by converting self-insured plans to insured plans	17%	38%	+21
Using life insurance as a way of pre-funding future retiree benefits liabilities	14%	33%	+19

■ Area of significant difference

Note: Ranked based on broker/consultant results.

Use of Brokers/Consultants Will Likely Increase Over the Next Five Years as Plan Sponsors Seek Further Assistance Managing Costs While Maintaining Competitive Benefits Packages

Only about one in four brokers/consultants (26%) say their clients have relied on their expertise, service, and support more heavily in the past year, but many more expect that trend to continue. In fact, nearly twice as many (48%) expect their clients to use their services to a greater extent over the next five years.

Plan sponsors also anticipate increasing their use of brokers/consultants by 2014, but to a lesser extent. Only 17% of plan sponsors expect to rely more heavily on their brokers/consultants over the next five years while nearly two-thirds expect their usage to remain about the same as it is today.

Brokers and consultants see their role in supporting clients evolving over the next five years. Specifically, they anticipate providing greater consultation and guidance on cost-containment strategies.

SPECIFIC WAYS BROKERS/CONSULTANTS ARE USED BY THEIR CLIENTS—2009 VS. 2014

PERCENTAGE OF BROKERS/CONSULTANTS

	2009	2014	Change 2009–2014
Educating employees on their health care needs and costs	40%	64%	+24
Recommending benefits plan design changes	45%	65%	+20
Providing service to benefits administrators (conduit to plan providers)	33%	50%	+17
Shopping for best prices (lowest-priced carriers/products)	54%	70%	+16
Consulting on overall benefits strategies	45%	61%	+16
Delivering benefits orientations	37%	53%	+16
Consulting on plan implementation	42%	57%	+15

■ Area of significant difference

Helping Clients Design Benefits Programs That Address the Needs of an Increasingly Diverse Work Force Is a Growing Opportunity for Brokers/Consultants

Most plan sponsors rate workforce diversity issues as “highly important” to their overall benefits strategy, which is consistent with our 2008 results. Yet, plan sponsors have not made much progress on this objective, most likely because cost-containment efforts have been a priority over the past year.

In the next five years, brokers/consultants expect to work more closely with their clients to recommend targeted benefits programs for specific employee segments.


IMPORTANCE OF WORKPLACE DIVERSITY ISSUES AS PERCEIVED BY PLAN SPONSORS—2009 VS. 2014

PERCENTAGE RATING ITEM “HIGHLY IMPORTANT”

	2009	2014	Change 2009–2014
The growing number of employees age 50 and older	26%	46%	+20
A multigenerational work force	24%	38%	+14
Balancing work and personal life	33%	46%	+13
A multilingual/multicultural work force	22%	35%	+13
Same-sex partners	11%	24%	+13
Single working parents	27%	39%	+12
Workforce education and income gaps	17%	28%	+11
Dual working couples	23%	33%	+10

■ Area of significant difference





The **Study of Employee Benefits: 2009 & Beyond** delves into a wide range of topics to uncover important trends in the marketplace and reveal top concerns of employers, employees, and brokers/consultants regarding benefits. This study contains significant—and often surprising—findings about the emerging issues and trends we believe will shape the delivery of employee benefits programs now and in the future. We hope this research gives you new insight into the benefits landscape and proves to be a useful tool as you plan your benefits strategies.

The research for **Study of Employee Benefits: 2009 & Beyond** was conducted via the Internet during April and May of 2009 and consisted of three distinct surveys:

- One among 1,207 benefits decision-makers
- One among 1,212 full-time employees, age 22 or older, who work for a company with at least 50 benefits-eligible employees
- One among 573 group employee broker/consultants who work full time for a company with at least 50 employees

The surveys were conducted for Prudential by the Center for Strategy Research, Inc., a Boston-based, independent, market research firm.

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