

► NINTH STUDY OF EMPLOYEE BENEFITS:

TODAY & BEYOND



WELCOME TO PRUDENTIAL'S NINTH STUDY OF EMPLOYEE BENEFITS: TODAY & BEYOND

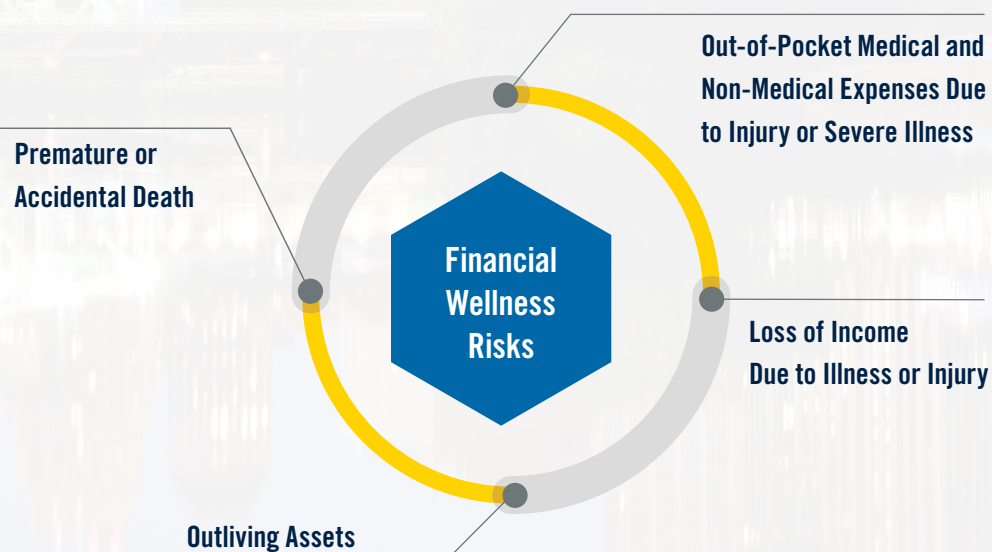
In 2015, we fielded three distinct surveys—one among employers, another among employees, and the third among group employee benefits brokers and consultants.

Trends emerged to shape five themes:



Financial wellness is a thread that runs through this entire study, and it reflects an industry-wide focus on workplace-supported efforts. This may involve helping employees gain some control over their financial situation, make progress against financial goals, and protect against unavoidable financial risks.

Prudential highlights four key risks to financial wellness (noted, where appropriate, throughout this study) that are difficult to predict and may have significant consequences during employees' working years and in retirement:





Current landscape: Broker and employer objectives and strategies

page 2

Brokers and employers continue to identify and refine objectives and strategies that help employees control health-care related costs as well as maintain financial wellness.



Return-to-work programs are more than a cost-savings strategy

page 8

Return-to-work programs can be a win for employers and employees by boosting morale and increasing productivity.



Voluntary benefits: Here to stay

page 12

Increasing demand for voluntary products is tempered by employee need for further education.



Employee financial wellness and the role of the workplace

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Employees may be overly optimistic about their financial knowledge, but look to their employers for help in increasing it.



Employee benefits and enrollment communication

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There is a continued need to optimize benefits enrollment communications.

Methodology

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About Prudential Group Insurance

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All statistics and references in this report are derived from the data obtained through the **Ninth Study of Employee Benefits: Today & Beyond**, conducted in June and July of 2015.



CURRENT LANDSCAPE: BROKER AND EMPLOYER OBJECTIVES AND STRATEGIES

The ever-changing employee benefits landscape requires both brokers and employers to clearly identify their objectives and focus on strategies that ensure the benefits they offer help employees maintain their financial wellness.

Broker objectives continue to relate directly to retaining their current business and improving productivity and efficiency. They said they're focusing on meeting those objectives by improving overall customer communications, increasing the use of web technology, and making benefits program recommendations.

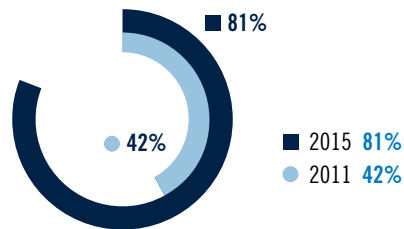
Employers' overall objectives include controlling health care costs, retaining employees, and having healthier employees (through employer-sponsored wellness programs). They also said that reducing group benefits costs is a top priority over the next two years.

Both brokers and employers expressed interest in improving employee benefits communication, which we'll explore further in this study.



▶ **81%** of brokers said their role has changed a great deal in the last five years.

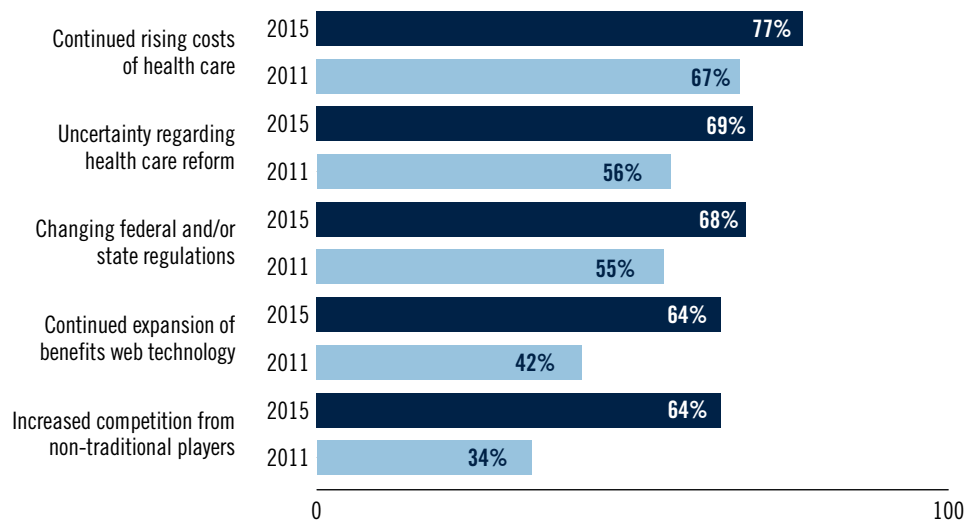
Almost twice as many brokers felt their role as benefits brokers/consultants has changed, compared to 2011.



The top external influences that brokers see impacting their business are health care costs, health care reform, and changing regulations.

Brokers feel there are a variety of external influences that matter a “great deal” to their business. The most significant involve health care. Costs, reform, and regulations continue to impact the industry, and, as a result, brokers are focusing on critical priorities such as enhancing employee benefits education and communication capabilities, helping their customers lower the cost of current benefits offerings, and expanding their expertise to new areas of benefits products.

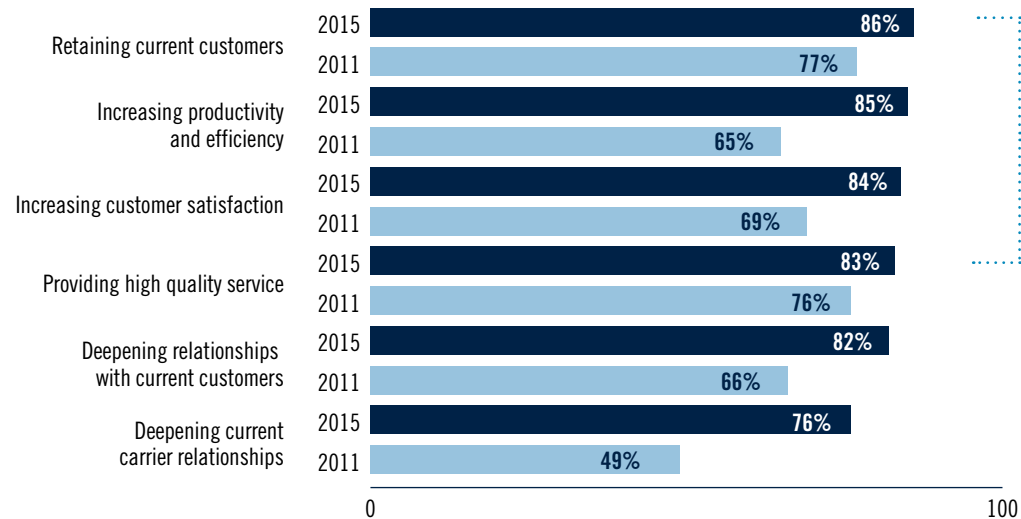
Top external influences brokers see impacting their business a great deal



Perhaps as a result of these external influences, brokers reported a priority shift when responding on their top objectives.

With external factors increasingly impacting brokers' business, they indicate their most important business objectives are retaining current customers, increasing productivity and efficiency, and increasing customer satisfaction.

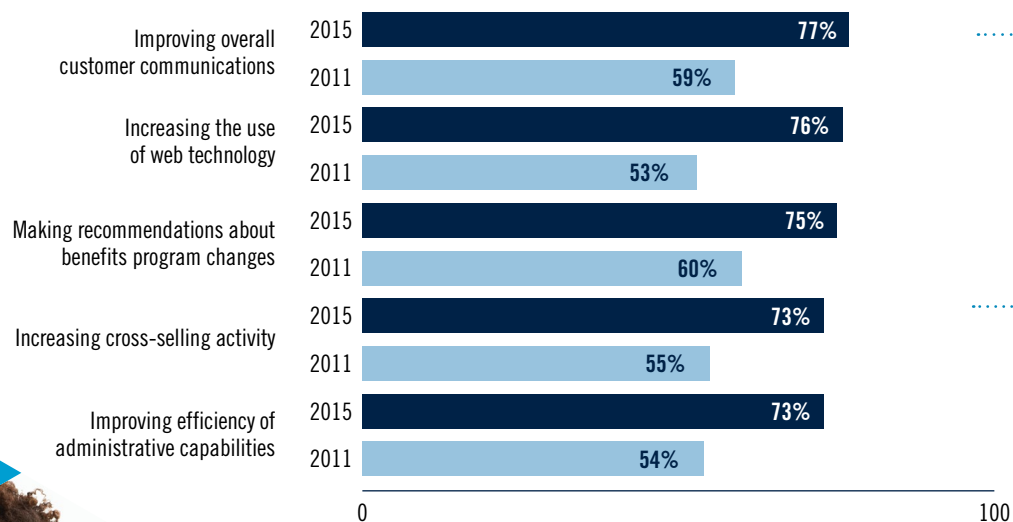
Brokers' top business objectives



To meet these objectives, brokers appear to be employing a wider array of strategies with their customers as shown by an increased focus in all response categories.

What are brokers doing to achieve their business objectives? Continued engagement in a number of strategies, including improving overall customer communications, increasing the use of benefits web technology, and making benefits program change recommendations. These percentages all increased from 2011.

Strategies brokers use to achieve business objectives

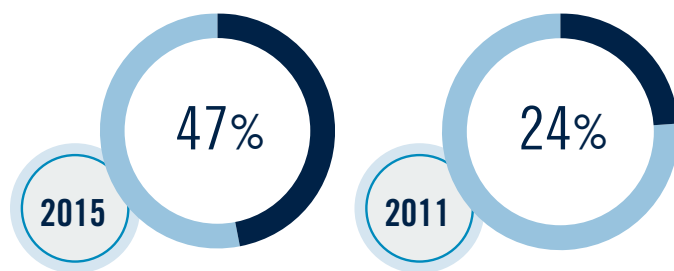


Despite changes in the broker outlook, employers' priorities were more consistent with those identified in past studies.

Just like in prior years, most employers said controlling health care costs was highly important. Because this continues to be a major concern, it likely drives much of employers' other benefits decisions, such as those that round out the top three objectives in this category: Retaining employees and having healthier employees. About half of employers felt these were important.

Employers feel that recent economic conditions impact their employee benefits strategy.

There was a steady increase in employers believing that economic conditions impacted their employee benefits strategy, from 24% in 2011 to 47% in 2015.

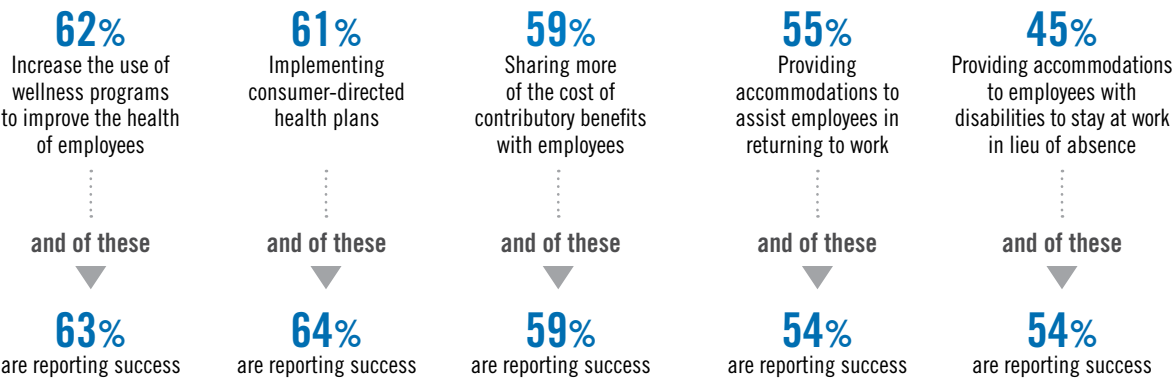


Many employers have increased the use of wellness programs as a benefits cost management approach with some success.

Sixty-two percent of employers said that they are increasing or have already increased usage of wellness programs to improve the health of employees and manage employee benefits program costs. A majority of employers also have implemented or plan to implement other cost management approaches: consumer-directed health plans, sharing more of contributory benefit costs, and providing accommodations for return to work. Almost half report providing stay-at-work accommodations.

Approaches employers are implementing or are in the process of implementing to help manage costs

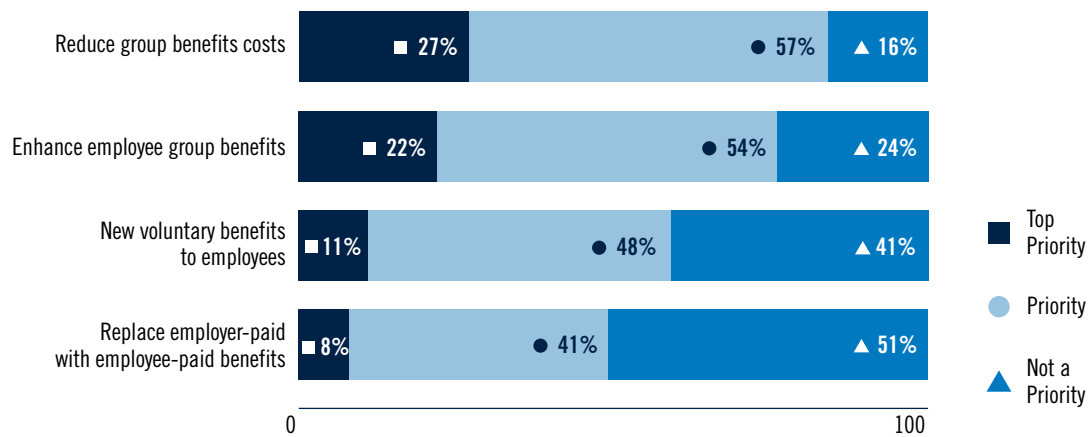
Percentage of employers implementing and adopting strategies:



Priorities for non-health care group benefits entail reducing costs while enhancing benefits.

Nearly 85% of employers are looking to reduce the cost of non-health care related group benefits, followed by enhancing group benefits and offering new voluntary benefits. Fewer employers said that replacing employer-paid benefits with employee-paid benefits was a high priority; in fact, 51% said it wasn't a priority. Voluntary benefits are increasingly seen as a complement to, and not a replacement of, employer-paid benefits.

Employers' top non-health care group benefits priorities over the next two years





RETURN-TO-WORK PROGRAMS ARE MORE THAN A COST-SAVINGS STRATEGY

Return-to-work (RTW) programs can be an effective way to help employees get back to work following a leave of absence, serious illness, or disability. Generally, a personalized plan is developed for an employee that focuses on his/her capabilities and reintegrates him/her into the workplace through various accommodations, such as part-time work, modified duty, or workspace modification.

Cost savings is a reasonable and obvious goal of RTW programs that can be attributed to multiple factors. Employers who have adopted RTW programs say they are boosting employee morale, increasing productivity, and reducing absences.



▶ **55%** of employers are currently implementing or have already **implemented accommodations to assist employees in returning to work**, and 45% are doing the same to assist employees in staying at work.

Employers are adopting RTW programs to manage benefits costs.

The leading approach employers have implemented to manage benefit costs is consumer-directed health plans, but they have also focused on approaches that encourage a RTW or stay-at-work philosophy. The majority of employers taking these actions are seeing success.

55%
of employers are
providing accommodations
to assist employees in
returning to work

.....

and of these

▼

54%
are reporting success

45%
of employers are
providing accommodations
to employees with disabilities
to stay at work in lieu of absence

.....

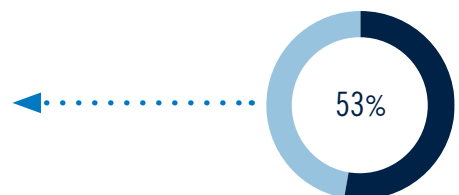
and of these

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54%
are reporting success

As a result, many employers are reporting success, but may need help tracking ROI.

About half of employers feel their RTW programs were highly effective overall.



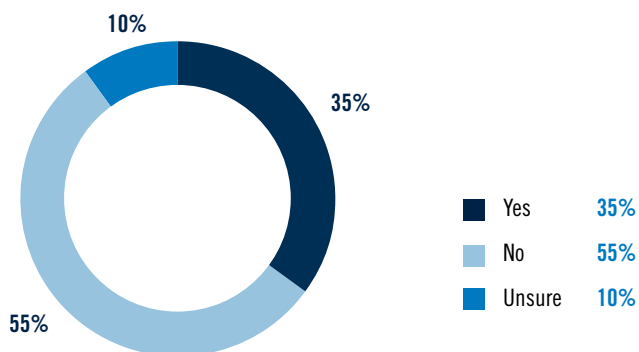
Some of the specific objectives employers said were highly effective in achieving through their RTW accommodations were positively influencing morale of affected employees (61%), helping retain employees in the long term (61%), and reducing costs of hiring and training replacement employees (57%).

Most employers are not currently collecting data and measuring ROI on RTW programs.

While a higher percentage of employers said their RTW programs have been achieving objectives, most have not measured data/ROI. One exception is employers who rated their RTW accommodations as highly effective. This group was more likely to be collecting and measuring ROI.

This is an opportunity for brokers and insurance carriers to show their value by providing metrics to these customers and educating them on how to best use them.

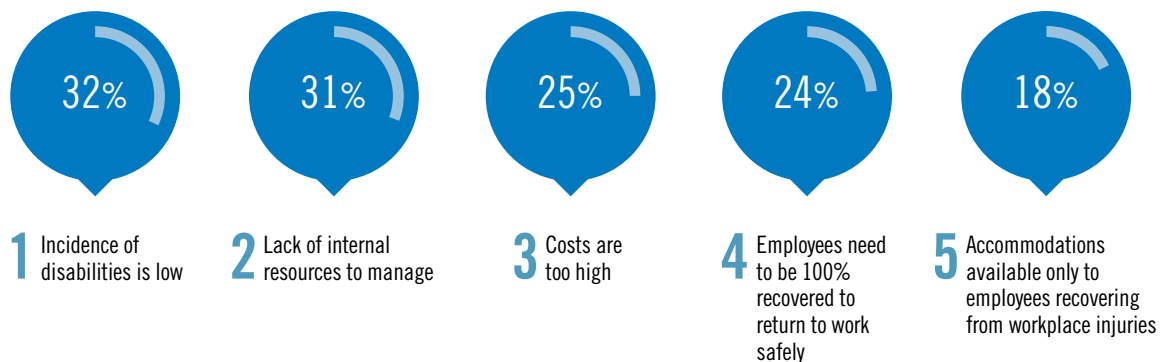
Employers collecting data or measuring ROI of RTW programs



Employers who don't offer RTW accommodations attribute this to multiple issues.

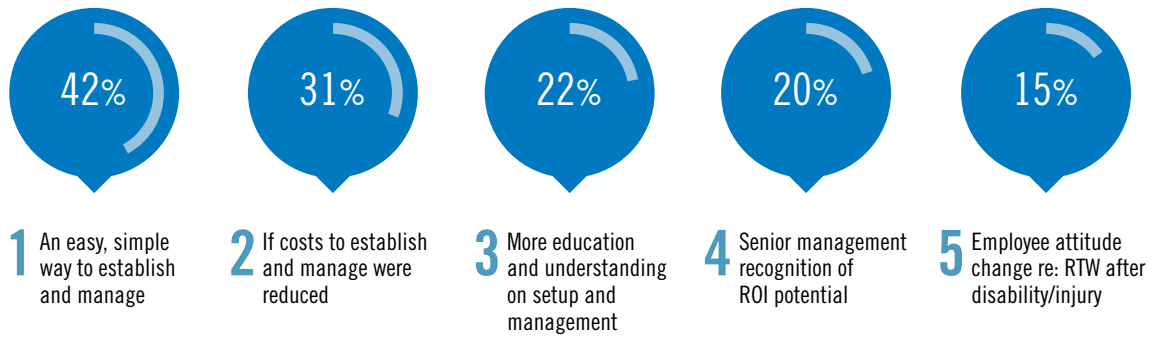
The main issues employers cite for not offering RTW accommodations include a low incidence of disabilities, a lack of internal resources to manage RTW accommodations, and high costs.

Why employers are not offering RTW accommodations



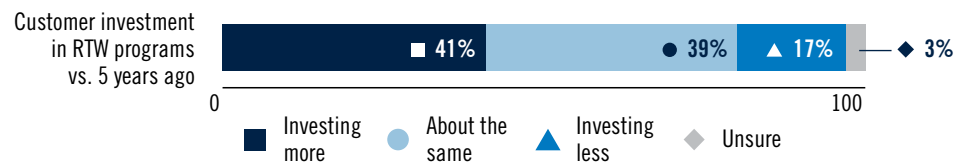
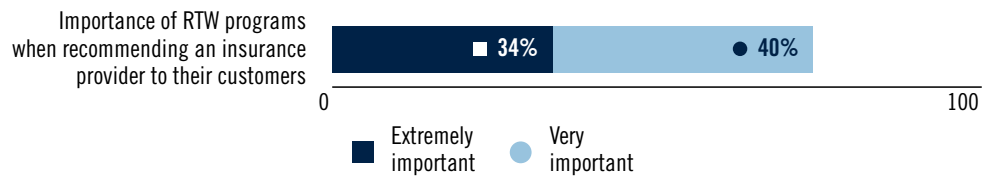
However, employers did say there were factors that could help them implement a RTW program, such as having an easy, simple way to establish and manage it, reducing establishment/management costs, and getting more education on setup and management.

What would help motivate employers to implement a RTW program



Brokers felt RTW programs are of high importance when they recommend an insurance provider to their customers.

Almost three-quarters of brokers said RTW programs were important when they gave their customers insurance provider recommendations.



Brokers can utilize their knowledge of both RTW programs and customer trends to help employers overcome obstacles in managing RTW programs.



VOLUNTARY BENEFITS: HERE TO STAY

The need for voluntary benefits is growing. Employee benefits brokers see an increase over the next five years, and employers said they'd offer more voluntary benefits in the next two years.

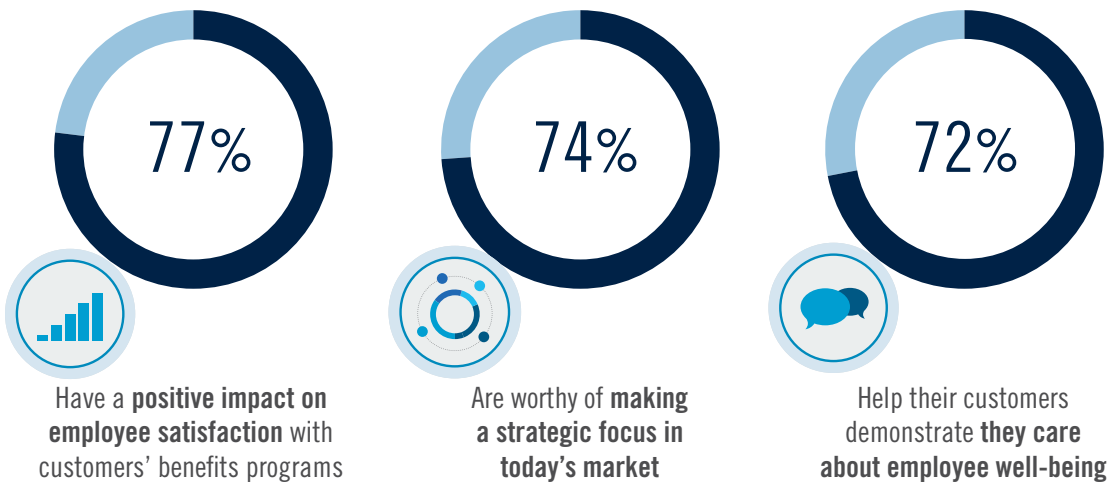
Employees see the value of their overall employee benefits program rising as voluntary benefits are added to it, but some are still not buying them, citing reasons such as “too expensive,” “do not need more coverage,” and “own individual coverage outside of the workplace.” But these reasons may reflect confusion over benefits that can help employees manage their financial wellness, and it's an opportunity for brokers and employers to assist them in achieving this critical goal.



▶ **81%** of brokers said that demand for voluntary **benefits** would rise over the next five years.

Brokers have a positive view of the state of voluntary benefits.

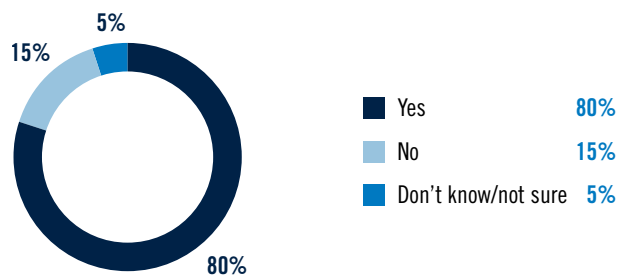
Just over four-fifths of brokers said there would be an increased demand for voluntary benefits in the next five years. And about three-quarters of them strongly agree that voluntary benefits have value for both employees and employers and are worth strategic focus.



Most brokers believe that more voluntary benefits products will be available, which aligns with employers' plans to offer more voluntary benefits to their employees.

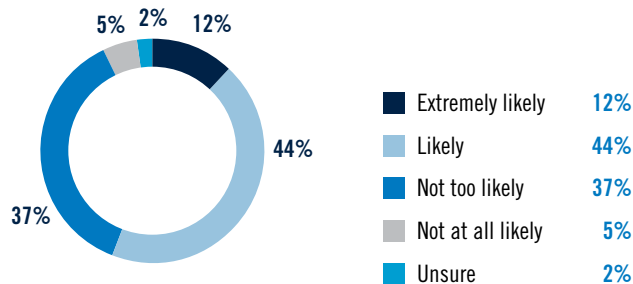
Most brokers believe that more voluntary benefits products will be available, and think voluntary benefits offerings can help employees manage out-of-pocket medical and non-medical costs.

Broker belief that there will be an increase in new benefits protection solutions to help with out-of-pocket costs in the next two years

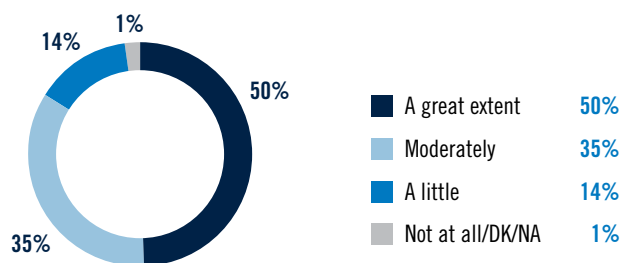


Employers plan to offer more voluntary benefits to their employees.

Aligning with broker opinions on voluntary benefits products, more than half of employers currently offering voluntary benefits said they will increase these offerings in the next two years.



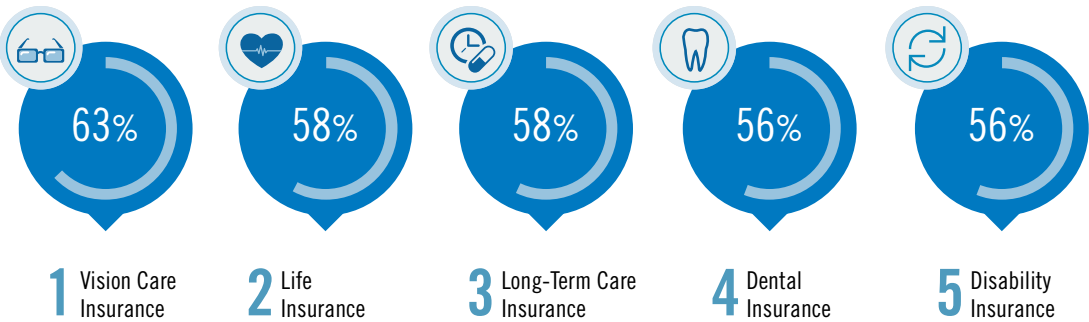
And almost all brokers felt voluntary benefits help employees with out-of-pocket costs, but to varying degrees.



Employees are interested in voluntary benefits — even if their employer doesn’t currently offer them.

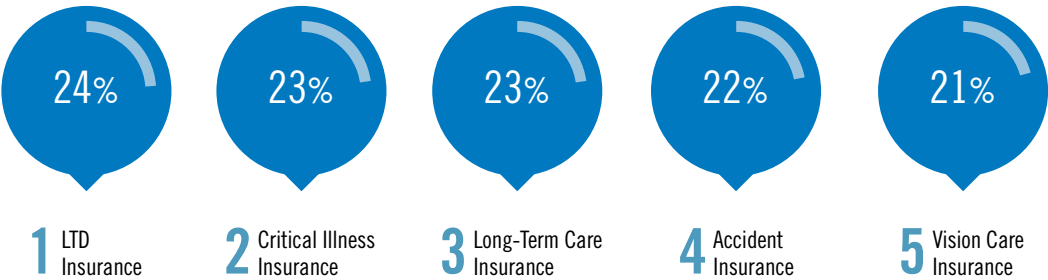
Most employees said they are “very interested” or “interested” in most voluntary benefits. The top five voluntary benefits receiving their interest were:

Employee interest in purchasing on a voluntary basis



The voluntary benefits that interested employees differed somewhat from what employers said they are most likely to offer.

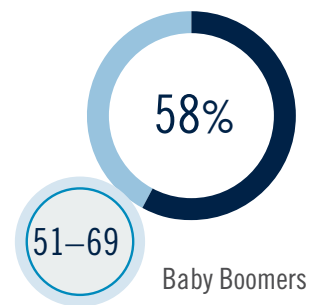
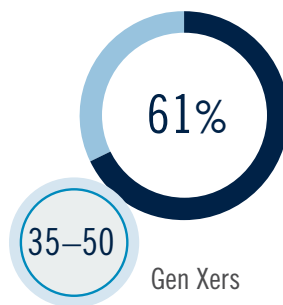
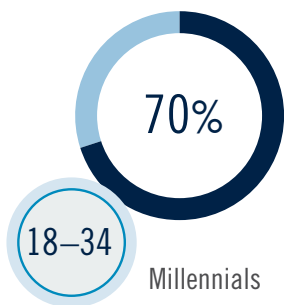
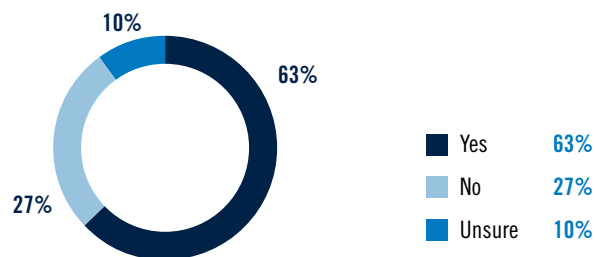
Voluntary benefits employers are most likely to offer



Most employees said that offering voluntary benefits increases the value of their company's overall benefits program.

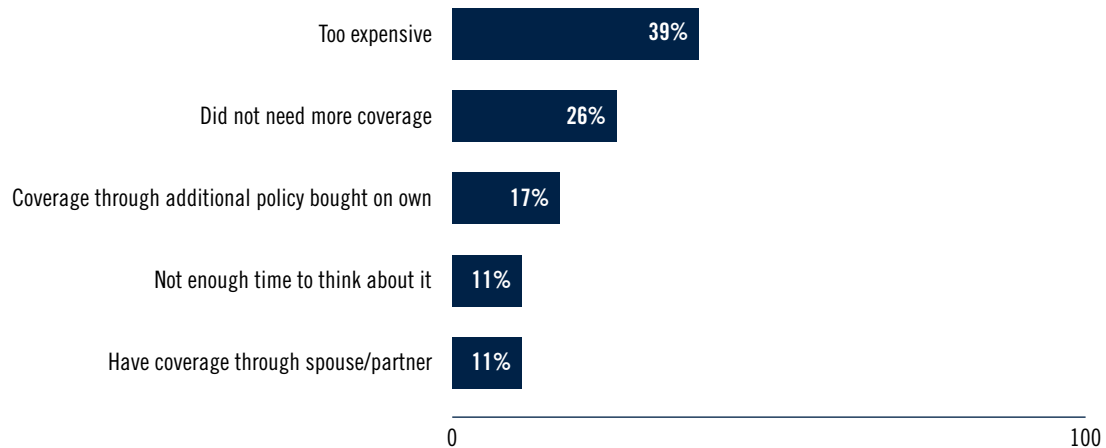
Sixty-three percent of employees feel this way, and when looking at opinions by generations, the majority of each group feels this way, with Millennials feeling strongest about it.

All Employees



Employees don't take advantage of voluntary coverage for various reasons.

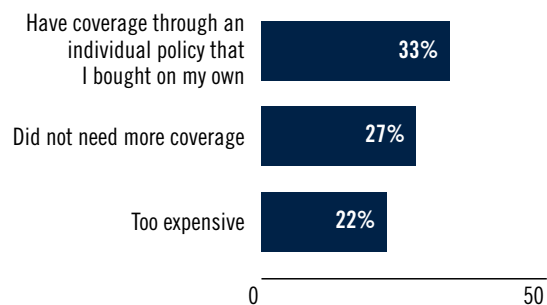
These are the top reasons employees don't participate in voluntary benefits, with the exception of disability insurance.



Employees said the top reason they did not purchase voluntary disability insurance coverage was because they were already covered.

In fact, 33% of employees said they already had voluntary disability insurance coverage through an individual policy they bought on their own, and 27% said they did not need more coverage. About one-fifth said cost was a factor.

Reasons employees don't purchase voluntary disability insurance coverage



This response raises concern, as many people don't own individual disability insurance — according to LIMRA's 2015 Insurance Barometer Study, only about 4% of people own this coverage. They could be confusing disability insurance with another product, such as health insurance.





EMPLOYEE FINANCIAL WELLNESS AND THE ROLE OF THE WORKPLACE

While employees said they felt better off financially now compared to five years ago, and were optimistic about the state of their finances in the next year, the study noted trends that indicate they could use additional help in guarding against the risks to financial wellness. Prudential identifies the four key risks as loss of income due to illness or injury, outliving assets, an injury or severe illness that results in out-of-pocket medical and non-medical expenses, and premature death. Over 40% of employees said they are not prepared to handle expenses if faced with some of these risks. If a critical illness resulted in \$10,000 of expenses, 45% of employees said they would use their savings to cover them. However, additional research by Prudential Group Insurance indicates they often don't have \$10,000 in savings to spare. The risk to their financial wellness is great.

Generations vary as to what they find important financially, but one thing remains consistent: The workplace continues to be the primary source for employees to obtain most insurance products. It's worth it for employers to educate their employees and offer voluntary benefits that can help them meet their needs.



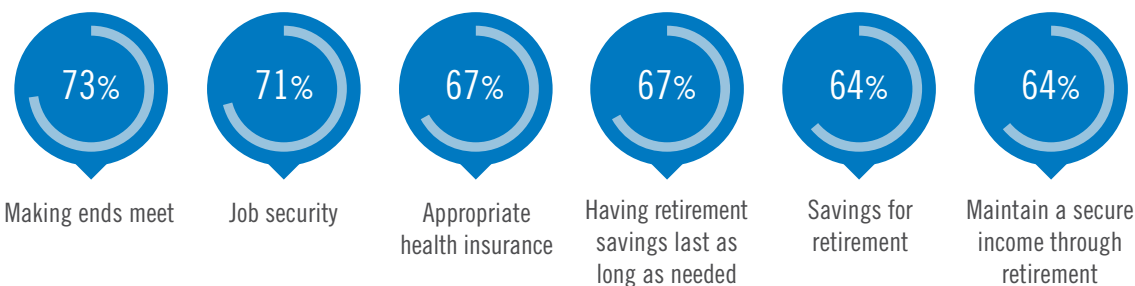
▶ **48%** of employees said they think they will be **doing “much better” financially a year from now**, compared with 42% in 2011.

Employees are feeling more optimistic about their financial future, but they still have significant concerns.

Three-fifths of employees felt they were better off financially today than five years ago, and 48% said they think they will be doing much better financially a year from now, compared with 42% in 2011.

Employees generally agree that their most important financial matter is “making ends meet.” But they had other concerns, too — and these concerns varied by generation.

Top employee financial concerns



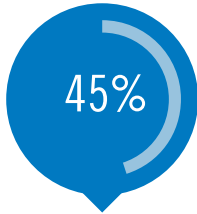
The top concerns for each generation



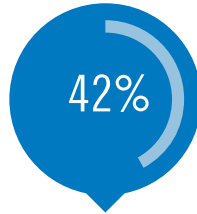
Employees feel they are less prepared to take on some expenses than others.

The top items that employees did not feel they were prepared to take on included handling expenses if they became disabled, outliving assets in retirement, and paying out-of-pocket medical expenses for critical illnesses.

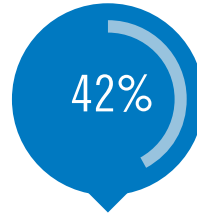
Top expenses employees said they were less prepared to handle



Handling expenses
if become disabled



Not outlive assets
in retirement



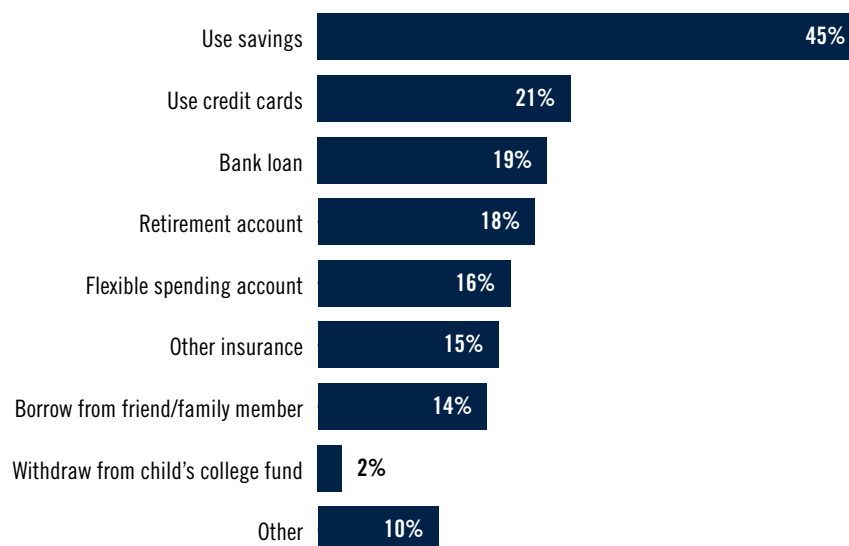
Out-of-pocket medical
expenses for critical illness



If employees unexpectedly incurred out-of-pocket medical expenses of \$10,000, they would most likely pay for them through savings.

Forty-five percent of employees said they'd borrow from their savings to pay for \$10,000 in out-of-pocket medical expenses. However, many employees do not have the requisite savings from which to draw. Financial wellness research Prudential completed in 2014* revealed that 52% of full-time employees have less than \$10,000 in savings and 22% have less than \$1,000 in savings.

So where else do they turn?



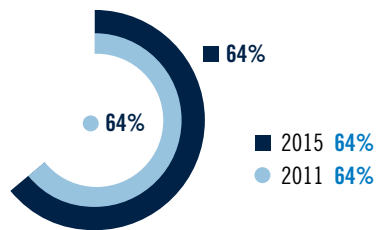
*The Prudential Financial Wellness Survey, April 2014. Represents the average value of transactional account (e.g., checking account) holdings for families with such accounts. Does not include qualified retirement accounts (e.g., 401(k) accounts, IRAs). Actual level of household savings may be even lower because this analysis only includes households with transactional accounts.



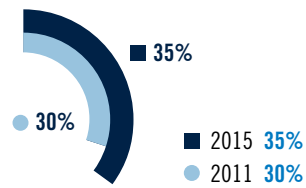
Employees who look to their employers for insurance and savings products may find workplace financial wellness programs helpful.

Two-thirds of employees said that the workplace is an important source of personal insurance and savings products, which is consistent with our 2011 study. And a little over one-third said this increased a great deal in the last five years.

Importance of the workplace today as a source of personal insurance and savings products



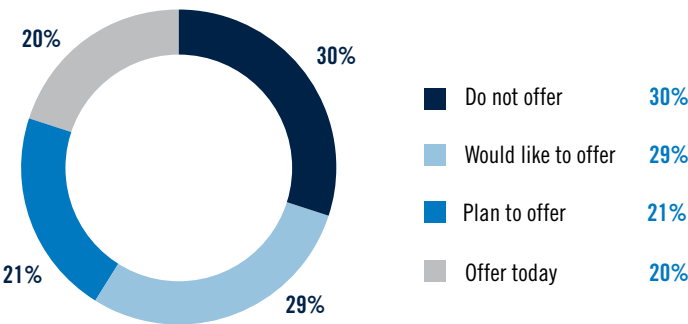
Extent workplace has changed in importance as a source of personal insurance and savings products, in past 5 years



Employers' degree of focus on financial wellness

A majority of employers said they either had a focus on educating employees on the link between benefits and financial wellness (54%) or had a continual focus on identifying new benefits that can help improve employee financial wellness combined with appropriate education (16%).

Employers' current financial wellness program offering status





EMPLOYEE BENEFITS AND ENROLLMENT COMMUNICATION

Currently, communications are not being optimized. About two-fifths of employers said employee benefits communications were “highly effective” in helping employees make the right benefits choices, based on their personal and family situations. As a result, there is a need to further improve communications materials, as well as delivery methods and timing.

For example, while more brokers are recommending multiple enrollment periods for different benefits, 72% of employers report having one enrollment period for all benefits and a majority said they communicate to employees about benefits two or more times a year.

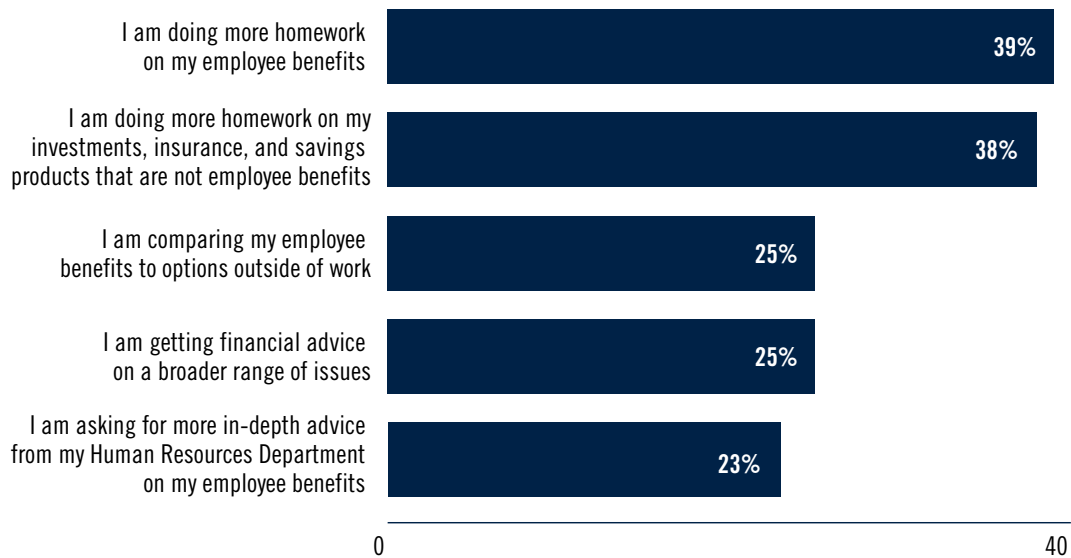
However, the case for more frequent communication may be supported by the fact that employees continue to devote little time to making benefits decisions during their annual open enrollment periods. More time to consider specific benefits at different times during the year may help them manage their overall financial wellness.



▶ **61%** of employees feel
“highly confident”
that their most recent benefit
selections are right for them.

Employees said they are doing more homework on employee benefits and financial products.

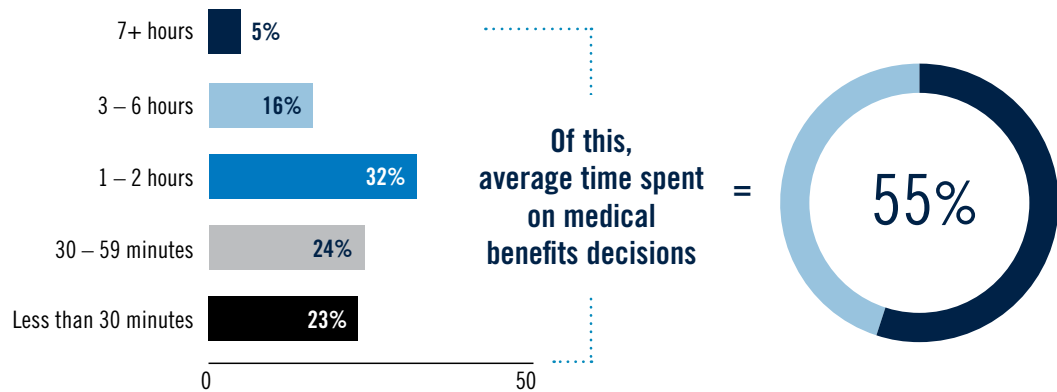
Percentage of employees responding that the phrase describes them “well” or “very well.”



However, employees said they devote little time to making benefits decisions, with even less time for non-medical benefits options.

Almost four-fifths of employees said this, with time ranging from 1 to 2 hours (32%), 30 to 59 minutes (24%), and less than 30 minutes (23%). Of that time, an average of 55% is spent on medical benefits decisions; however, the percentages vary depending on the employee.

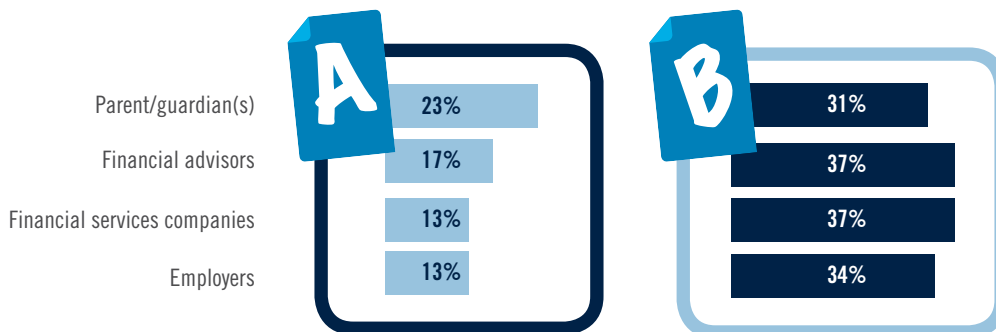
Time employees spend making benefits selection decisions during enrollment



When it comes to providing a financial education, employees give the highest grades to their parents—and their financial advisors.

Looking at “A” grades alone, parents fared better than financial advisors, with 23% of parents garnering an “A” versus 17% of advisors. Both financial services companies and employers scored “A” grades from 13% of employees, with financial services companies slightly edging out employers with “B” grades.

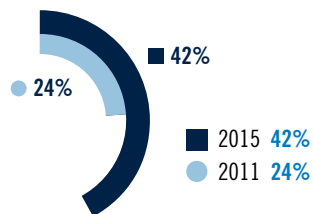
How employees grade financial education sources



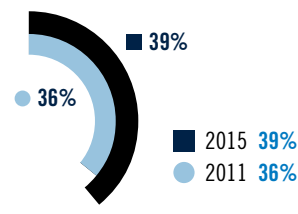
According to employers and employees, current employee benefits enrollment communications have room for improvement.

Employers were more likely than they were in 2011 to view their employee benefits communications as extremely effective. Even with this progress, however, fewer than half felt they were extremely effective. Employees also did not share this sense of progress.

Employers



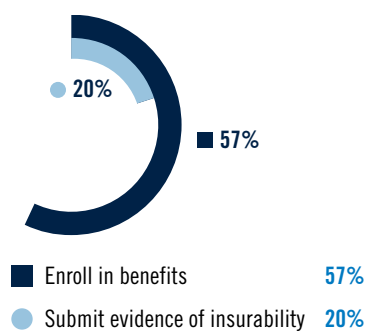
Employees



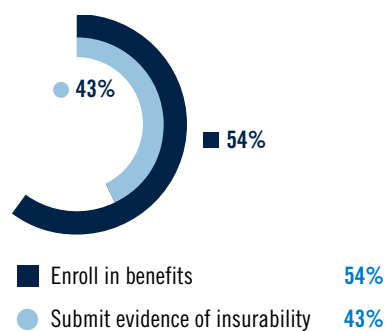
Most employees use their company's website to enroll, but far fewer can complete their EOI process online.

While 57% of employees said they used their company's website to enroll for benefits, just 20% indicated they used the same to submit evidence of insurability (EOI, or proof of good health). But employee preference for completing benefits-related activities online is growing: For example, 43% of employees said they'd prefer to submit EOI online.

Activities completed online



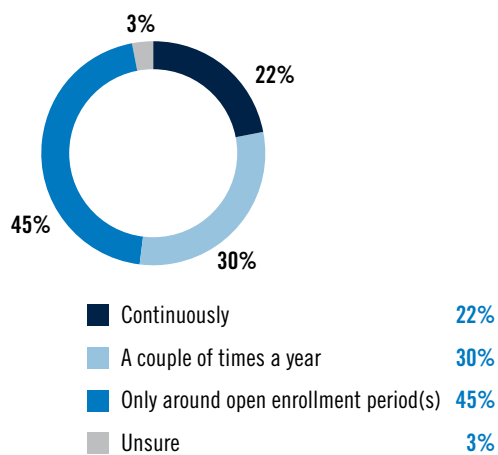
Preference for online benefits activity completion



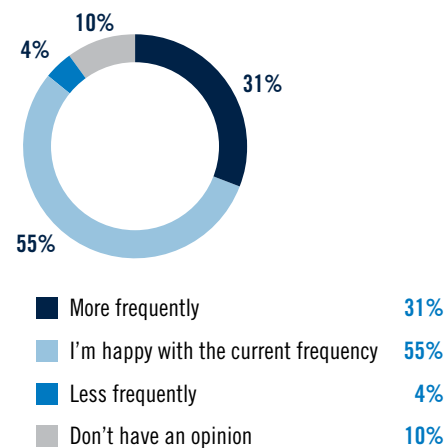
Most employees said they receive benefits communications a couple of times a year, or only around their open enrollment period, which seems to meet their needs.

Almost three-quarters of employees indicate they receive benefits communications from their employers a couple of times a year or only around their open enrollment period, and over half are happy with this frequency. A larger minority would like to see these communications more frequently.

Frequency employees feel they receive benefits communication

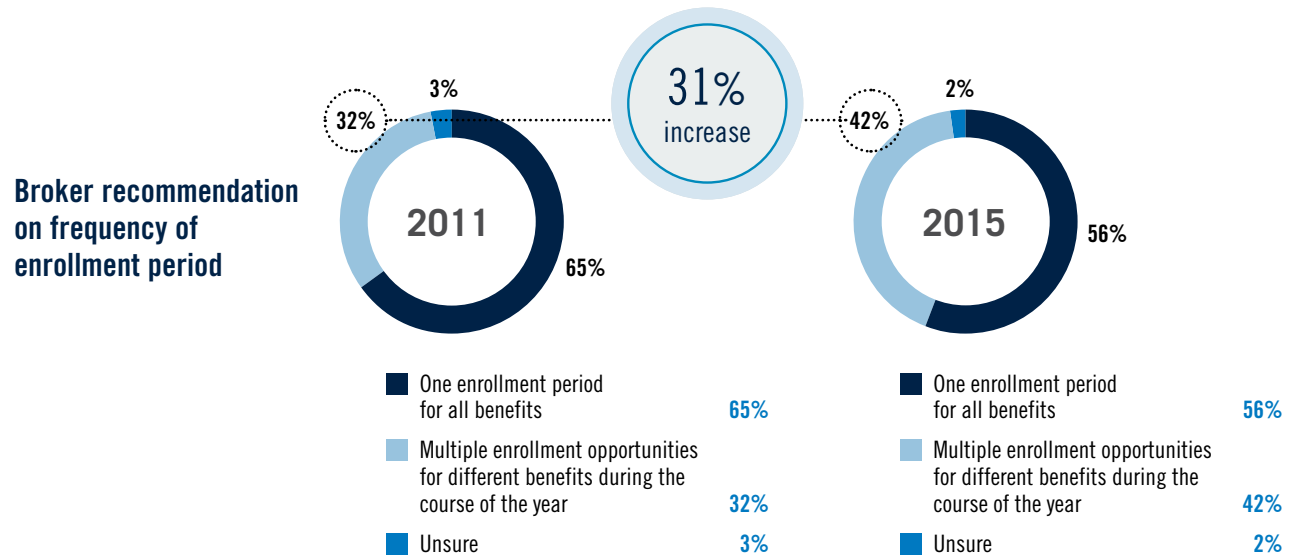


Employees' preferred frequency of benefits communication

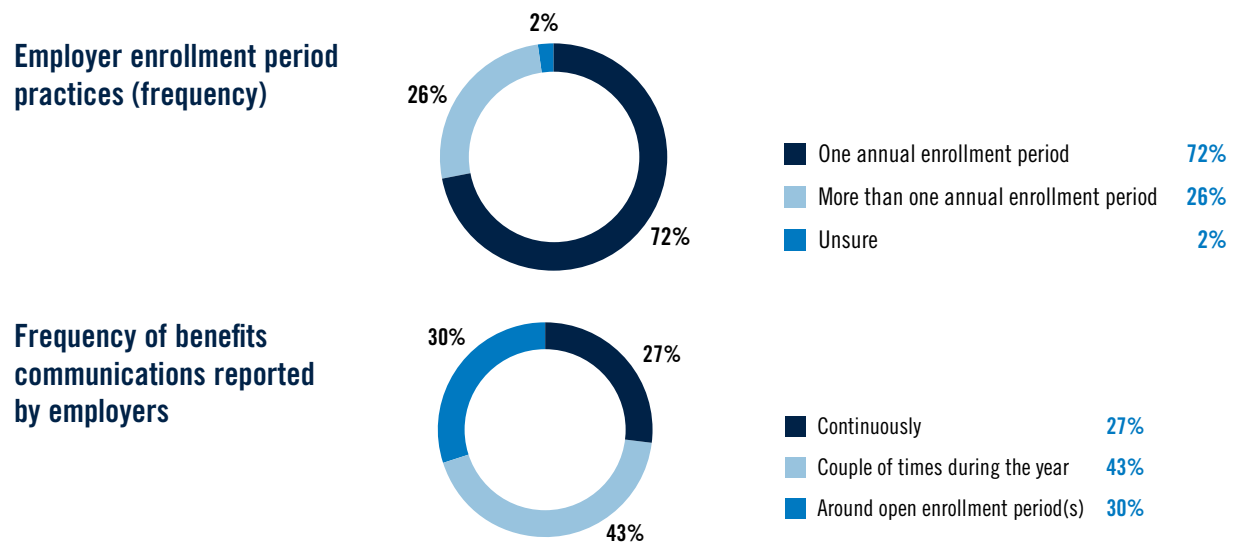


Brokers continue to prefer/recommend one enrollment period for all benefits, although recommending multiple periods during the year for different benefits gained in popularity.

An increasing number of brokers said they preferred or recommended multiple enrollment opportunities in 2015—but employers aren't acting on it.



While most employers have one enrollment period for all benefits, they are likely to communicate with employees about benefits two or more times a year.



METHODOLOGY

This year's study was conducted for Prudential by Center for Strategy Research (CSR) in conjunction with Oxygen Research. The surveys were conducted online using panels supplied by Research Now and fielded from June 1 to July 1, 2015.

Overview of Employer Survey

Employer results are based on a national survey of 1,039 employee benefits decision makers. Respondents included business executives, business owners, human resources professionals, and financial management professionals.

The survey sample covers all industries, including government, and is nationally representative of all U.S. businesses with at least 50 full-time, benefits-eligible employees. Data shown in this report is weighted to reflect the actual proportion of U.S. businesses by company size, industry, and region based on data from the U.S. Census Bureau.

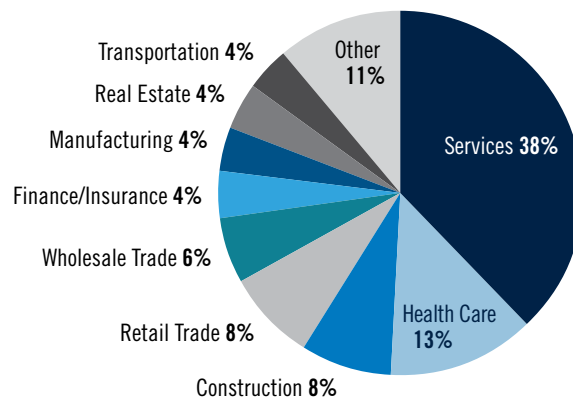
On this page is a breakdown of survey respondents by survey participant region, job function, industry, company size, approximate 2014 sales, years in business, and business ownership.

2014 Sales or Fee Income	
Under \$10 million	15%
\$10 million to under \$25 million	21%
\$25 million to under \$50 million	12%
\$50 million to under \$200 million	18%
\$200 million to under \$500 million	9%
\$500 million to under \$1 billion	10%
\$1 billion or more	9%
Don't know	6%

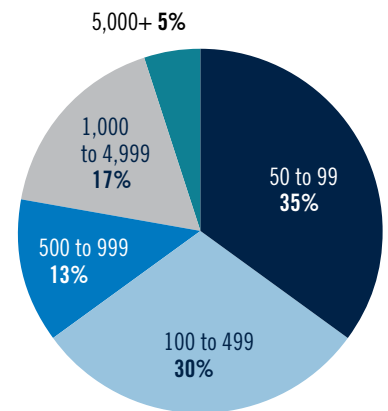
Business Ownership	
Private	76%
Public	23%
Don't know	1%

Years in Business	
0 to 9	18%
10 to 19	24%
20 or more	57%
Don't know	1%

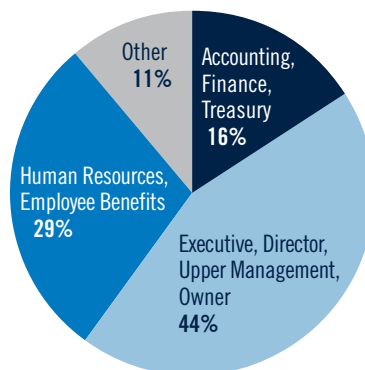
Industry



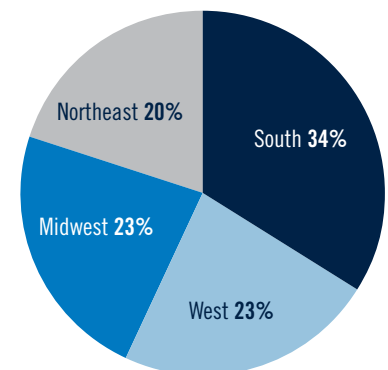
Company size



Job function



Region



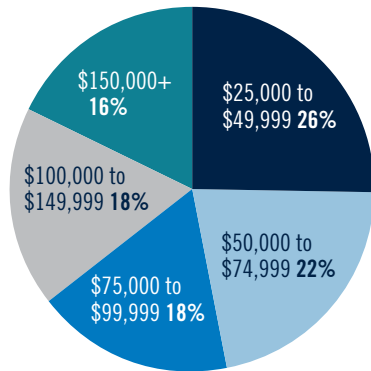
Overview of Employee Survey

Employee results are based on surveys conducted among 959 employees, ages 22 or older, who work full-time for a company with at least 50 employees. The survey of employees was conducted during the same time period as the employer and broker surveys.

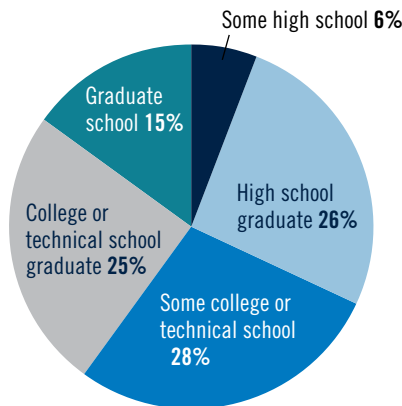
The survey sample is nationally representative of all U.S. workers at companies with at least 50 full-time employees. Data shown in this report is weighted to reflect the actual proportion of U.S. workers by gender, region, race and ethnicity, education level, household income, and age based on data from the Bureau of Labor Statistics and the U.S. Census Bureau.

On this page is a breakdown of survey respondents by region, age, household income, racial and ethnic background, gender, education level, as well as employer industry and size.

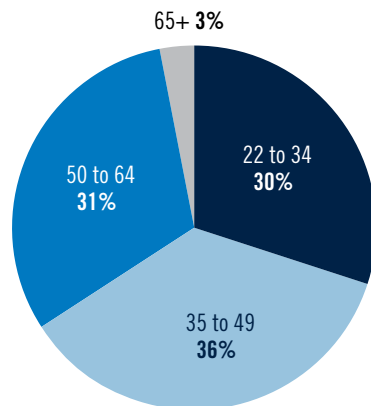
Household income



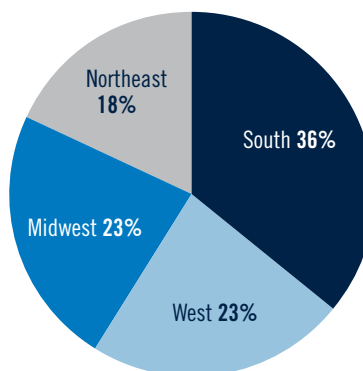
Education level



Age



Region



Employer Industry	
Manufacturing	14%
Educational Services	10%
Professional Services	9%
Finance/Insurance	8%
Retail Trade	8%
Health Care	7%
Public Administration	6%
Transportation/Warehousing	6%
Information	4%
Real Estate	3%
Accommodation/Food Services	3%
Administrative/Support	2%
Construction	2%
Wholesale Trade	2%
Agriculture/Forestry	1%
Arts/Entertainment	1%
Other Services	1%
Other	13%

Employer Size (No. of employees)	
50–99	11%
100–499	22%
500–999	10%
1,000–2,499	13%
2,500–4,999	9%
5,000–9,999	7%
10,000–24,999	7%
25,000 or more	21%

Racial Background	
White	82%
African American	10%
Asian	5%
Other	3%

Ethnic Background	
Hispanic	15%
Non-Hispanic	85%

Gender	
Male	57%
Female	43%

Top Employer Industries*	
Finance/Insurance	35%
Health Care/Social Assistance	29%
Agriculture/Forestry	24%
Manufacturing	23%
Construction	19%
Administrative/Support/Waste Management/Remediation Services	18%
Educational Services	18%
Arts/Entertainment	14%
Professional Services	13%
Public Administration	12%
Retail Trade	11%
Transportation/Warehousing	8%
Real Estate	8%
Accommodation	8%
Information	6%
Wholesale Trade	4%
Other Services	4%
Other	2%

Gender	
Male	74%
Female	26%

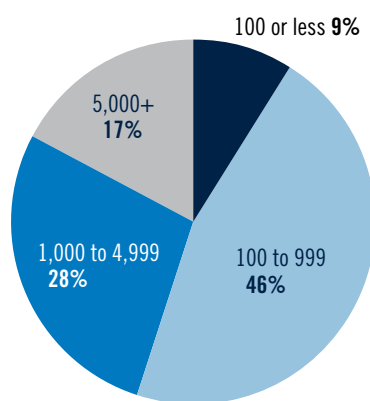
Years in Employee Benefits	
2 to 6 years	23%
6 to 10 years	54%
More than 10 years	23%

Overview of Broker Survey

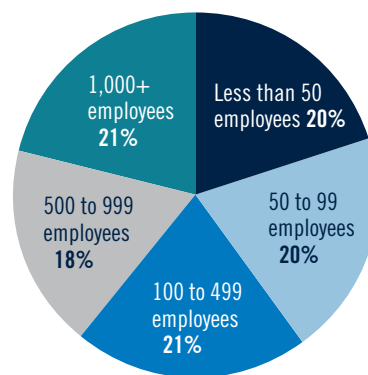
Broker/consultant results are based on surveys conducted among 484 insurance professionals. Screening criteria ensured that these professionals spend a large portion of their time selling and servicing employers.

Below is a breakdown of survey respondents by size of firm, size of customers served, region, age, gender, years in employee benefits, and top employer industries.

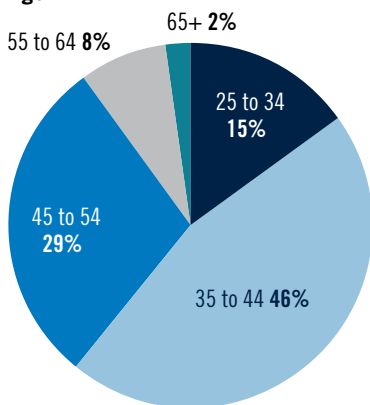
Size of broker/consultant firm



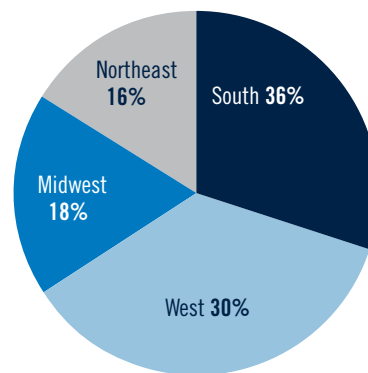
Size of customers served



Age



Region



* Benefits brokers/consultants were asked to indicate the three industries in which they have the highest concentration of customers. Numbers will add up to more than 100%. Listed are those industries with 10%+ mentions.

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Since 1916, Prudential Group Insurance, a division of Prudential Financial, Inc., has been helping meet benefits challenges of employers and employees across the United States. Today, we are well recognized for manufacturing and distributing a wide range of employer-paid and voluntary coverages, including group life, accident, disability, critical illness, and retiree and global solutions. Please contact your Prudential representative or visit www.prudential.com/gi to find out more.



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