

Benefits Menu

Employers consider a variety of voluntary (employee-paid) benefits.

BY SHARI HELD

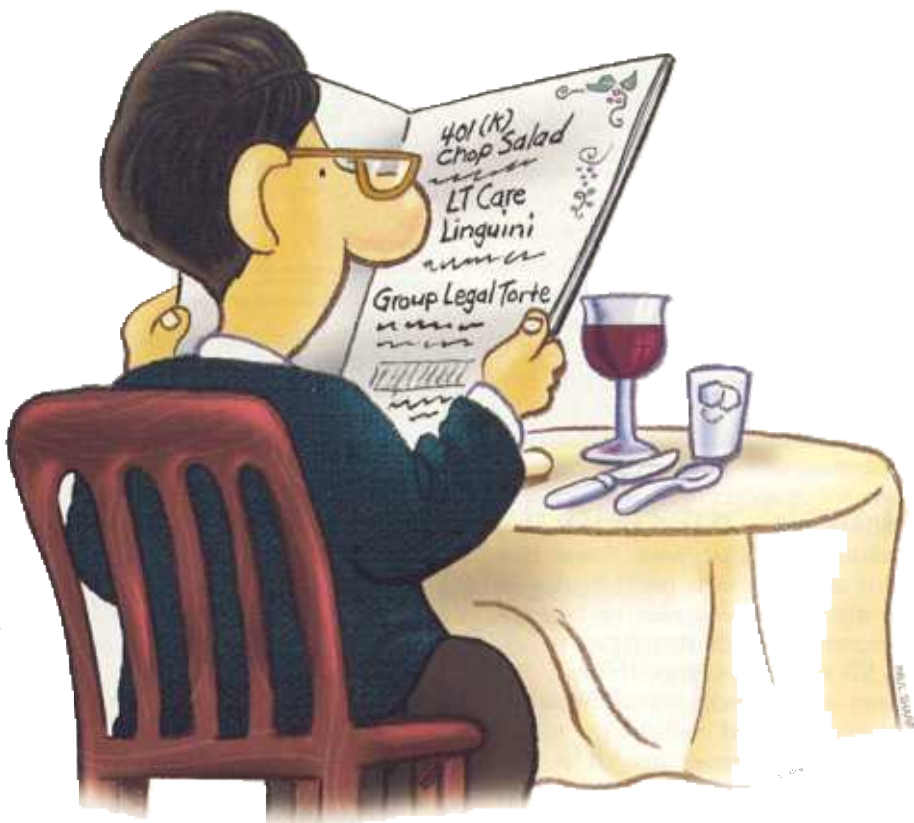
As the economy heads toward recovery, many Indiana employers are still trying to manage health-insurance costs yet keep employees happy.

A survey conducted by MetLife in the third quarter of 2002 indicates that nationwide, many companies are offering less-conventional benefits—group legal services, financial planning, college savings plans, auto insurance—in addition to traditional benefits, to sweeten their benefit packages.

While large employers have been doing this for a while, “it’s just beginning to hit the mid-size and smaller marketplace,” says Leah Fouts, certified employee benefit specialist for Forrest Sherer, an independent insurance agency headquartered in Terre Haute.

Keith Saunders, employee benefits consultant for Tobias Insurance Group Inc., an insurance-brokerage company based in Indianapolis, says smaller companies are less likely to offer the full gamut of less-conventional benefit products. “If you look at the size of employers in Indiana, a very high percentage of them have less than 500 employees. Indiana is primarily what insurance companies refer to as a smaller-group marketplace,” he says.

“Employers are in a Catch 22. The cost pressures are pushing them one



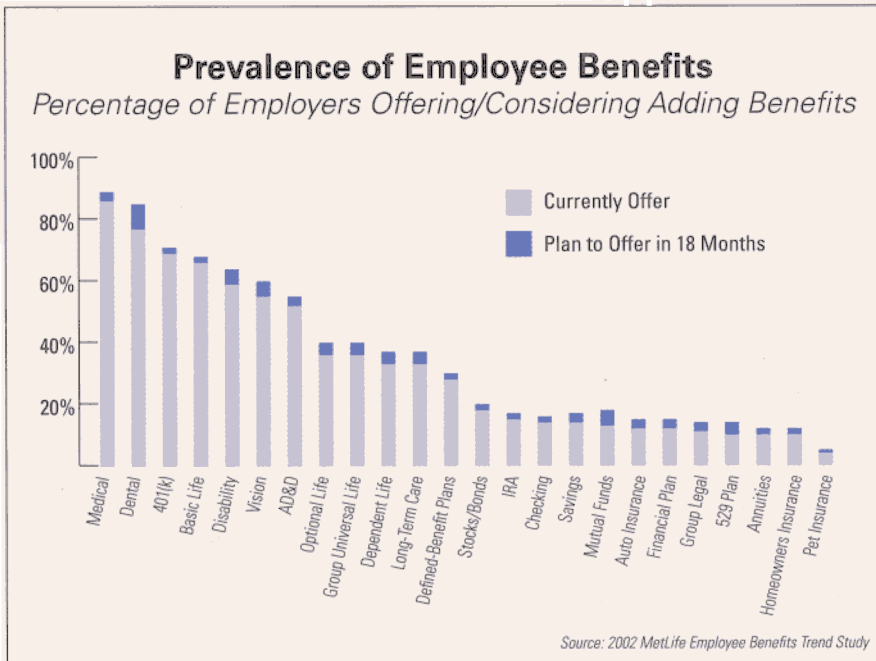
Does the crème brulee come with dental care? Employers try to sweeten benefit-package options as they shift more costs.

way, yet they can't substantially reduce their level of benefits or they will have problems with retention of their existing employees. I think the objective of most employers now is to verify that they are getting the best value for their dollars spent. Cost control has become the No. 1 priority for Indiana employers in today's economy," says Saunders.

To keep costs down, Indiana companies are shopping around—

getting quotes from multiple companies annually instead of every three or four years as they did in the past.

"It's just not assumed that they are going to take that increased hit like they may have done four years ago," says Kenneth Lizer, president of Employer's Administrative Services of Indiana, a Fort Wayne-based PEO specializing in human resources, payroll and benefits administration. PEOs assume most employment



premium costs, adding a flexible spending account that allows employees to use pretax dollars to offset those higher deductibles or co-pays. "Frankly, every new client that we get onboard now is interested in doing this. We are doing maybe 10 to 15 percent more than we were a year ago," says Lizer.

Benefits are very important to employees, so much so that Fouts speculates most employees are working for their benefits more than they are the paycheck, especially for medical. And employees are requesting more of a benefit array than ever before.

"I think a number of these coverages are being driven by advertising," says Keith Phelps, vice president in charge of employee benefits for Hylant Group of Indianapolis, an independent insurance agency. He credits the AFLAC advertising campaigns for increasing the demand for many voluntary (employee-paid)

responsibilities for their clients, including benefit research, recommendation and administration.

Lizer says as employers search for cost-reduction options there has been increased interest in Section 125 plans, which allow group insur-

ance premiums to be deducted from wages on a pretax basis and flexible spending accounts to be set up with pretax dollars for health and dependent care.

Employers can opt for higher deductibles or co-pays to reduce

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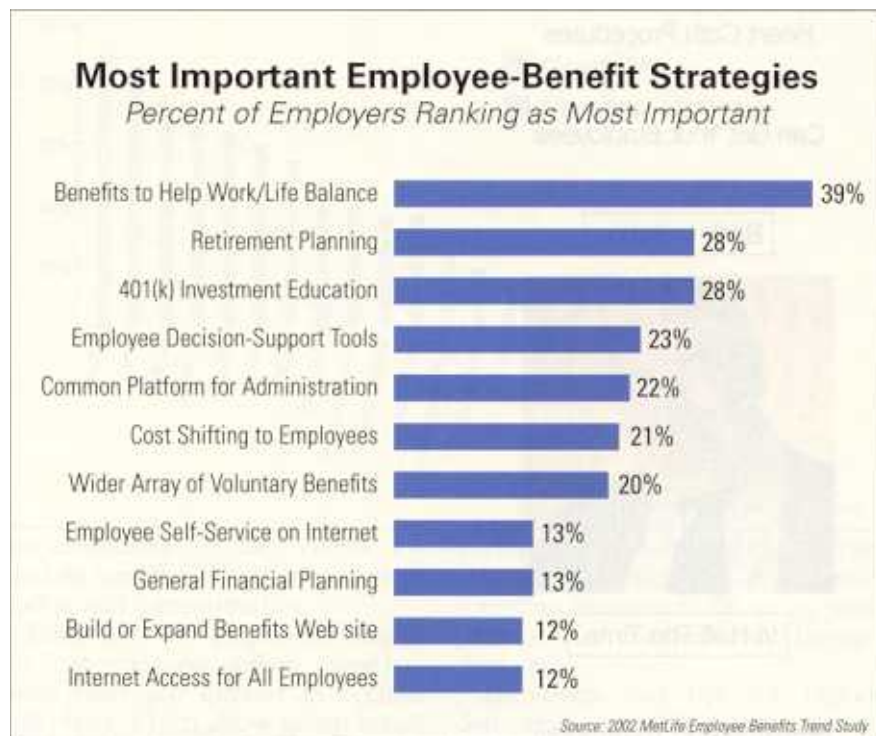
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EMPLOYEE BENEFITS



benefits—cancer insurance, hospital indemnity, accident coverage, life insurance, etc.

Saunders says employer-paid or substantially employer-paid benefits are being added by fewer than 10 percent of Indiana employers, but the number of employers providing voluntary benefits is higher.

Fouts estimates that 20 percent of companies with fewer than 1,000 employees currently offer voluntary benefits. She expects that percentage to increase due to employee demand. Phelps estimates that almost a third of Hylant's clients will be adding voluntary benefits in the near future.

Life, dental, vision and disability tend to be the most common voluntary plans. But Indiana employees are interested in others, as well. Saunders says that 529 college savings plans, although new, are generating a lot of attention. He says one employer with about 60 employees

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EMPLOYEE BENEFITS

is seriously investigating it and he expects others to follow.

Like the employees surveyed in the MetLife survey, Indiana employees are paying more attention to investment benefits, especially younger employees.

"The highly-educated, skilled young employees are looking for employers offering a retirement plan. It is very important to them. Young people today are more sophisticated in financial matters than their mothers and fathers were. They

want a place to put their money to grow for the future," says Fouts.

Lizer says he has seen employee interest in investments increase in the last year. Employer's Administrative Services of Indiana has offered pre-investment seminars to provide employees with more information. "There are some new services that are being offered by retirement-plan administrators to help with that," he says.

One thing Lizer hasn't seen is interest in prepaid legal services. "We've actually surveyed employees and haven't found a great deal of interest in it, so it's something we haven't done. I think you do have to weigh everything and make sure that it really truly is a benefit to the employee before adding a benefit," says Lizer.

The MetLife study found that many employers are offering benefits geared to work/life balance and Indiana employers are beginning to following suit.

Lizer says Employer's Administrative Services of Indiana recently partnered with YMCAs in the Fort Wayne area to allow employees to obtain YMCA memberships via a payroll-deduction plan. Employees pay for membership on a per-pay-period basis and Employer's Administrative Services of Indiana makes the arrangements, monitors and administers the program. "It doesn't really cost us anything and we don't make anything on it, but it's a way to support good health and membership and to provide the employees a better way to self-budget their money. We think there is a great benefit to employees who do sign up for this type of a membership."

The MetLife report indicates the 86 percent of employees surveyed list payroll deductions as the top advantage to voluntary benefit programs. Since the arrangement is beneficial to both employees and employers, employers are likely to use this tactic more frequently to increase benefit offerings.

As for the future, Phelps says, "I think we are seeing movement

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towards more consumer choice as far as employee benefits are concerned—more options and the ability to tailor a unique program to an individual's requirements. Employers will say, 'here's your budget and here are your choices and if you spend more than what we allocate for you, the balance will have to come out of your paycheck.'"

VOLUNTARY BENEFITS OPTIONS

The most common voluntary benefits include such options as dental and vision coverage, a 401(k) plan, life and disability insurance for the employee and life coverage for dependents. Other options growing in popularity include:

- **Long-term-care insurance:** As the workforce ages, more are wondering how they might pay for nursing-home care and other expenses when they're less able to care for themselves. Employers are responding by offering long-term-care insurance.
- **Travel accident coverage:** This benefit typically includes accidental death/dismemberment insurance for workers traveling on business.
- **Auto and home insurance:** As with health and life coverage, it often pays to buy these products with a group discount. Buying them through the workplace also allows them to be funded through payroll deduction.
- **529 college savings plans:** These plans allow workers to put money away for their children's college education and benefit from a variety of tax advantages.
- **Checking and savings accounts:** With fees on the rise at some financial institutions, some employers are obtaining for their workers free or discounted accounts at local institutions.
- **Financial-planning services:** As employees obtain more financial-planning products at work—such as 401(k) plans, annuities, certificates of deposit and the like—they're also seeking more advice. A growing number of employers are arranging financial-planning services for their workers. **IB**