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INTRODUCTION



WELCOME TO THE 2014 GUARDIAN WORKPLACE BENEFITS STUDYSM

This study — which examines employer benefits strategies and the value American workers place on their benefits packages — was conducted in September 2013, at a time when the impending implementation of the Affordable Care Act (ACA) was expected to have a ripple effect throughout the benefits industry. The cost and administrative requirements of this new legislation have the potential to impact how health insurance and other benefits evolve in the years to come.

With heightened focus on health insurance changes and the uncertainty surrounding the full impact of the ACA, our data suggests that employees value their benefits even more this year compared to the 2013 study. The average Guardian Benefits Value Index (BVI) score increased to 7.1, up from 6.8 in 2012, when the index was established. Not only does the index show an increasing value placed on benefits, but every component of this index is up as well, including the belief that benefits meet personal needs, are affordable, positively impact health and wellness, positively impact personal financial security, and are communicated well by employers. Furthermore, employees are more satisfied with their benefits package this year than last year.

The value employees place on their benefits is confirmed in other research as well. In the 2013 Employee Benefit Research Institute (EBRI) *Health and Voluntary Workplace Benefits Study*, close to 8 in 10 reported that benefits are very or extremely important in the decision to accept or reject a job. Annual surveys conducted by the Society of Human Resources Management (SHRM) have consistently found that employee benefits are among the top two contributors to employees' job satisfaction. Moreover, our study finds that a majority of employees report that the benefits they get through work account for more than half of their financial preparedness.

On the employer front, there is a strong concern about keeping benefits affordable for both the plan sponsor and their employees. Results from a 2013 Employer Health Benefits Survey conducted by the Kaiser Family Foundation and the Health Research & Education Trust suggest that, in light of the ACA, employers are addressing increasing costs by shifting health care expenses to employees. Our research indicates that this pattern could occur with other benefits as well.

This year's study examines five key issues from both the employer and employee perspectives.

- The early impact of the ACA on the employee benefits model: Conducted right before the exchanges were due to go into effect, this study finds that the anticipation of ACA changes may be causing employers to rethink their approach to their entire benefits package. Employers are even more sensitive to costs and are receptive to solutions that will reduce administrative expenses and shift a greater share of costs to the employee.
- An increased receptivity to outsourcing administration and enrollment functions: Outsourcing is an important issue at a time when employers are evaluating the nature of their benefits offerings, and data here suggests that increased reliance on external providers offers advantages for employers. The research finds a strong linkage between outsourcing and offering a more robust benefits package, including increased voluntary participation. We also find that employers who outsource tend to be more focused on optimizing benefits enrollment by providing more effective and targeted employee communications.

The study examines additional issues related to how this changing benefits environment is affecting American workers:

- The surprising benefits of a healthier workforce: While it is expected that a healthier workforce is less likely to be absent and more likely to be productive, this study suggests that healthier workers also enjoy their jobs more and express a greater appreciation of their benefits. Thus, in a changing health insurance environment, this study shows how pivotal health issues are to the employee-employer relationship and the need to help employees navigate health care decisions that could impact their physical and financial well-being.
- The importance of workplace benefits to the middle class: Middle-income Americans are often the most financially vulnerable because they do not have substantial financial resources and are also not protected by the social safety net to the extent that low-income Americans are. This research reaffirms how critically important employee benefits are to the overall well-being of this country's middle class.



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THE SURPRISING BENEFITS OF A HEALTHIER WORKFORCE

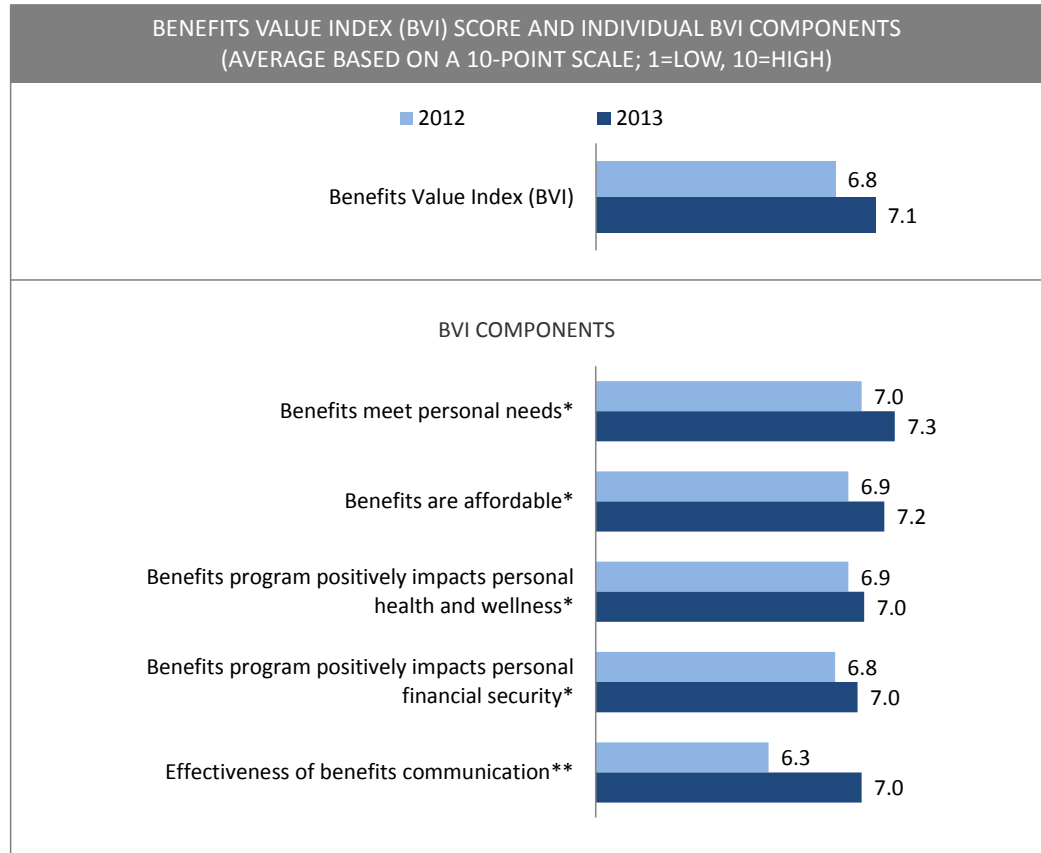
With implementation of significant parts of the ACA on the horizon, employees are happier with their benefits now compared to the 2013 study.

Healthier employees tend to be happier with their benefits and their jobs. They also report being more financially on track and more engaged with their employers’ communication programs. The results of this research suggest that employee assistance and wellness programs could pay huge dividends.

HEALTH AND THE VALUE OF BENEFITS

For the second straight year, the Guardian Workplace Benefits Study calculated a Benefits Value Index (BVI) score based on employee ratings of their company's benefits package and benefits communications. In 2013, the average BVI score for American workers increased significantly to 7.1 (using a scale of 1 to 10) from 6.8 in 2012.

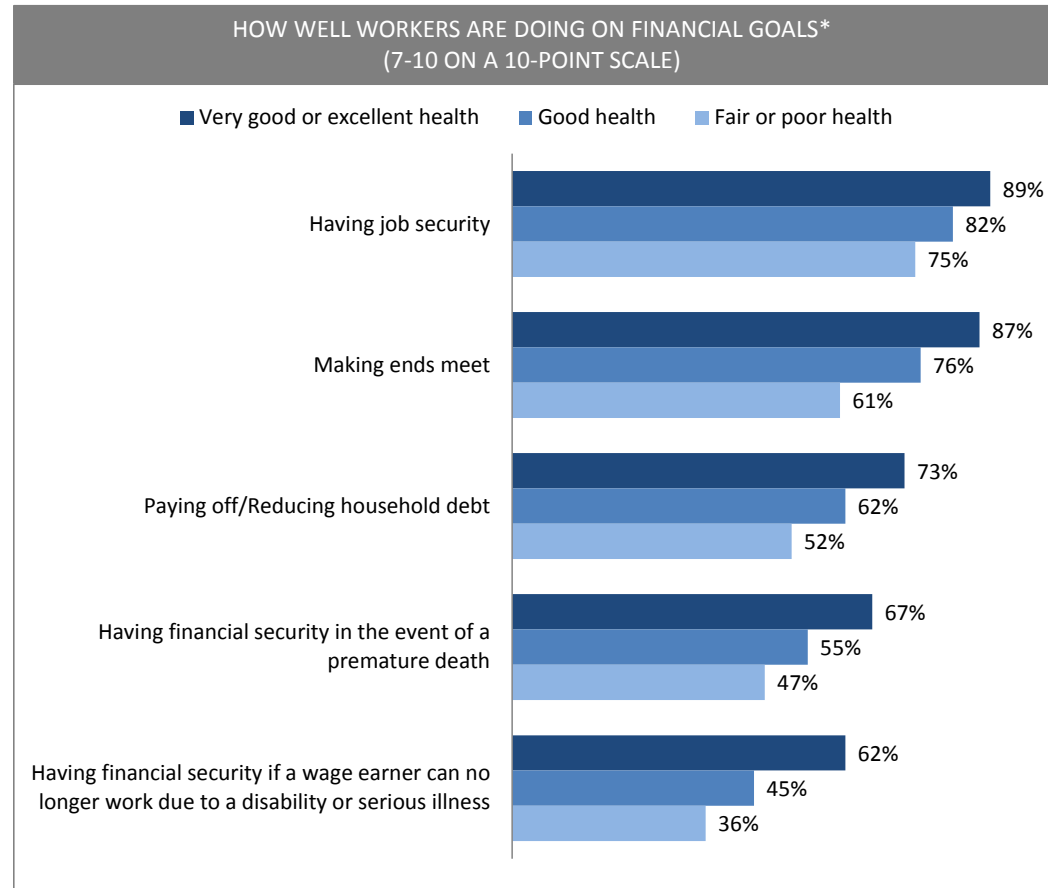
Accordingly, ratings for every item represented in the index are up in this year's study. Perhaps the turmoil surrounding the changing health care environment has led employees to value and pay more attention to the various benefits they will have in the coming year. Showing the strongest jump from last year's study is how employees view the effectiveness of benefits communications. The rating on this item jumped from 6.3 to 7.0 on a 1 to 10 scale.



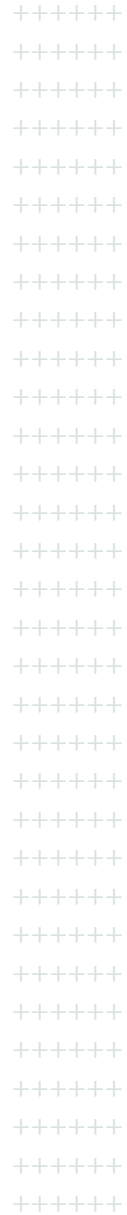
*10-point scale based on agreement with statements

**10-point scale based on perceived effectiveness

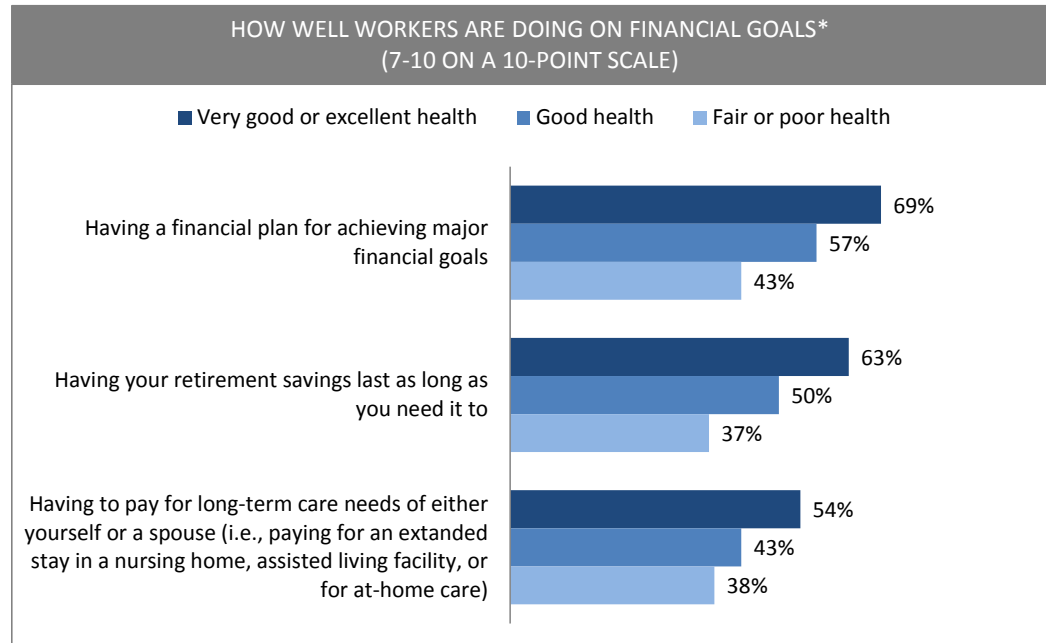
++++++ The increased value healthy employees place on their benefits is part of a bigger picture in which those in better health are doing better across a number of financial metrics. Healthier employees rate themselves as doing better in regards to job security, making ends meet, reducing debt and being prepared financially for a premature death, disability or serious illness.



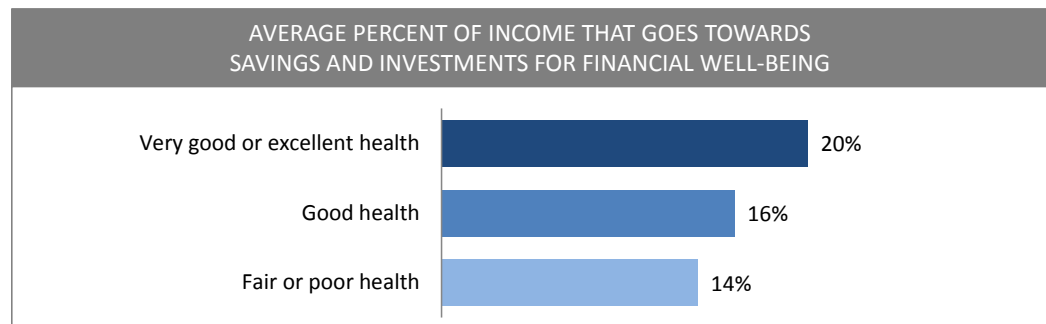
*Of those who view these items as important (7-10 on a 10-point scale)



Healthier employees are also better positioned for financial security in retirement. They feel more prepared when it comes to having a financial plan, saving enough for retirement to last a lifetime and saving for long-term care needs. Those in better health also set aside more of their income as savings. Those in very good or excellent health claim to save 20% of their income, in contrast to those in fair or poor health who save only 14%.

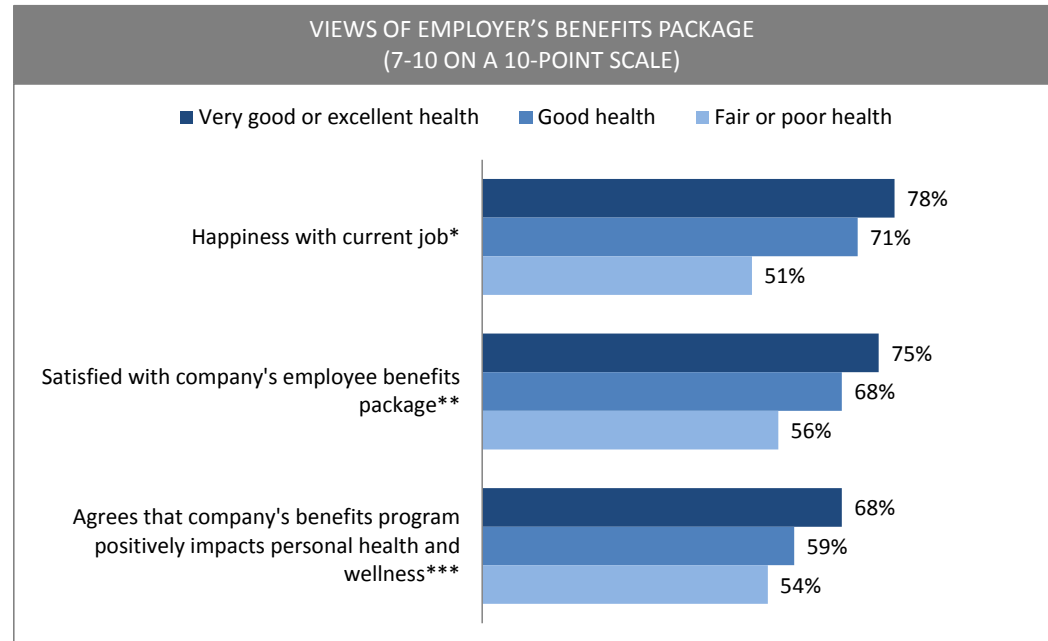


*Of those who view these items as important (7-10 on a 10-point scale)



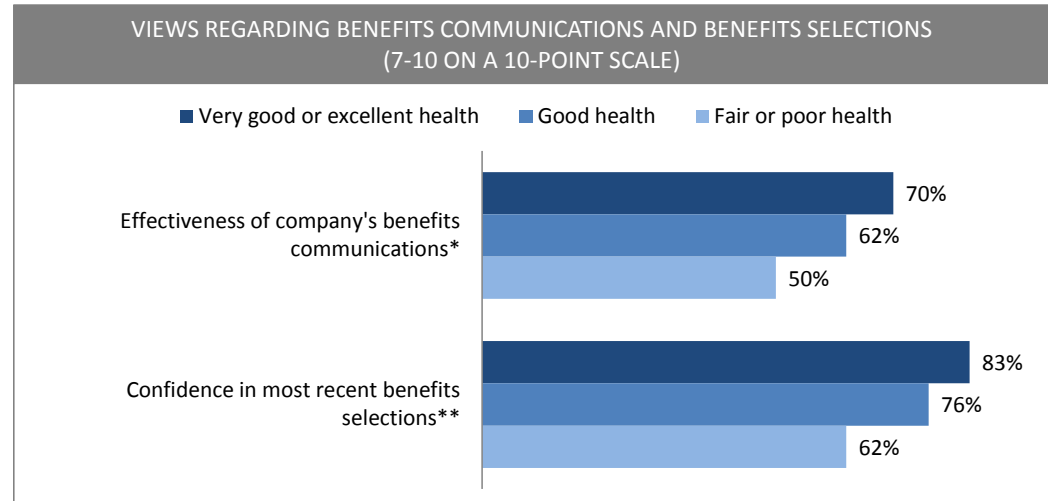
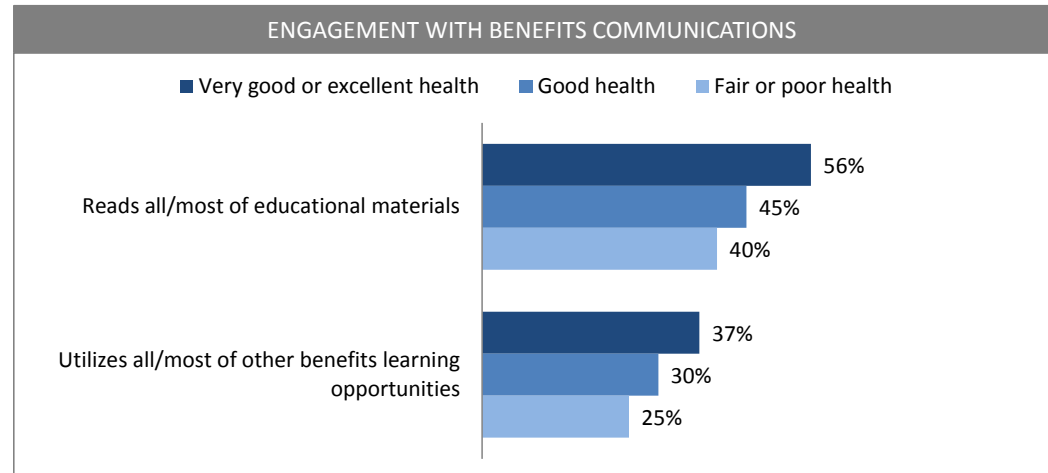
A DIFFERENT EXPERIENCE

Not only are healthier employees better off financially, but they also have a more positive experience in the workplace. They are much more likely to report being happy with their jobs and satisfied with their employer's benefits package. For each of these, three-quarters offer positive ratings compared to just a little over half among those in fair or poor health. This greater appreciation may be related to a sense that their company's benefits positively impact their personal health and wellness: two-thirds of healthier employees, but only about half of less healthy employees, agree with this idea.



*10-point scale based on happiness
**10-point scale based on satisfaction
***10-point scale based on agreement with statement

Workers in better health are more engaged with various benefits communications. They tend to read more of the educational materials provided by their employer and are more likely to take advantage of benefits learning opportunities, such as meetings and benefits fairs. Perhaps as a result, those in better health also view their company's benefits communication as more effective and feel more confident about the benefits selections they make during enrollment. As many as 8 in 10 of those in very good or excellent health report feeling confident about their selections, while only 6 in 10 of those in fair or poor health express confidence in their choices.



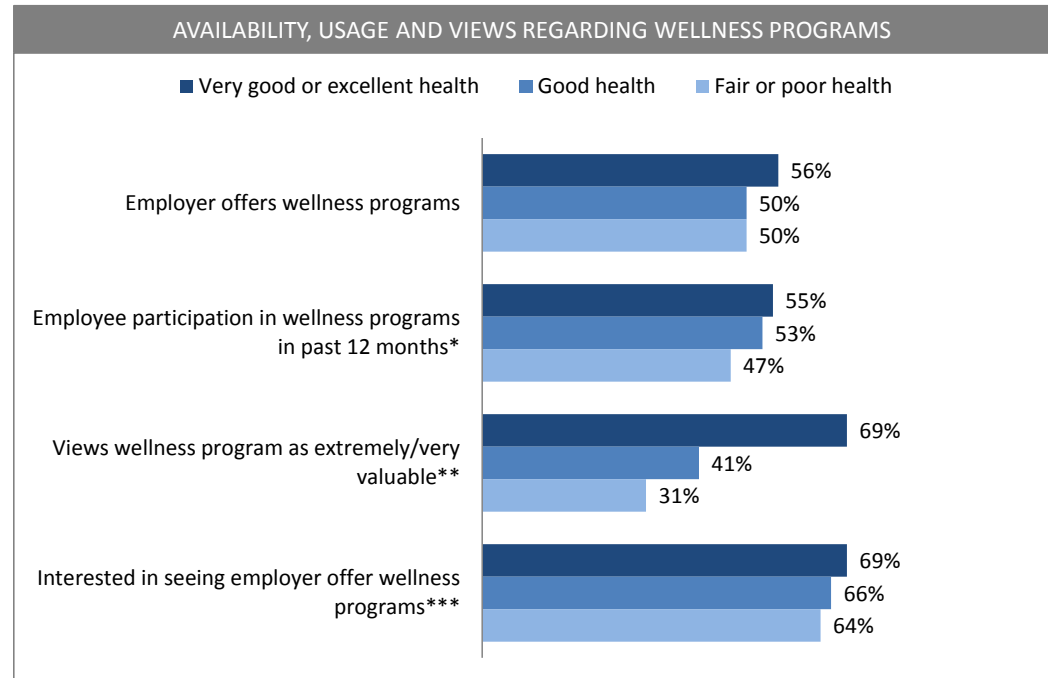
*10-point scale based on perceived effectiveness

**10-point scale based on confidence

THE VALUE OF WELLNESS

The impact of self-perceived health on the use of and satisfaction with benefits underscores the value of workplace wellness programs. Healthy employees are more likely to report that their employer offers a wellness program, and although they are only slightly more likely to participate in a program, healthier employees are more than twice as likely to think that wellness programs are valuable. Of those who are not offered a wellness program, two-thirds report interest in having one — with little difference in interest among those who report good health and those who don't.

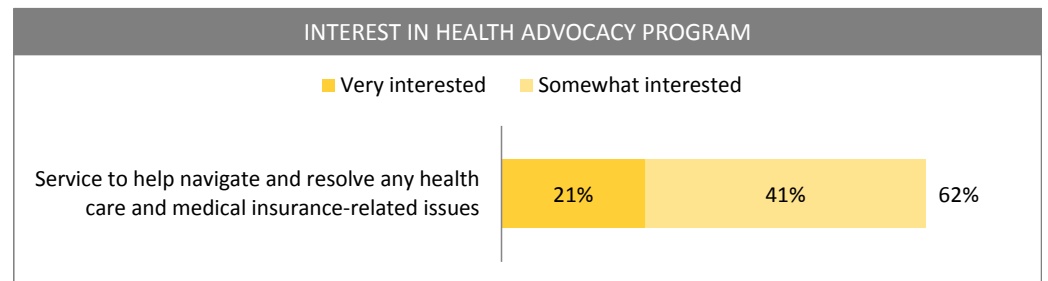
Health advocacy programs also have considerable appeal, with nearly two-thirds of American workers reporting interest. African-American workers are particularly interested in such programs.



*Of those who are offered wellness programs by employer

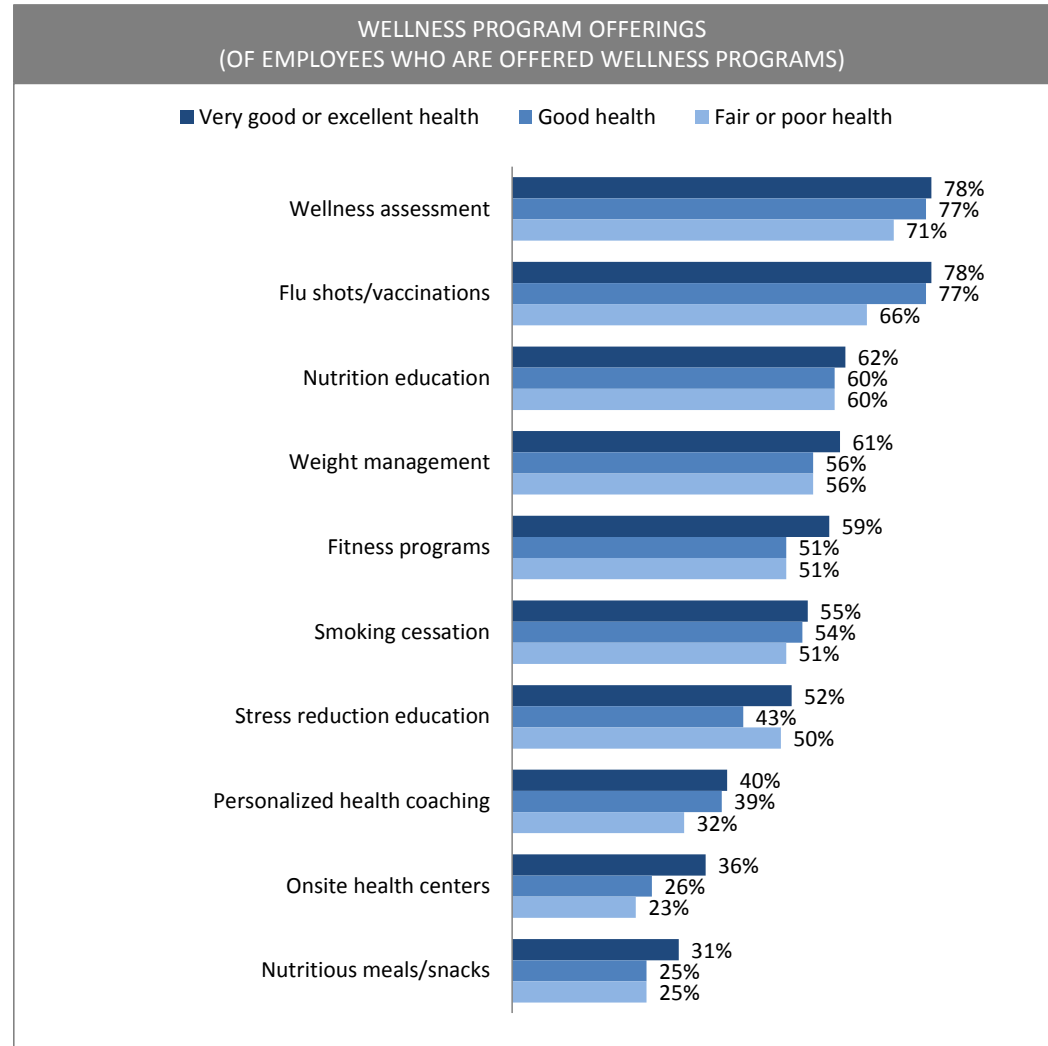
**Of those who participate in wellness programs

***Percent Yes of those who are not offered wellness programs



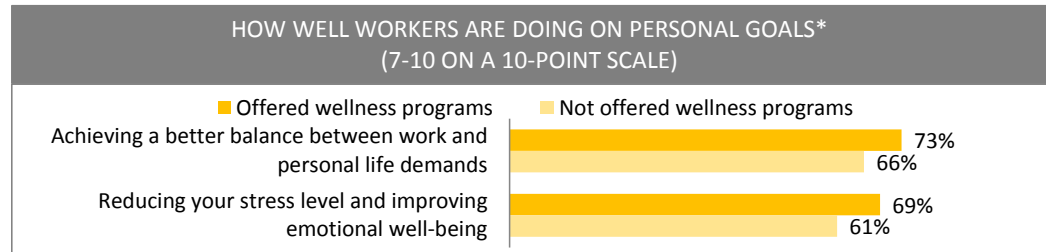
Healthier employees tend to have access to a broader array of wellness program offerings. They are more likely to be offered wellness assessments, flu shots and vaccinations, fitness programs and onsite health centers. While the differences are not dramatic, they point to a consistent pattern of employee health perceptions and availability of wellness activities through the workplace.

In general, 8 in 10 employees are offered wellness assessments, and half or more are offered programs geared toward nutrition education, weight management, fitness, smoking cessation and stress reduction education.

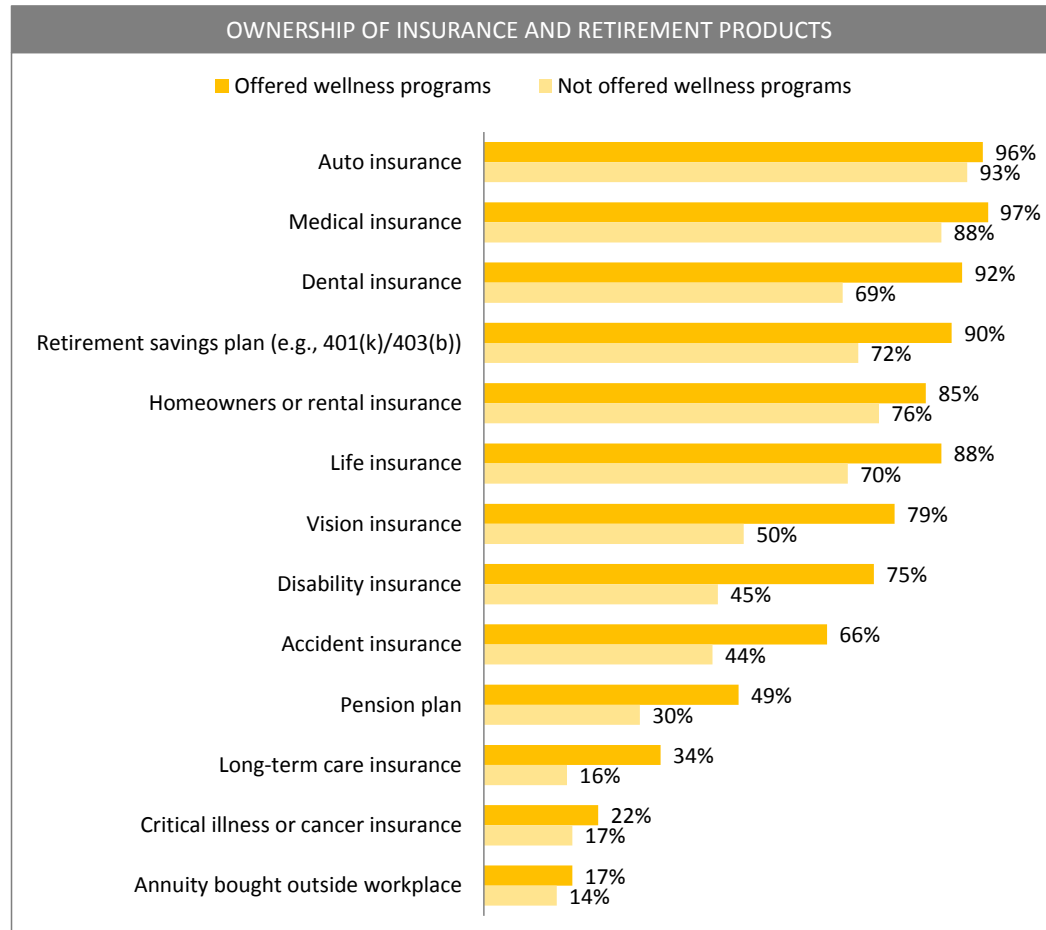


Wellness programs are also associated with more positive employee attitudes toward managing work/life balance and reducing stress/improving emotional health. Roughly 7 in 10 workers who have access to wellness programs feel they are successfully managing these aspects of their work and personal lives — to a greater degree than those without wellness programs.

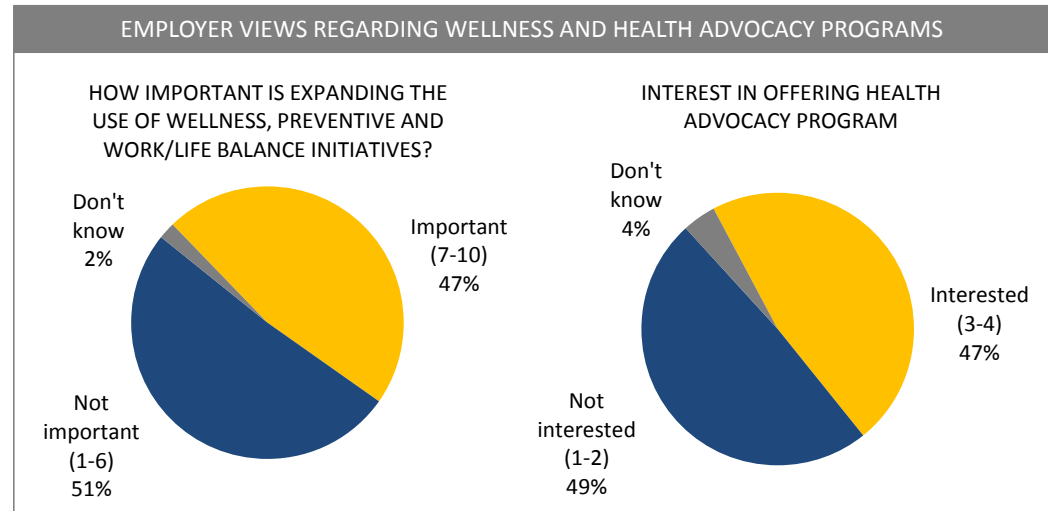
Employees with wellness programs are also more likely to own a variety of insurance and savings products, including insurance for medical, dental, life, vision, disability, accident, long-term care and critical illness or cancer.



*Of those who view these items as important (7-10 on a 10-point scale)

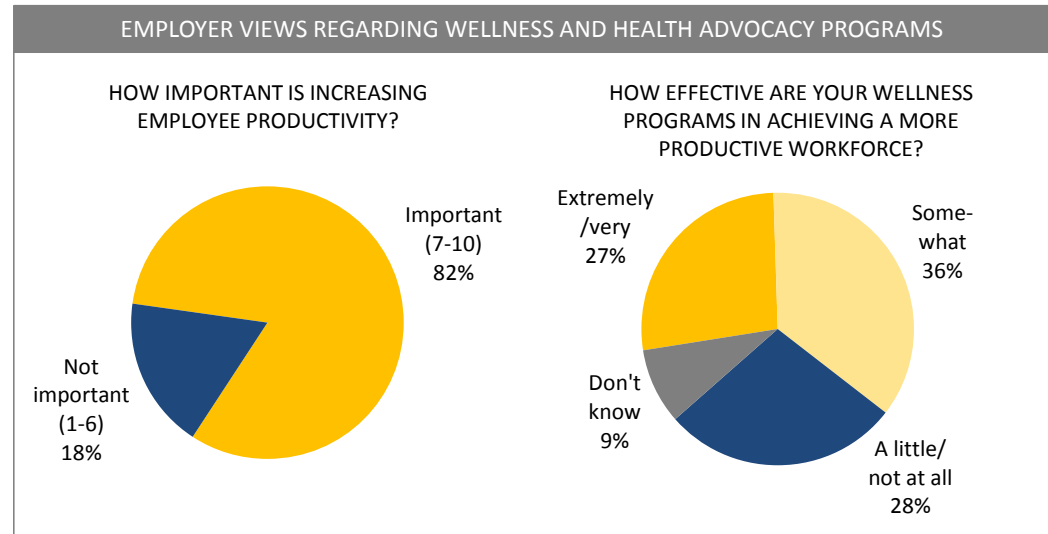


Some employers, however, are slow to pick up on employees' high interest in wellness and health advocacy programs. Fewer than half of employers currently view expanding the use of wellness, preventive and work/life balance initiatives as an important part of their benefits strategy. Similarly, fewer than half of employers express interest in offering health advocacy programs.

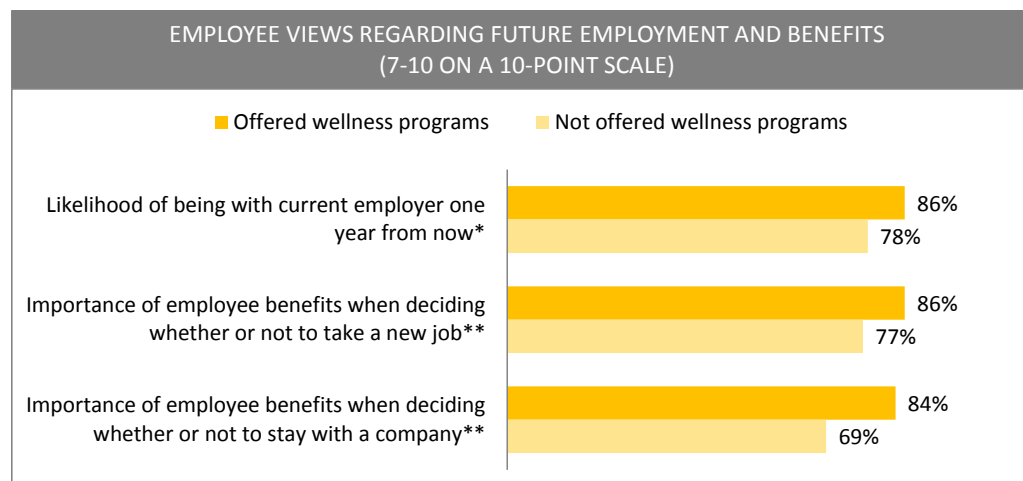
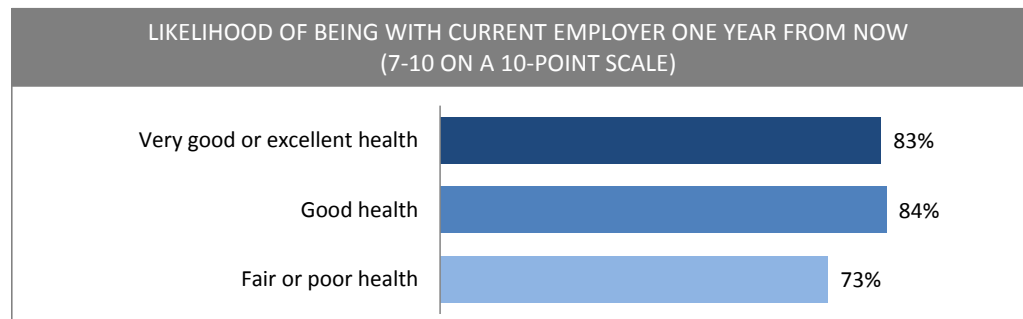


INCREASED PRODUCTIVITY AND STABILITY

Attention to employee health and wellness can improve both employee satisfaction and productivity. Employees who are in better health are less likely (only 3%) to report having to leave work for more than 90 days for an injury or illness. In addition, a quarter of employers offering wellness programs report that they have been very or extremely effective in increasing productivity. This is especially notable given that improving worker productivity is among employers' most important benefits objectives.



Workers in better health and those offered wellness programs are more likely to say that they will still be working for their current employers a year from now. Additionally, those offered wellness programs are more likely to consider benefits important when deciding to stay with a company and when looking for a new job.



*10-point scale based on likelihood
**10-point scale based on importance



IMPLICATIONS

These findings suggest that employers who invest in the health and wellness of their workforce will receive considerable dividends. Healthier workers are happier, more productive and more focused on their longer-term financial goals, as well.

A majority of both healthy and unhealthy workers express an interest in a health advocacy program that would help them navigate their health care needs and related benefits. The availability and success of this type of service, and wellness programs, could help to bolster the perceived value of an employer's overall benefits package.

CHAPTER

2

WORKPLACE BENEFITS CRITICAL TO MIDDLE-CLASS FINANCIAL SECURITY

The increased value placed on benefits is an encouraging sign in the current economy, where middle-income employees struggle to achieve financial well-being. Employee benefits play a vital role in providing economic support and protection against uncertainties for this vulnerable segment.

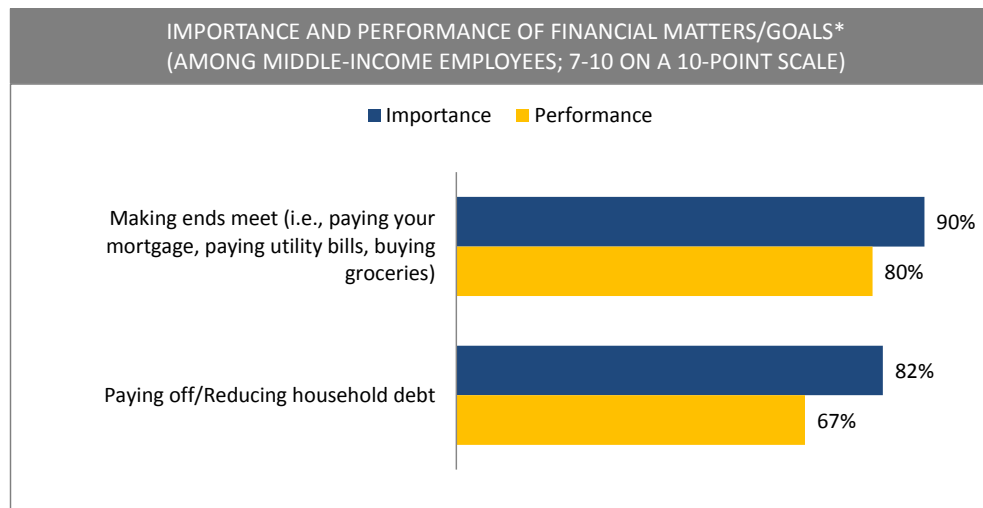
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STRUGGLING & STRESSED

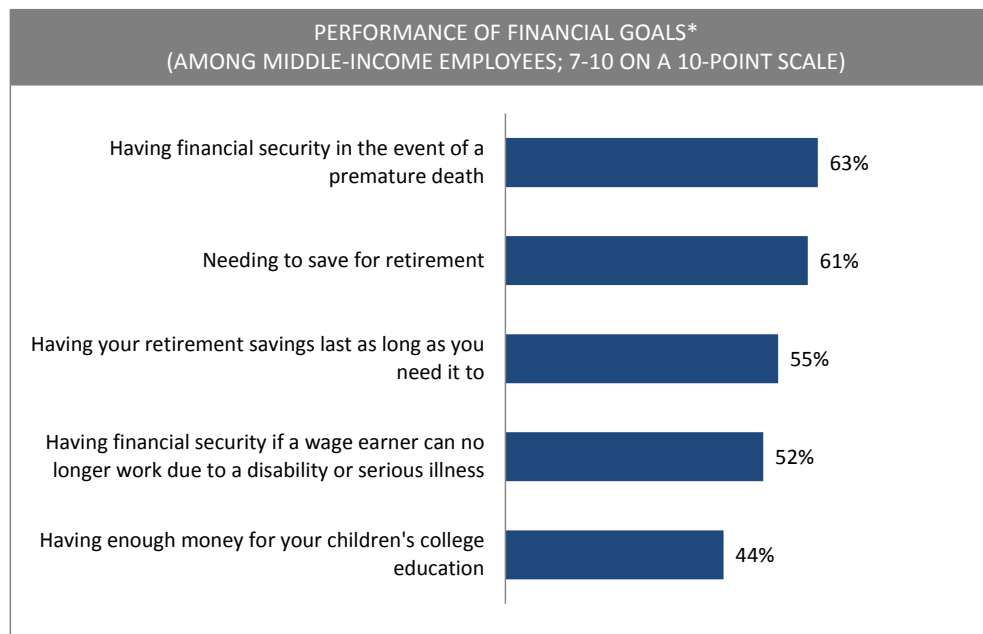
Most middle-class workers (earning between \$50k and \$100k) rate “making ends meet” as highly important and 8 in 10 cite “reducing debt” as an important goal. Yet, achieving these basic financial objectives is a challenge for some middle-income workers. Among those who place high importance on these goals, 1 in 5 are not easily making ends meet, and one-third are not successfully reducing debt.

With so much focus on the “here and now,” it’s not surprising that even among those who rated these goals as important — just 6 in 10 feel they are doing well with regard to saving for retirement and ensuring those savings will last a lifetime. The more intermediate goal of “saving for a child’s college education” is also suffering, with only about 4 in 10 saying they are doing well on this objective.

With every dollar being stretched, the loss of income due to the death of a spouse or a significant illness or disability poses a real risk for middle-market households. Less than two-thirds of those who find these goals important indicate they are doing well enough to manage in the event of a premature death, and only half could manage if a disability or illness led to loss of income.



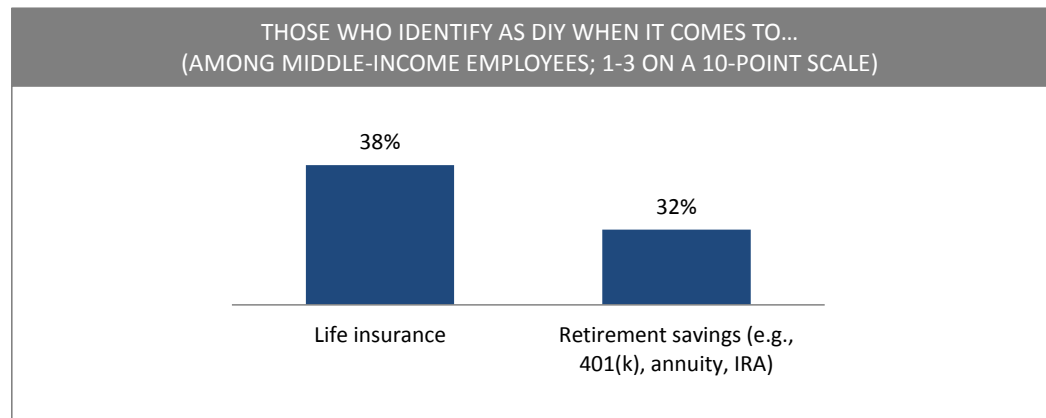
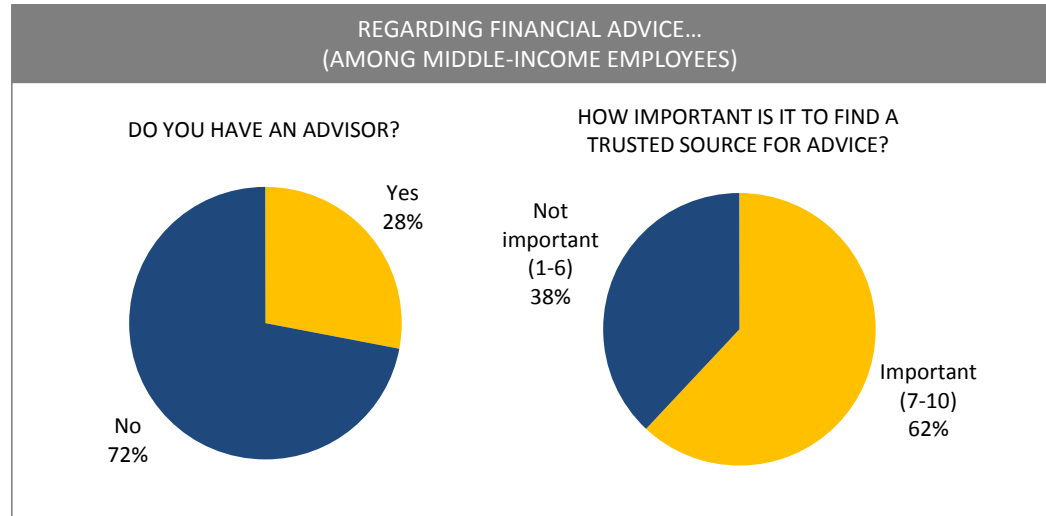
*Performance rating based on those who view these items as important (7-10 on a 10-point scale)



*Of those who view these items as important (7-10 on a 10-point scale)

IN THE ABSENCE OF ADVICE, THE WORKPLACE WORKS

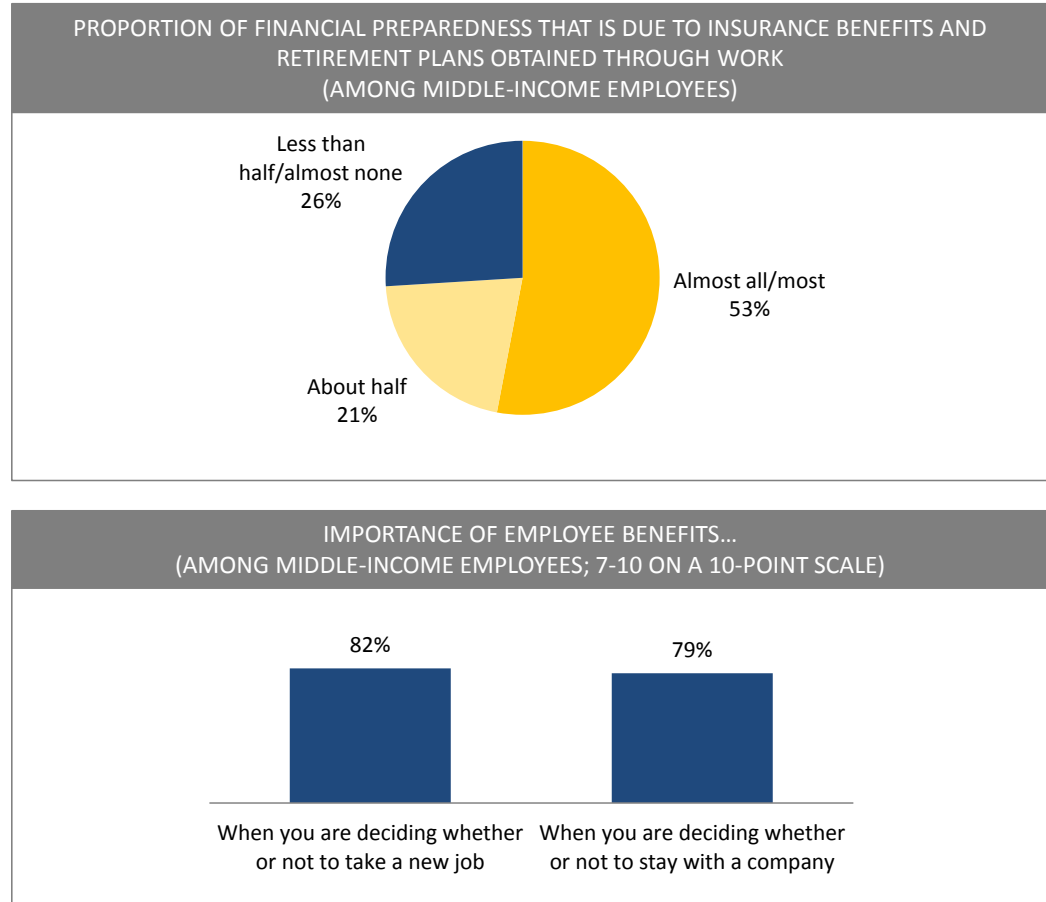
Many middle-market consumers are trying to navigate financial planning — retirement and insurance planning — on their own. Sixty-two percent say finding a trusted source of financial advice is important, but about half as many report working with a financial advisor. Roughly a third or more say when it comes to retirement savings and life insurance, they are Do-It-Yourselfers.





For America’s middle class, the workplace is a critical source of financial security. Three out of four middle-income employees attribute at least half of their overall financial security to the benefits they receive at work.

Middle-income workers, in particular, recognize the important role of employee benefits in their lives. Eight in 10 say their insurance and retirement benefits are critical when determining whether to stay with an employer; 82% indicate benefits are crucial when deciding whether to take a new job. These results are very consistent with EBRI’s 2013 *Health and Voluntary Benefits Survey*, which indicates that 78% feel that benefits are very or extremely important in the decision to accept a job.

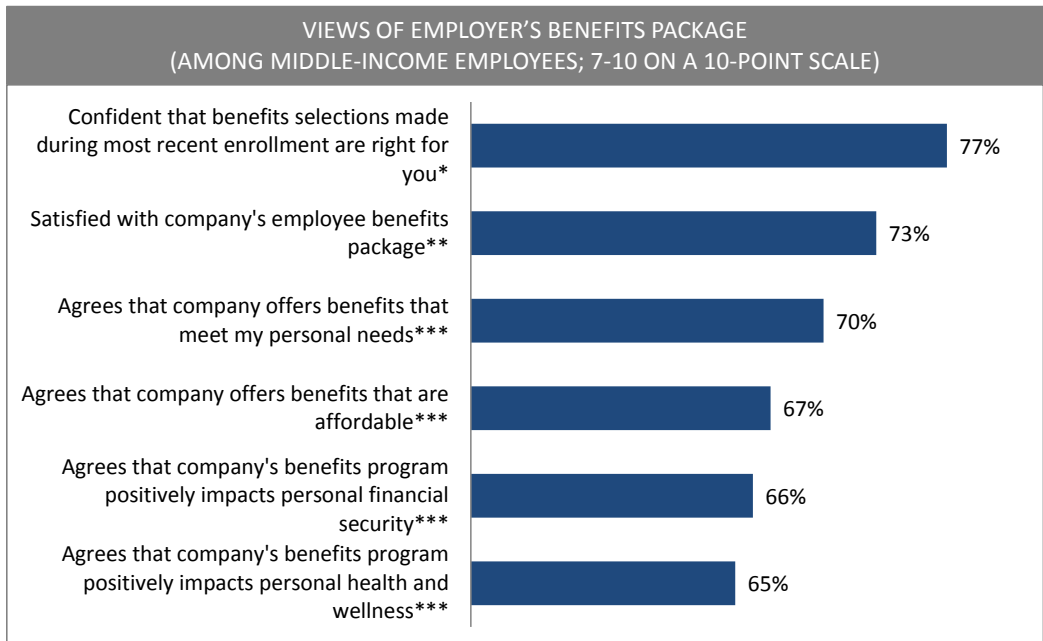
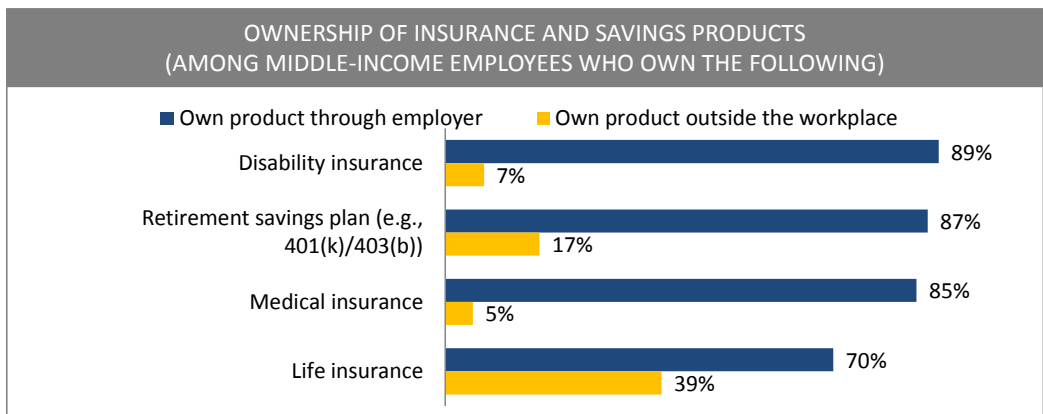




The importance of benefits when choosing a job is not surprising given that, for an overwhelming majority of middle-income employees, the workplace is the sole source of their retirement and insurance products.

Among middle-income workers who own these products, more than 8 in 10 say they obtained their health insurance, disability insurance and their retirement savings plan through their employer. Seven in 10 obtained their life insurance through their employer. In contrast, only 4 in 10 have life insurance *outside of the workplace*, and for other coverages, the figures drop dramatically — only 17% have retirement savings products outside of work, 7% have disability protection and 5% have health insurance that’s not through their employer.

Roughly three-quarters of middle-income workers express satisfaction with their employer’s benefits package and an even greater share are confident they are making the right benefits selections. About two-thirds also agree that their benefits meet their needs, are affordable to them and contribute positively to their personal health and wellness. Reliance on employee benefits as a foundation for their household’s financial security is likely a contributing factor to the 9 in 10 middle-income workers who say “maintaining job security” is very important.

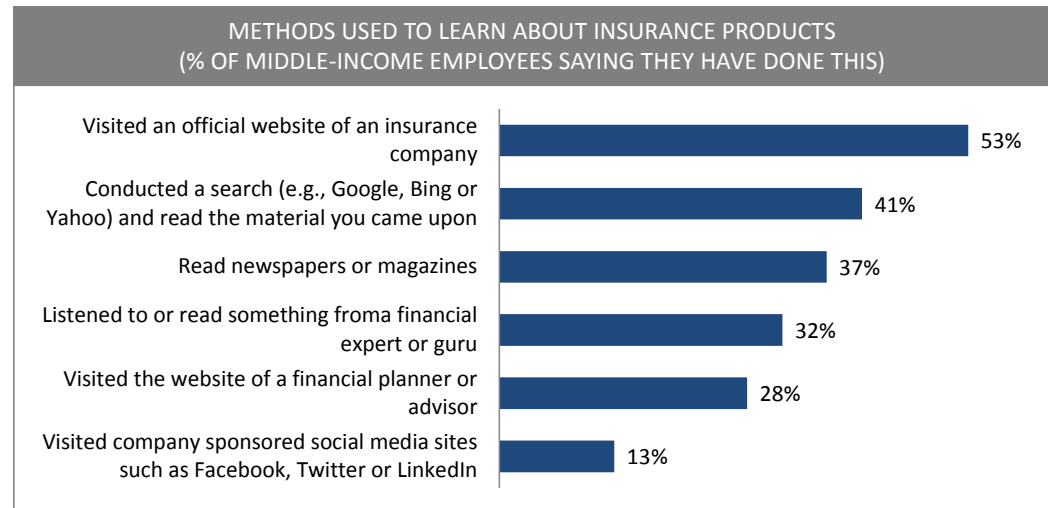
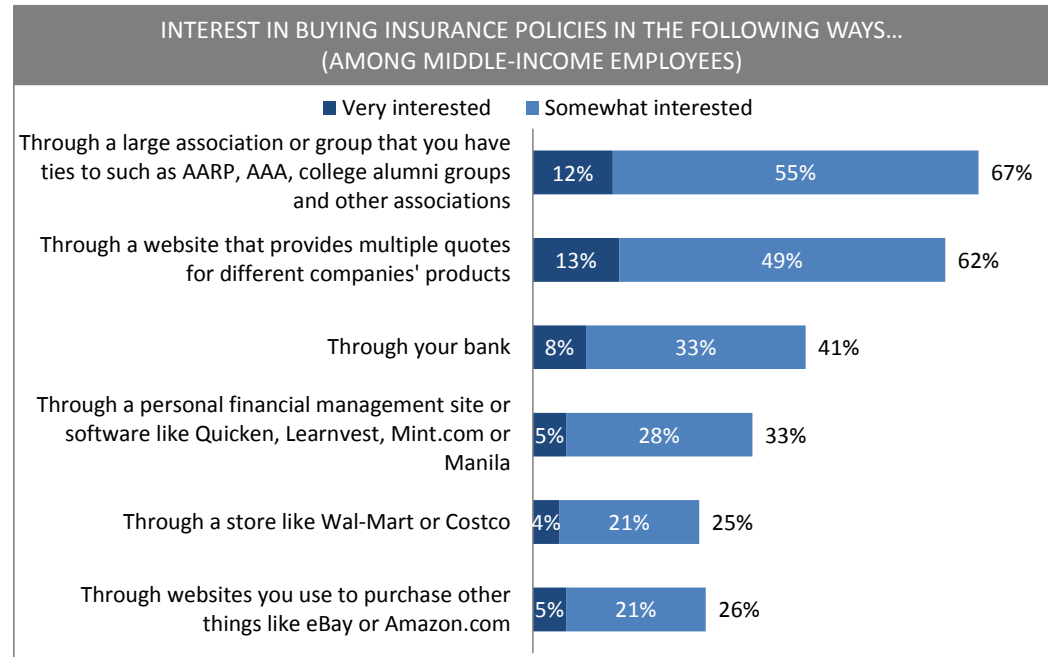


*10-point scale based on confidence
 **10-point scale based on satisfaction
 ***10-point scale based on agreement with statements

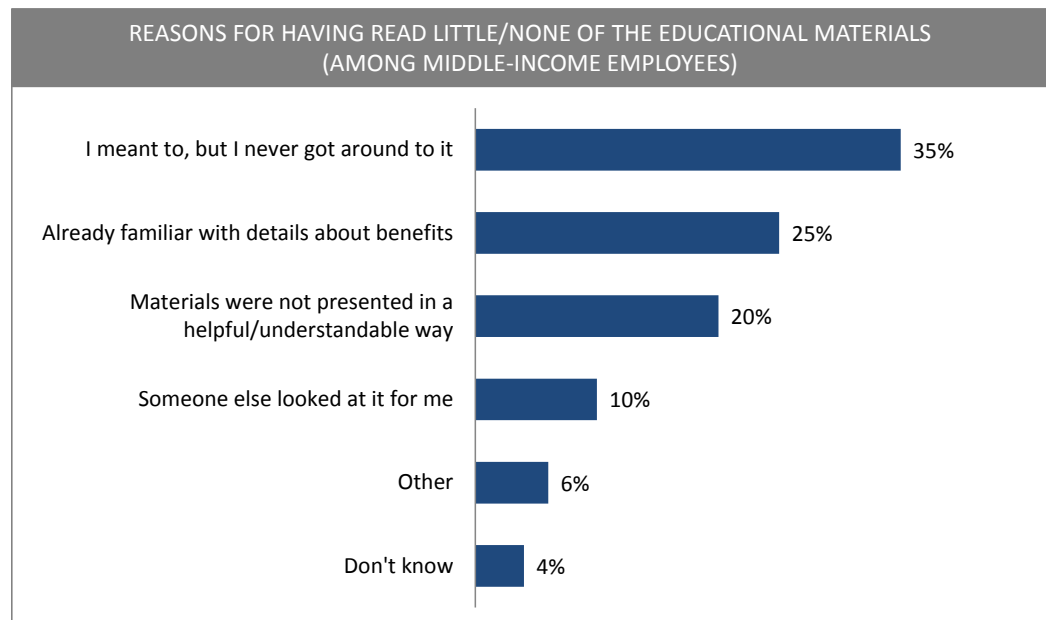
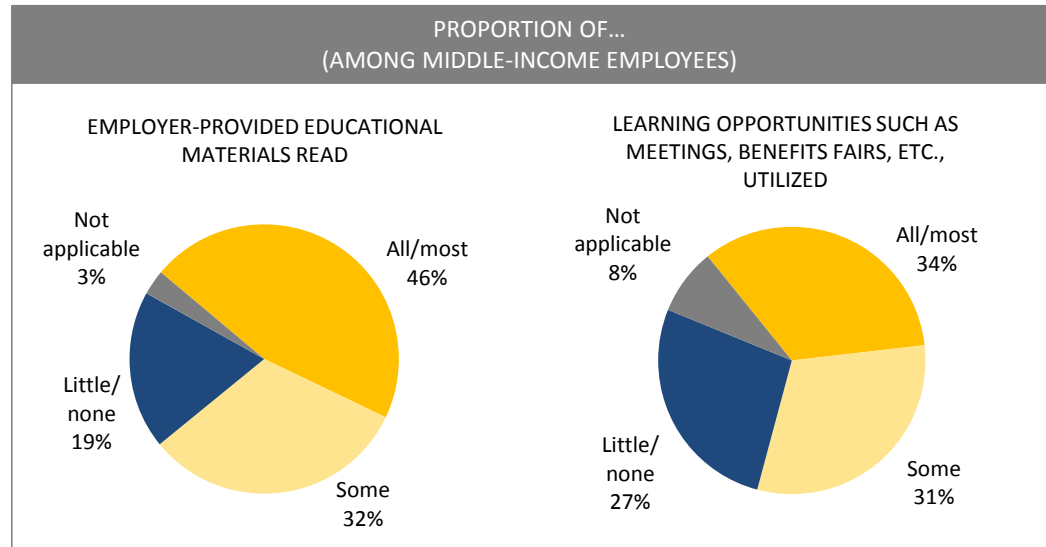
NO TIME TO RESEARCH OPTIONS

This group uses the workplace as a one-stop shop for financial security. Very few show a high level of interest in buying insurance coverage through other sources, like associations, websites and banks, and even fewer show high levels of interest in less traditional sources, such as personal financial management sites, retail stores and other types of websites.

Middle-income workers tend not to pay a great deal of attention to materials about insurance products in general. Just 4 in 10 have read newspapers or conducted online searches to learn more about insurance products. They don't seek out the opinions of financial experts on TV or in the papers — just 32% have done this. They don't go to financial planners' websites and they aren't going to social media looking for answers (just 13% have used social media for this purpose). Half have visited the website of a specific insurance company — quite possibly one they've been introduced to through the workplace.



++++++ Middle-class workers are not spending time doing their own
 ++++++ research and educating themselves about their insurance and
 ++++++ retirement benefits. Fewer than half read the printed and online
 ++++++ benefits materials provided to them, and of all the benefits
 ++++++ learning opportunities offered, only a third say they take
 ++++++ advantage of most or all of them. Many have good intentions,
 ++++++ with more than a third saying they meant to read the materials,
 ++++++ but haven't had the time to follow through.

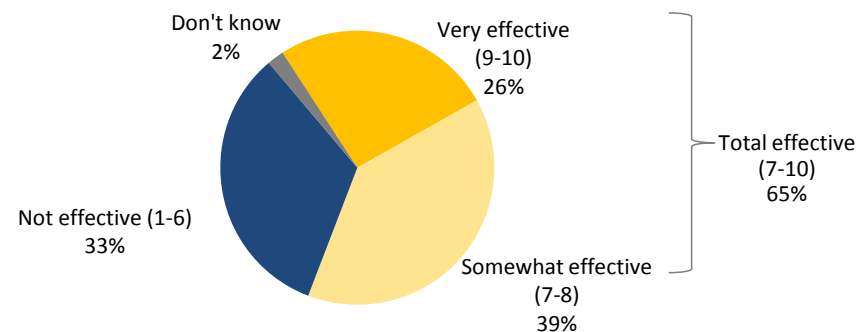


Among those who read little or none of the educational materials provided by employers, as many as 20% state that the materials were not presented in a helpful or understandable way.

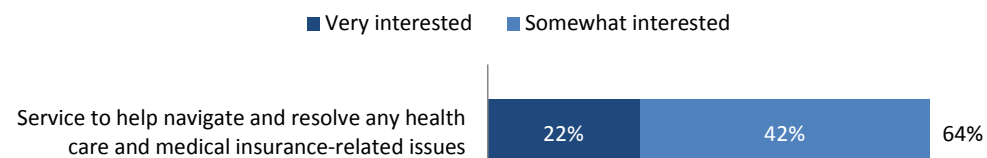
In addition, while almost two-thirds of middle-income workers rate their employer's benefits communications as effective, only a quarter view the communications as "very effective."

This group of likely stretched American workers needs help balancing competing priorities for their time and money. Programs that can guide them and help them navigate financial and health decisions are seen as valuable. Nearly two-thirds express interest in a health advocacy program that could help them and their families navigate and resolve health care issues. Six in 10 value the wellness program they participate in at the workplace.

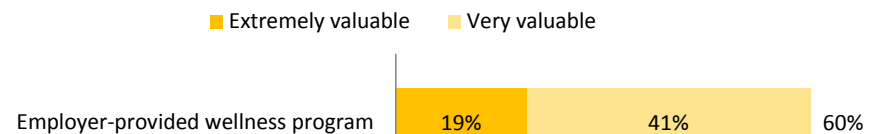
EFFECTIVENESS OF COMPANY'S CURRENT BENEFITS COMMUNICATION
IN HELPING YOU MAKE THE RIGHT CHOICES
(AMONG MIDDLE-INCOME EMPLOYEES)



INTEREST IN HEALTH ADVOCACY PROGRAM
(AMONG MIDDLE-INCOME EMPLOYEES)



PERCEIVED VALUE OF WELLNESS PROGRAM
(AMONG MIDDLE-INCOME EMPLOYEES PARTICIPATING IN PROGRAM)





IMPLICATIONS

This study highlights that in today’s challenging economy, many middle-income workers are struggling to achieve their financial goals. Results here are consistent with other research. For example, EBRI’s *2013 Retirement Confidence Study* shows that 38% of middle-income workers are not confident in their ability to achieve a secure retirement and only 12% are very confident.

Despite their challenges, middle-income employees tend not to seek advisors and not to purchase financial protection and retirement products on their own. Because of this, the workplace serves as a lynchpin to their financial security and a key source of access to financial products.

Still, many don’t pay sufficient attention to employee benefits-related communications. Given the critical role of workplace insurance and retirement products in their overall financial security, middle-class Americans would greatly benefit from more effective guidance and targeted recommendations to best support their financial needs and goals.

3

CHAPTER

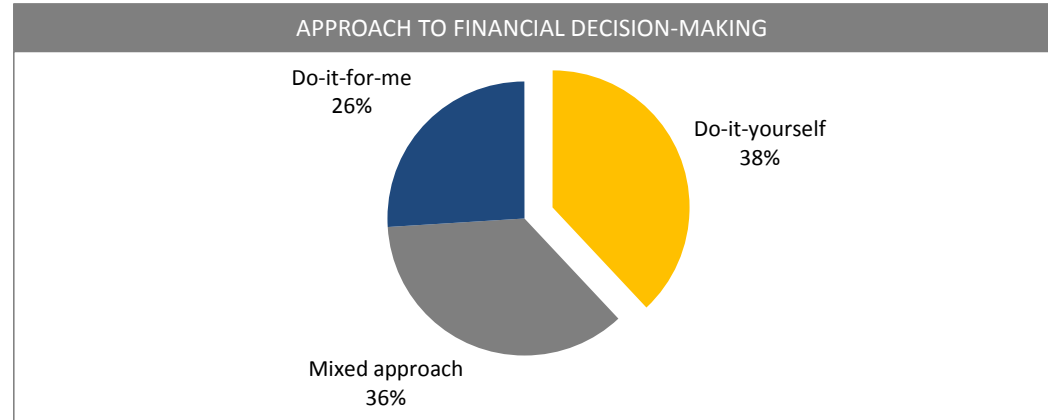
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ARE DO-IT-YOURSELFERS GETTING IT DONE?

With employee benefits offering unique value to workers, the workplace is an important source of financial advice for many workers, especially those who need and want financial guidance. Do those who rely less on professional financial advice actually get it done on their own or do they tend to forgo the support that they need for making sound benefits decisions?

GOING IT ALONE

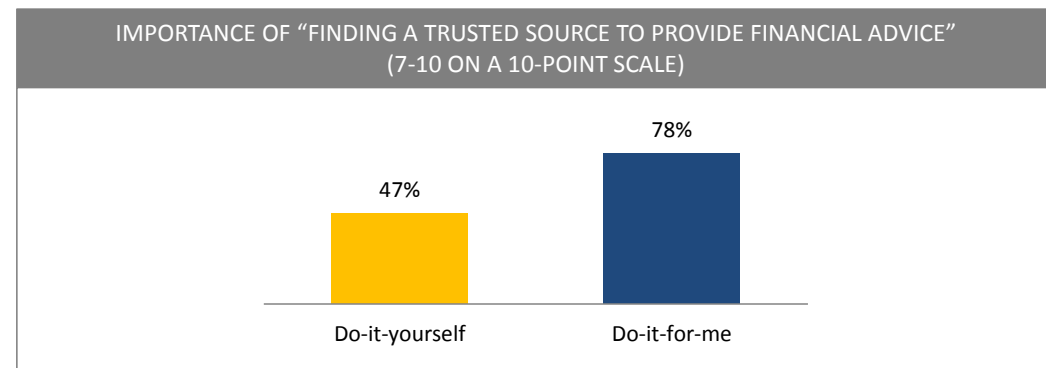
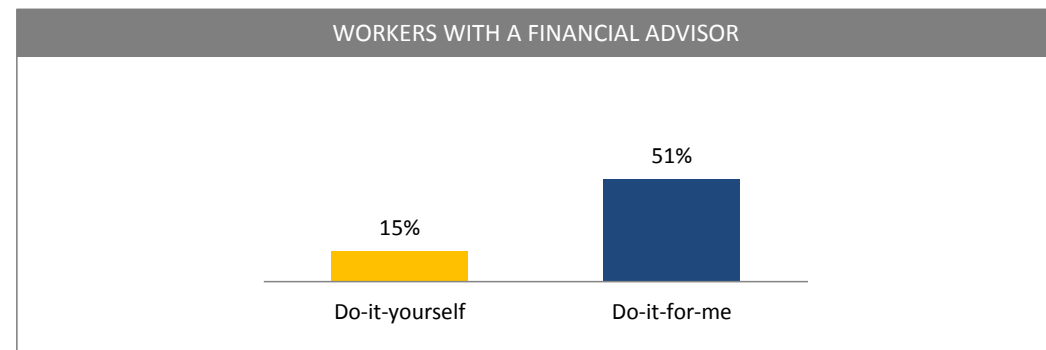
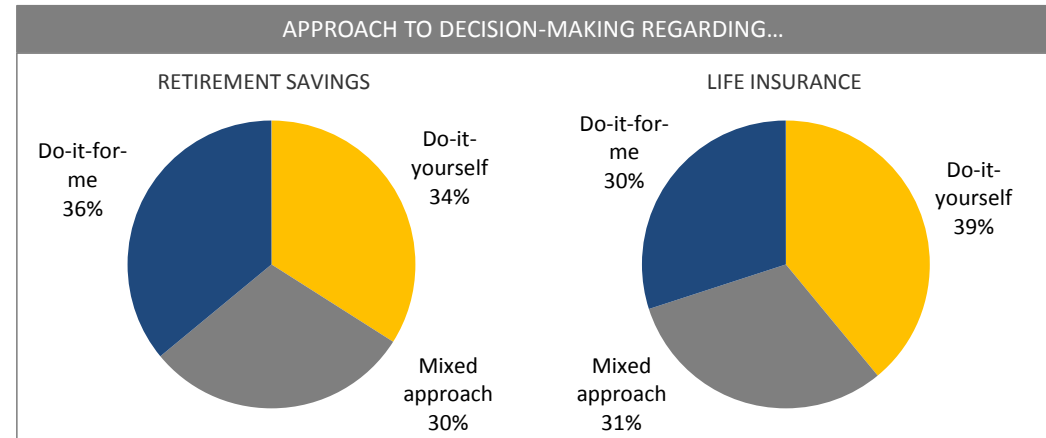
Despite the complexities of insurance and retirement products, many American workers forgo professional help, choosing instead to tackle the necessary research and decision-making on their own. Four in 10 workers describe themselves as “Do-It-Yourselfers” (DIYs) when it comes to making financial decisions (i.e., some people like to make all of their financial decisions on their own), while just one-quarter fall into the “Do-It-For-Me” (DIFM) category (i.e., others want to rely on someone else, perhaps an advisor or employer, to research and make decisions for them). A similar proportion describes themselves as DIYs regarding their approach to making life insurance decisions (39%) or retirement planning and saving (34%). More than a third (36%) fall somewhere in between on this continuum — doing some research on their own but also relying on advice from other sources.



Differences in how workers approach their financial decisions are not explained simply by income level or other demographic factors. DIYs are actually very similar to DIFMs with respect to income, marital status, race and education.

Rather, preferences about how workers manage their personal finances are more a factor of generation and gender. Younger workers — and Millennials in particular — are more likely to take a DIY approach to their personal finances and are less likely to consult a professional financial advisor. Men are also more likely to identify themselves as DIY compared to women.

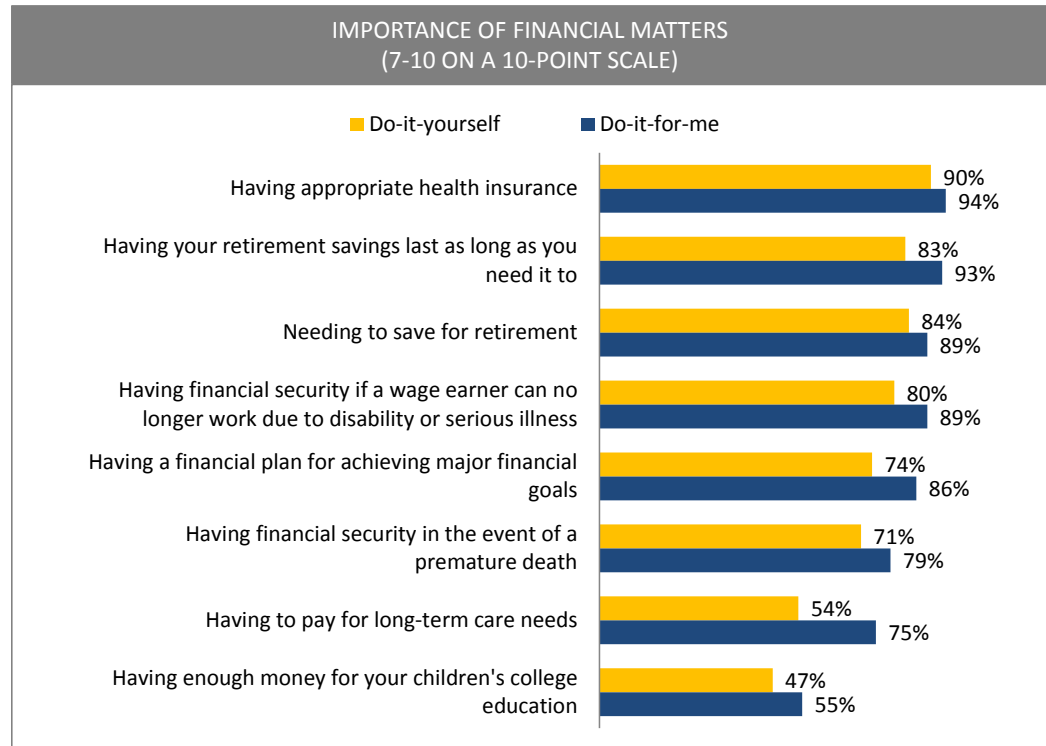
In the strictest sense, DIYs live up to their label; fewer than 1 in 6 say they use a financial advisor, compared to more than half of DIFM workers. Furthermore, less than half of all DIYs think it is important to find a trusted source for financial advice.



SELF-RELIANT OR JUST APATHETIC?

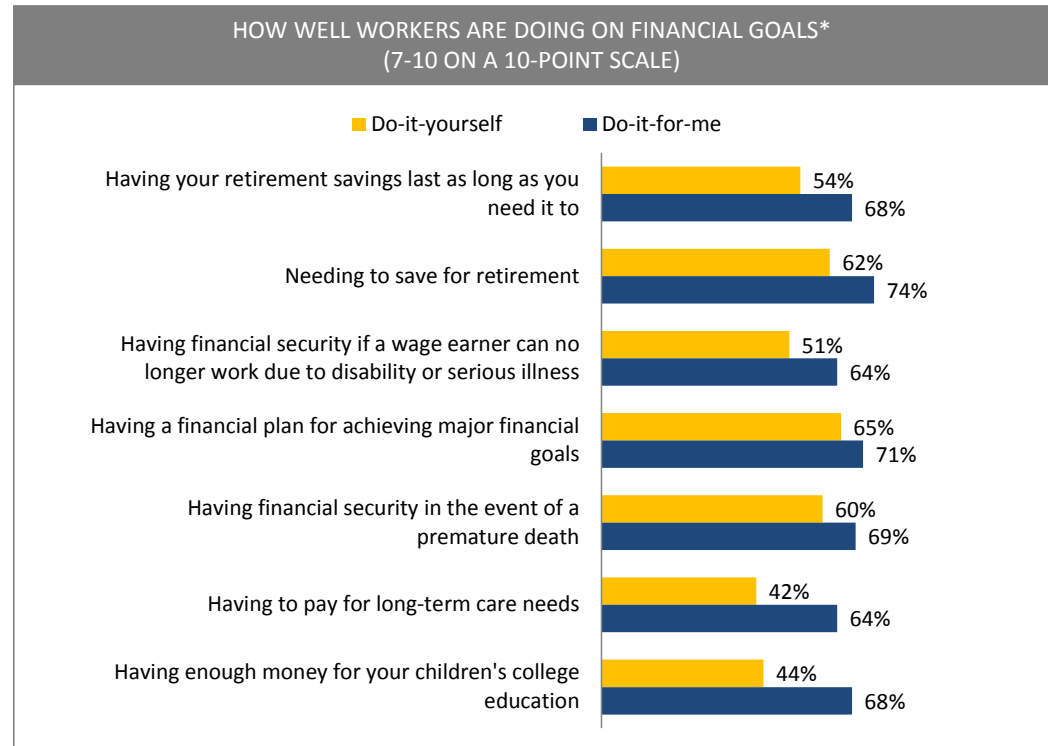
An obvious question about DIYs is whether their reluctance to seek professional advice is the result of genuine confidence in their ability to make financial decisions on their own, or simply the result of a laissez-fair attitude toward managing their finances. More evidence exists for the latter. DIYs are less likely to prioritize many key financial objectives. Compared to those who prefer to rely on a financial professional (DIFMs), DIYs are less likely to place high importance on saving for a child's education, having appropriate health insurance, saving for retirement and having a plan to reach major financial goals.

IMPORTANCE OF FINANCIAL MATTERS
(7-10 ON A 10-POINT SCALE)

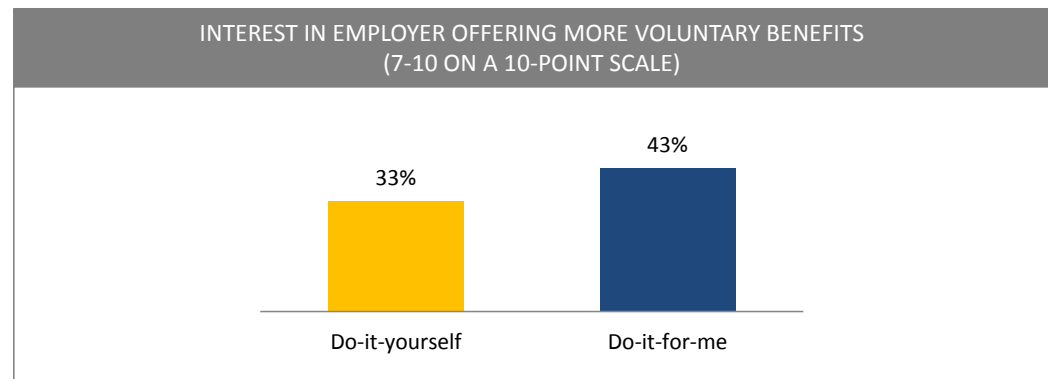


Even among those who consider these financial goals to be highly important, DIYs are less likely than DIFMs to be achieving success on many of these goals, such as having retirement savings last, saving for retirement and having protection against premature death. Given their younger age, DIYs are particularly less prepared to pay for a child’s college education or for long-term care costs.

One way for workers to close gaps in their personal financial portfolio is to leverage the range of benefits available to them at the workplace. Indeed, DIFMs express more interest in voluntary benefits compared to DIYs — who may, in fact, have a greater need for such products since they do not typically use a financial advisor.



*Of those who view these items as important (7-10 on a 10-point scale)



DIYs AREN'T BIG RESEARCHERS

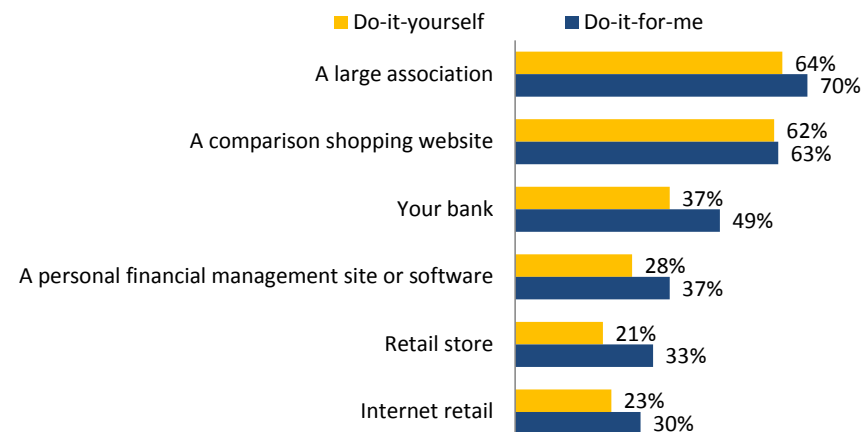
Perhaps counterintuitive, those who prefer to manage their own finances do not put considerably more effort into doing research. DIYs are no more likely to read newspapers or magazines and only somewhat more likely to conduct an online search or visit a company website. Not surprisingly, DIFMs are more likely to listen to or read something from a financial expert or guru or visit the website of their advisor.

The DIYs' self-reliant spirit does not appear to drive them toward new, more self-service-oriented channels for purchasing insurance coverage. They express similar interest as DIFMs in comparison shopping for insurance through a website that provides quotes for multiple companies' products and express even less interest than DIFMs in other possible outlets, such as a banks, personal financial management websites and big-box or online retailers.

OUTSIDE RESEARCH ON INSURANCE PRODUCTS
(% WHO HAVE DONE THE FOLLOWING)



INTEREST IN BUYING INSURANCE POLICIES THROUGH...
(VERY OR SOMEWHAT INTERESTED)

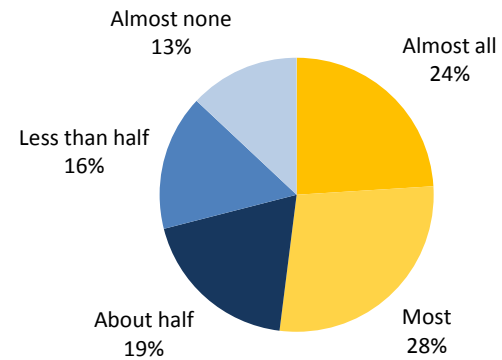


DIYs ... EXCEPT IN THE WORKPLACE

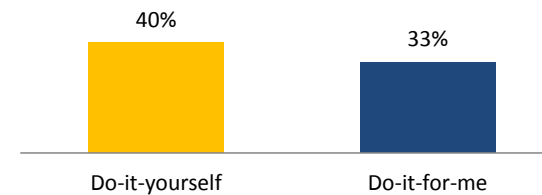
DIYs are not entirely self-reliant as consumers. They obtain most of their information and financial protection products from the workplace — they actually purchase few financial products on their own. More than half of DIYs attribute all or most of their financial preparedness to the benefits and retirement plans available to them through their employer.

DIYs seem especially attuned to workplace benefits communications. They are more apt to consider benefits enrollment meetings to be an effective source for information compared to DIFMs. In addition, about half of DIYs consider their employer’s HR department or a representative from the employer’s insurance carrier to be effective sources of information. DIYs also read more of the educational material provided by their employer; 54% report reading all or most of what they are given.

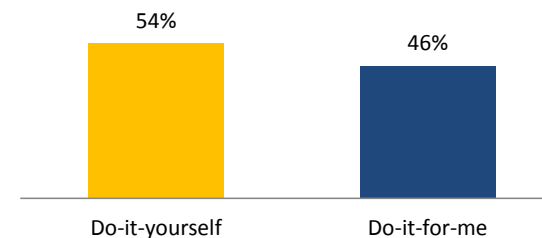
PROPORTION OF FINANCIAL PREPAREDNESS DUE TO BENEFITS AND RETIREMENT PRODUCTS OBTAINED THROUGH EMPLOYER (DIY WORKERS)



CONSIDERS BENEFITS ENROLLMENT MEETINGS AS ONE OF MOST EFFECTIVE RESOURCES FOR INFORMATION ABOUT EMPLOYER-SPONSORED BENEFITS

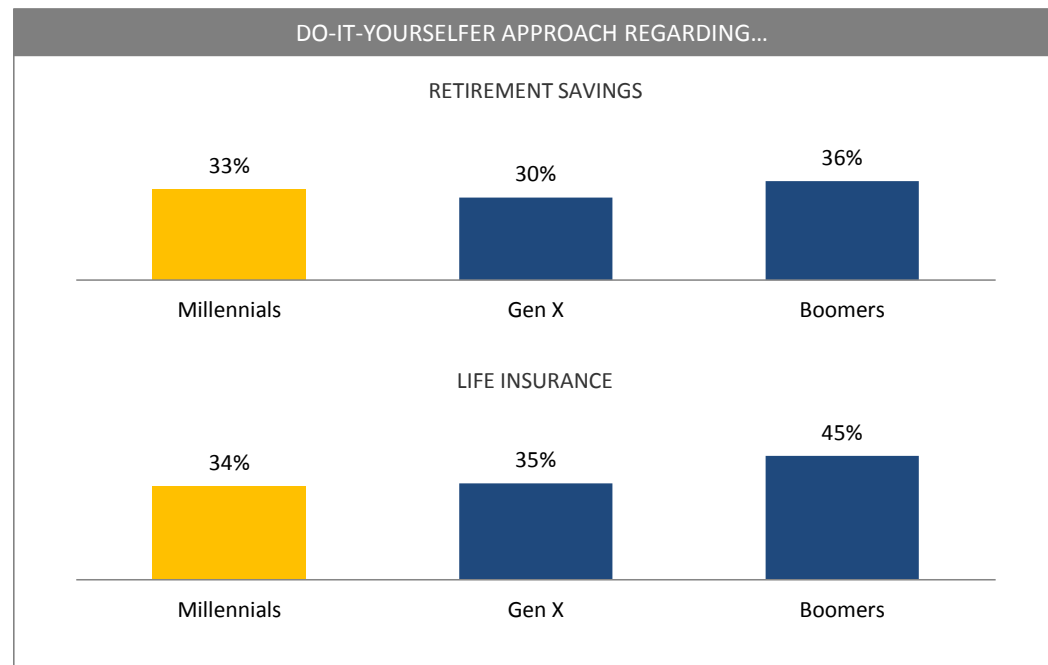
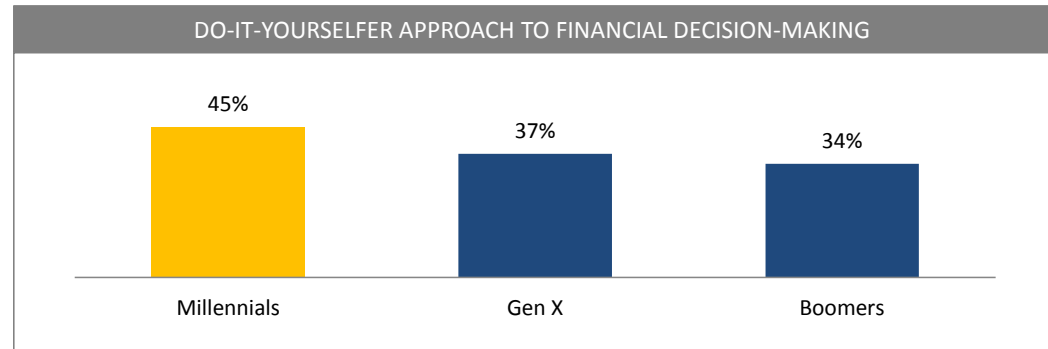


READS ALL OR MOST OF THE EDUCATIONAL BENEFITS MATERIALS PROVIDED BY EMPLOYER

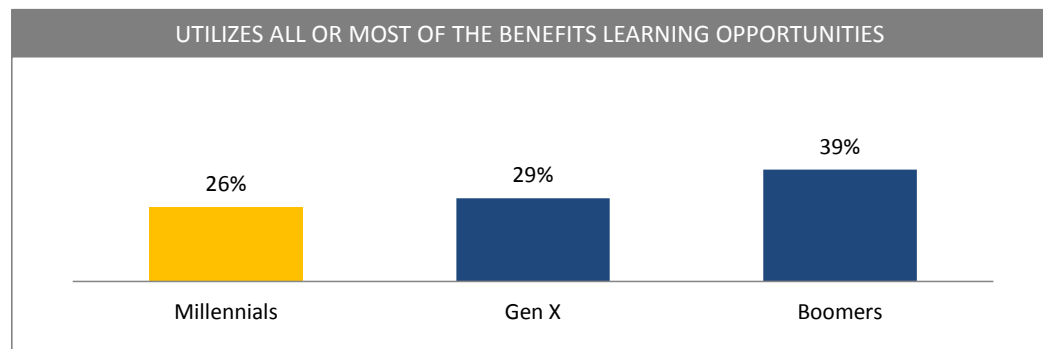
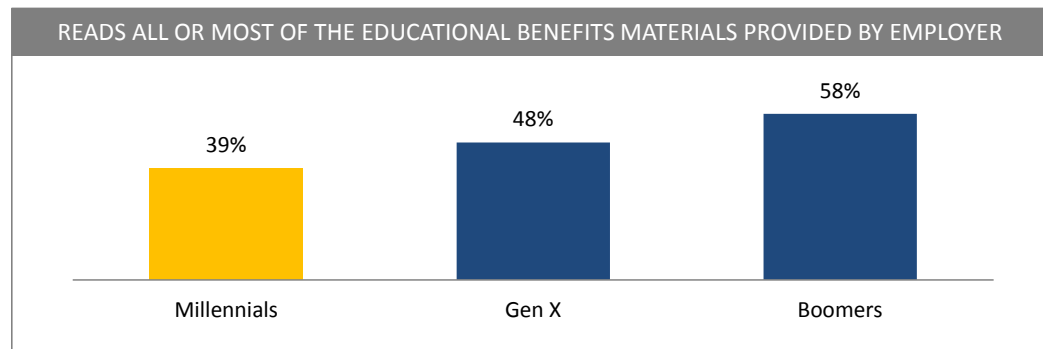
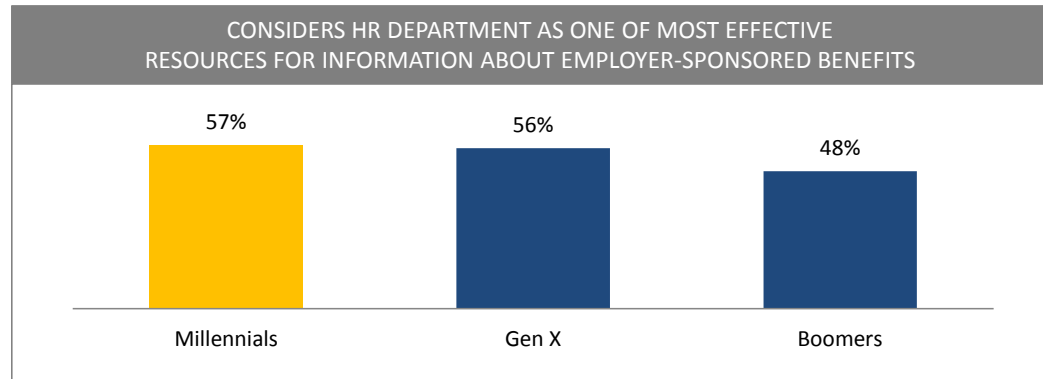


THE MILLENNIAL DIYs

Millennials are more likely than Gen Xers and Boomers to take a DIY approach to managing their overall finances. However, their approach differs when it comes to specific employee benefits. They are more similar to older generations in how they manage their retirement planning needs, but they are less likely to feel comfortable making life insurance decisions on their own. Their tendency to be less DIY in their approach to retirement and life insurance is likely related to their younger age and life stage.



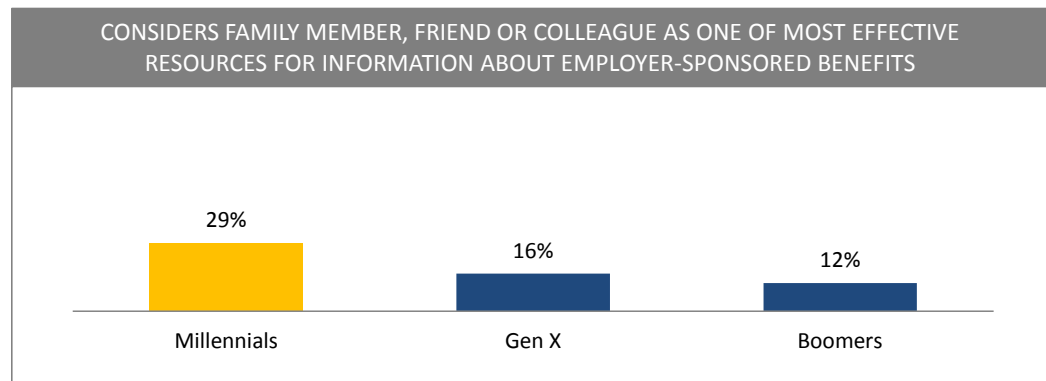
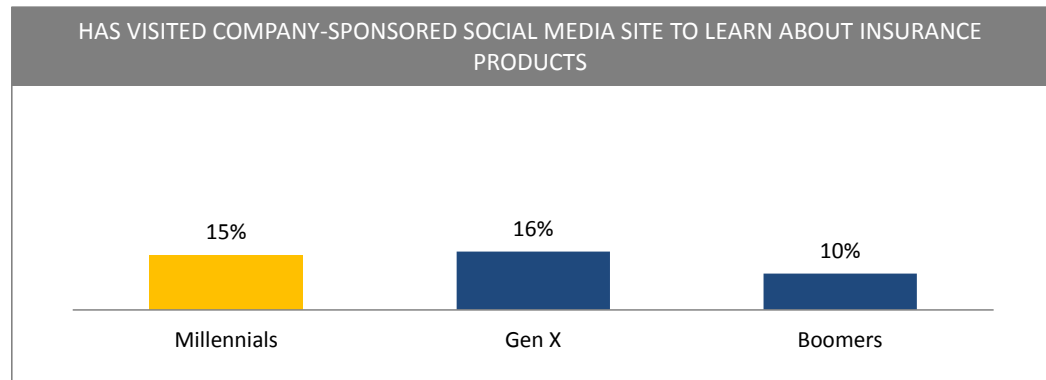
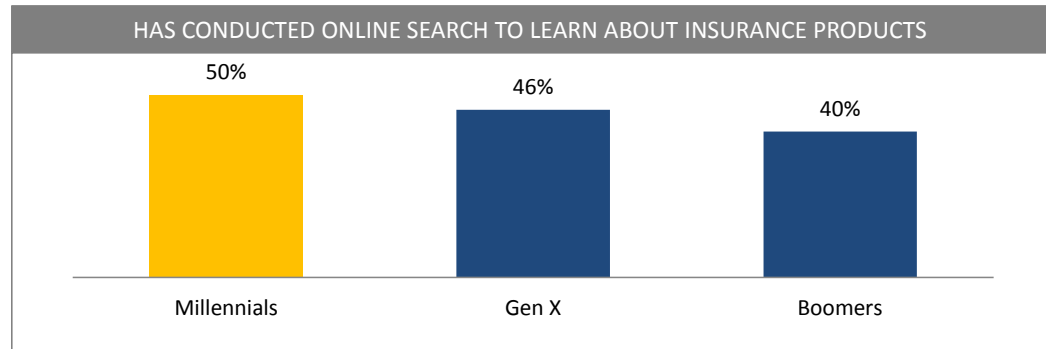
Like all DIYs, Millennials rely on the workplace for information, but they appear less engaged with their employer's benefits communications. Millennials name their HR department as, by far, the most effective source for learning about their employee benefits. Yet, only a quarter utilize all or most of the benefits learning opportunities available to them. Millennials are less likely than older workers to read benefits-related materials and to consider enrollment meetings to be an effective resource for learning about their benefits.





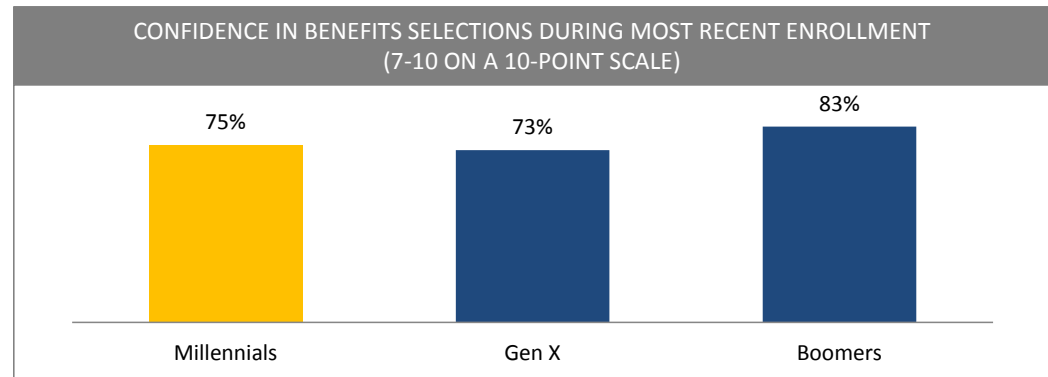
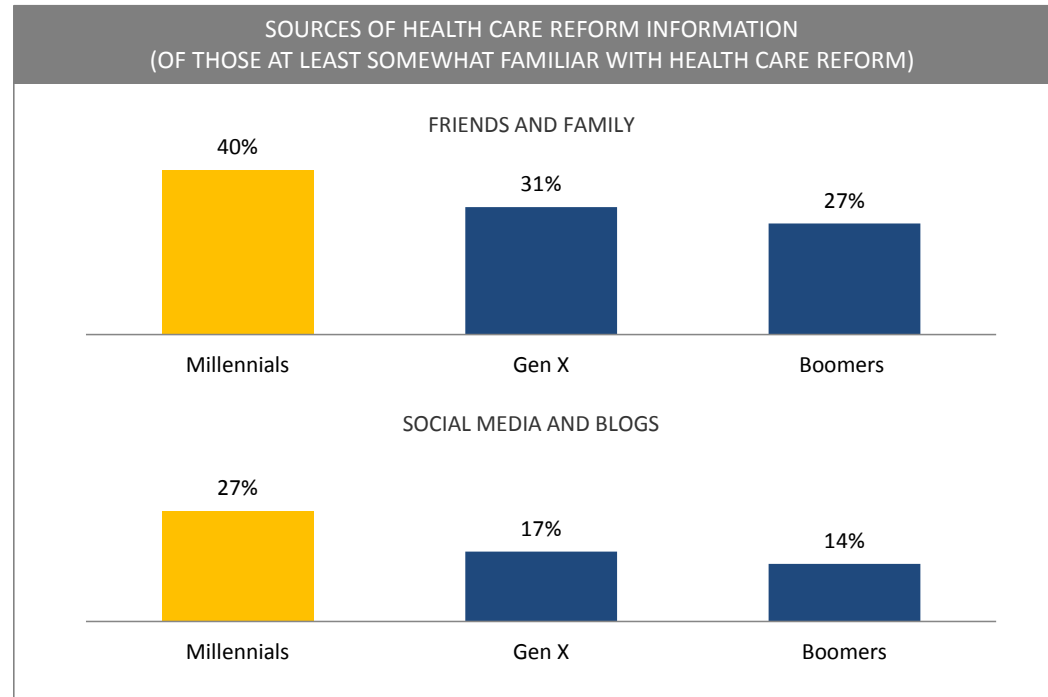
For better or worse, Millennials supplement workplace communications with information from online sources and personal contacts. More so than their Baby Boomer counterparts, half have conducted an online search to learn about insurance products. Only 1 in 6 have visited company-sponsored social media sites, which is a little-used channel, in general.

Millennials often turn to non-experts for advice. They are twice as likely as Boomer employees to cite family, friends and colleagues as an effective source of information about their benefits. And while only 2 in 10 Millennials are currently working with a financial advisor, they are more likely to identify that “advisor” as a non-professional friend, relative or colleague.

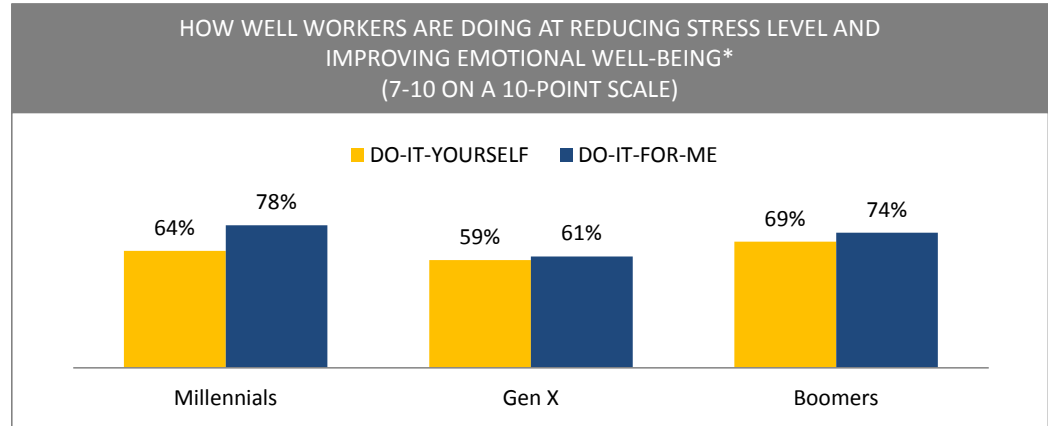


++++++ Take health care reform as an example. Most Millennials have learned about health care reform from news sources; however, 4 in 10 Millennials have also relied on friends and family for information about the ACA — a much higher proportion compared to Gen X and Boomers. Millennials are also more likely to say they've learned about health care reform from social media and blogs. In the end, however, they are far less aware of specific aspects of the ACA, such as dependent coverage to age 26 or no denial coverage based on pre-existing conditions.

++++++ The DIY approach — i.e., turning to friends, family and online resources — isn't helping Millennial workers make prudent benefits decisions. In contrast to Baby Boomers, Millennials (as well as Gen Xers) are less confident that they've made the right benefits selections.



There is a tendency for DIFM Millennials to exhibit higher emotional well-being than their DIY counterparts. This is likely due to their higher average incomes, greater use of financial professionals for advice and being less anxious about their personal finances (e.g., paying their bills, reducing debt) compared to DIY Millennials. DIYs of all ages, but particularly Millennials, may be unable to afford professional financial help, even if they wanted it, and they tend to have higher levels of stress and anxiety about their finances than the DIFMs.



*Of those who view this as an important personal matter (7-10 on a 10-point scale)

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EARLY IMPACT OF THE ACA: STRUCTURE & OUTSOURCING CHANGES MAY LEAD TO A NEW MODEL FOR EMPLOYEE BENEFITS

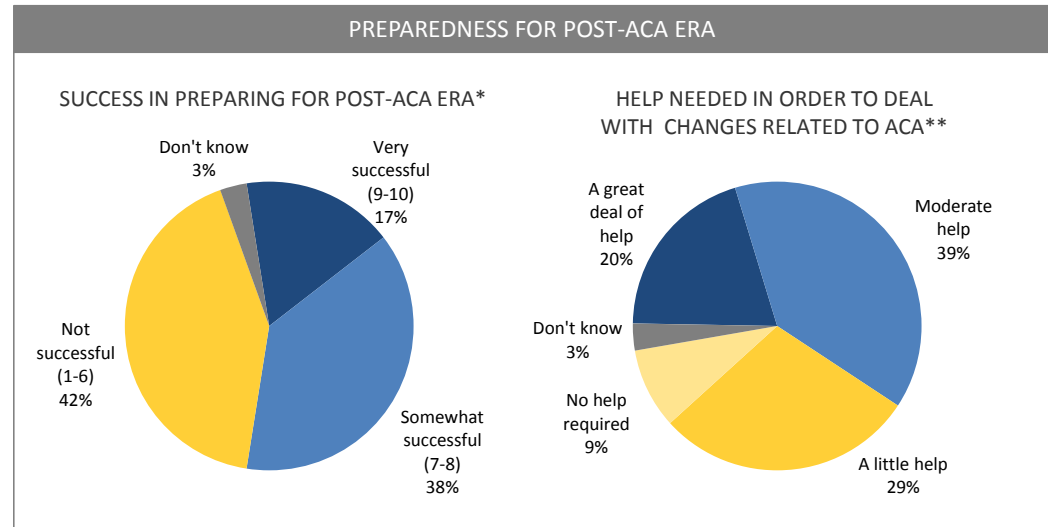
Most employers are not fully prepared for the implementation of health care reform, and many have concerns about costs in this new climate. In fact, research by the Kaiser Family Foundation suggests that companies expect more employees to participate in health insurance plans, which will contribute to increased costs. Employers are addressing this issue by steering employees to plans that have higher out-of-pocket costs and deductibles.

The tendency to shift costs appears to extend to other benefits as well. Employers in this year’s study are rethinking their benefits model and are contemplating further efforts to control costs through plan design changes, outsourcing and cutting administrative costs.

EMPLOYERS ARE NOT PREPARED FOR HEALTH CARE REFORM

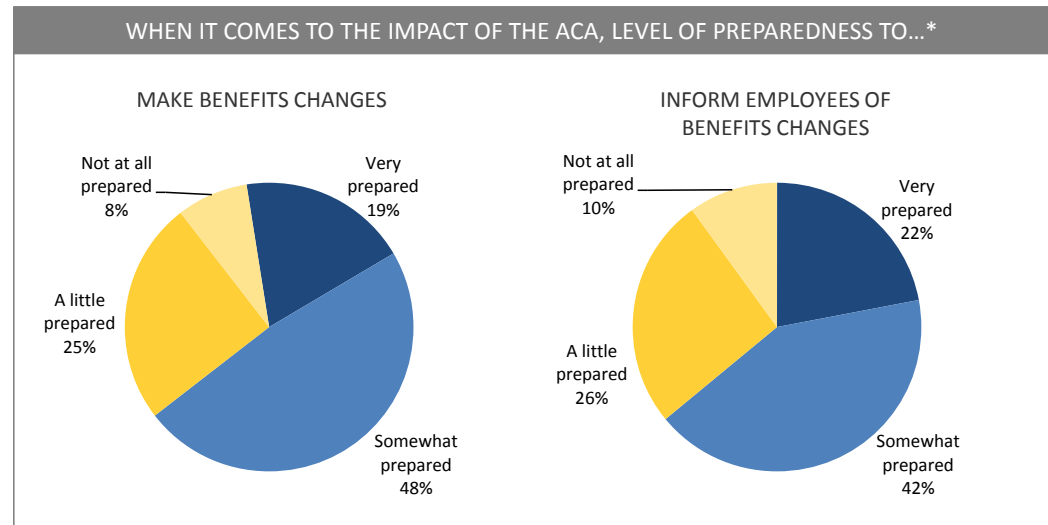
In total, just over half of employers feel they've been successful in preparing for a post-health care reform era of benefits, but only 17% feel "well prepared." When asked how much help they will need to deal with changes related to health care reform, nearly 6 in 10 say they need at least moderate help.

Few plan sponsors report a high level of preparedness in making benefits program changes. Only 19% report that they are well-prepared to make benefits changes, and only 22% feel they are well-prepared to discuss these changes with their employees.



*Of those who view this objective as important (7-10 on a 10-point scale)

**Of those involved in how company will handle benefits under health care reform



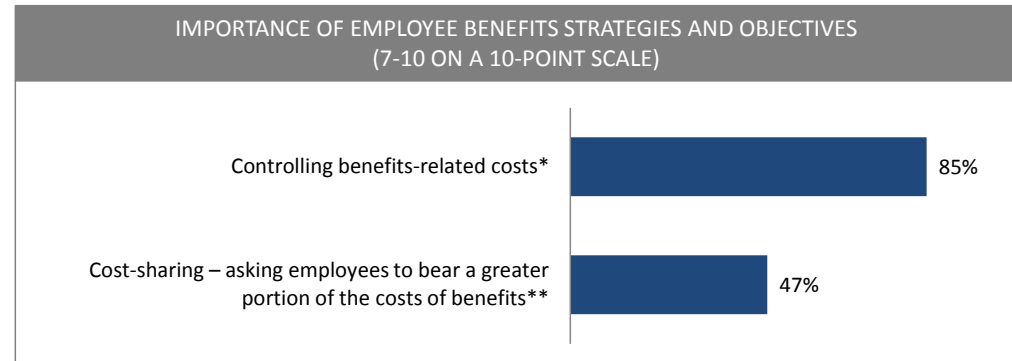
*Of those involved in how company will handle benefits under health care reform

RETHINKING THE BENEFITS STRUCTURE

In anticipation of health insurance exchanges and mandates, employers are seeking to shed costs through ways that could reshape their benefits approach as well as the employee experience. More than 8 in 10 say making plan design changes in order to control costs is a critical part of their benefits strategy, and about half are looking to employees to bear a greater portion of their benefits costs.

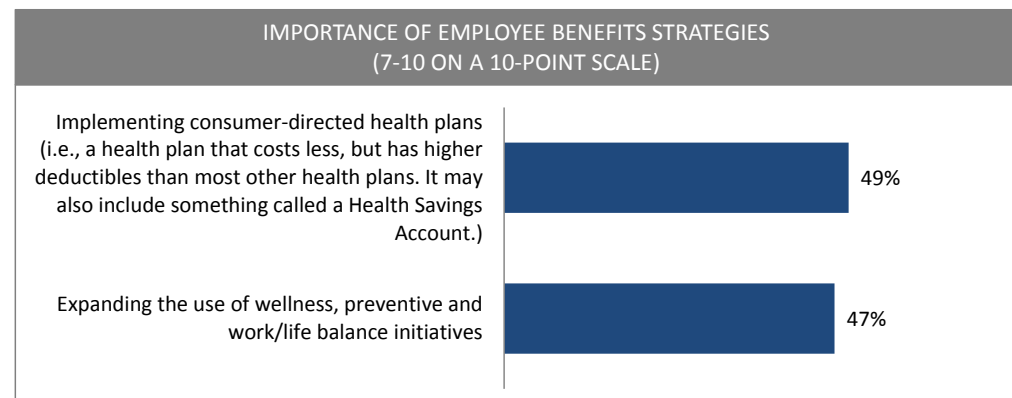
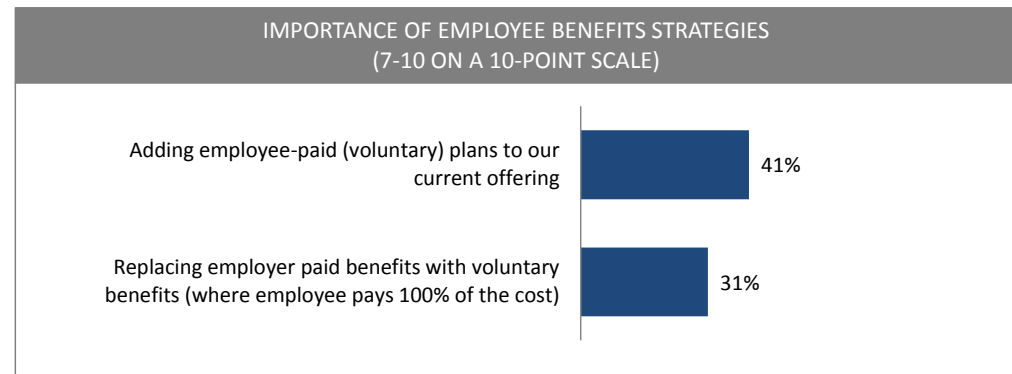
As a further indication of cost-shifting, 2 in 5 employers say that adding employee-paid, voluntary benefits is an important part of their overall strategy; and 31% plan to *replace* employer-paid benefits with voluntary products. Of note, those who feel they are more prepared for ACA changes also are more confident about increasing participation in their voluntary plans.

Specific to health insurance, it seems few employers expect to abandon their medical plans (only 1% report with certainty that they plan to drop their health coverage). However, most employers are considering restructuring their plans to shift more of the cost to the employee through consumer-driven health insurance, which lowers premiums but has higher deductibles. There appears to be a continued push toward worker accountability through expansion of wellness and prevention programs, with half of employers indicating that such programs will be an important part of their benefits strategy going forward.



*10-point scale based on importance of objectives

**10-point scale based on importance of benefits strategies



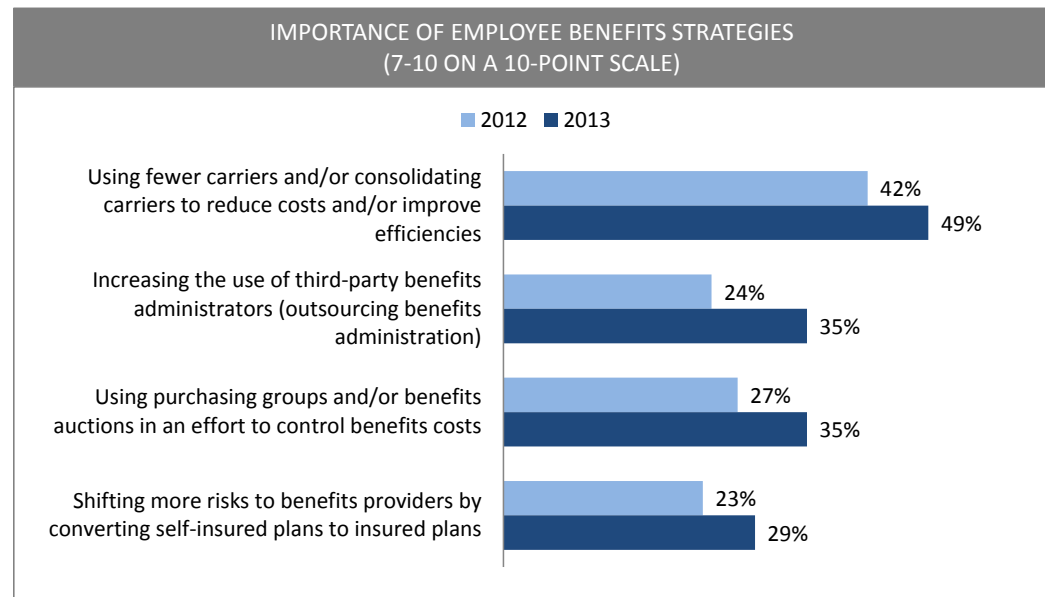
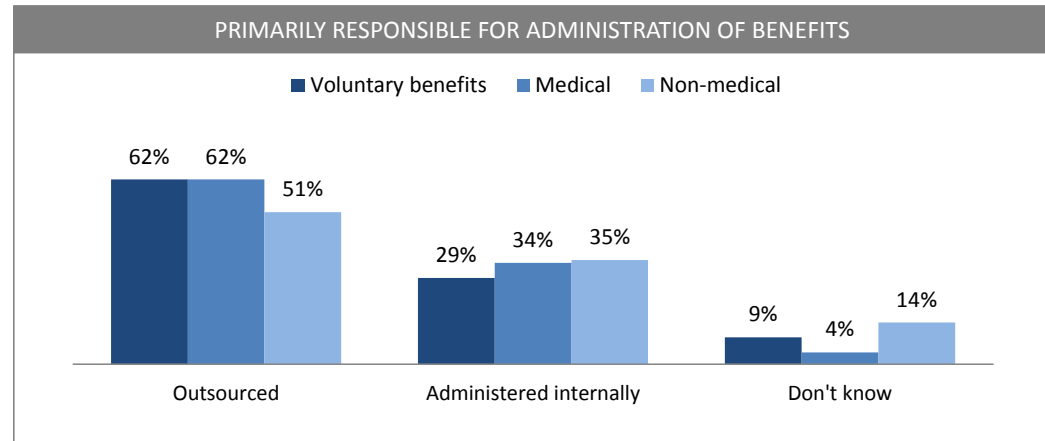
OUTSOURCING MAY HELP CONTAIN COSTS IN POST-ACA ERA

Outsourcing is another way employers are looking to mitigate risk and costs in a post-health care reform era. Many are already outsourcing benefits administration and are considering shifting to external support.

As it is now, far more companies outsource their benefits administration than handle it in-house. Six in 10 companies say an external company is primarily responsible for the administration of their medical and voluntary benefits, and over half report that an outside vendor is responsible for non-medical insurance not offered on a purely voluntary basis.

More so than in 2012, employers are placing greater emphasis on increasing the role of external providers in how they purchase and administer their benefits. Half suggest that they are considering consolidating carriers and more than a third are considering using purchasing groups or benefits auctions to improve cost and efficiency. About 3 in 10 say they plan to shift risk by converting self-funded plans into insured plans.

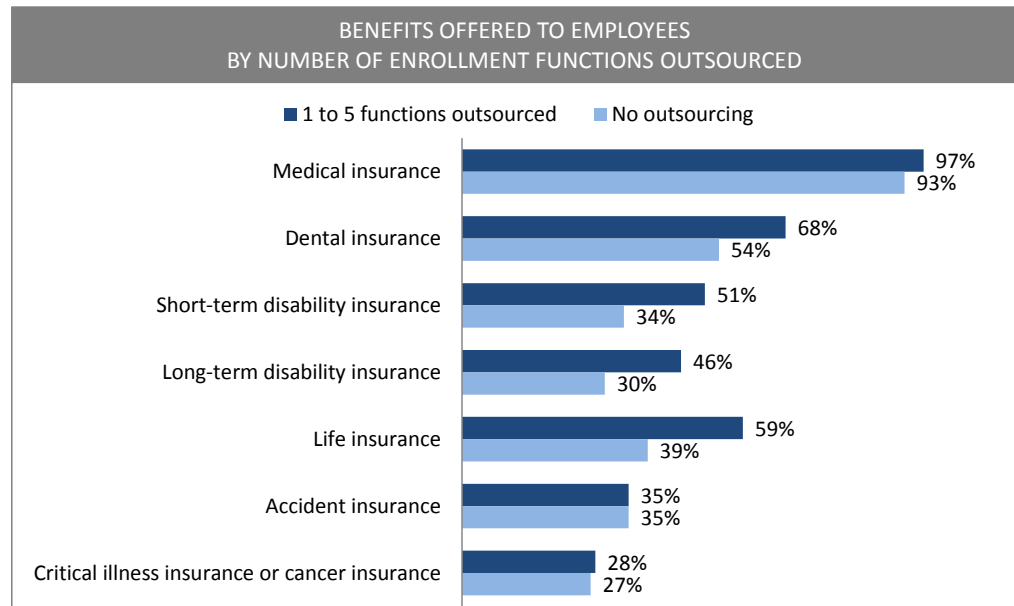
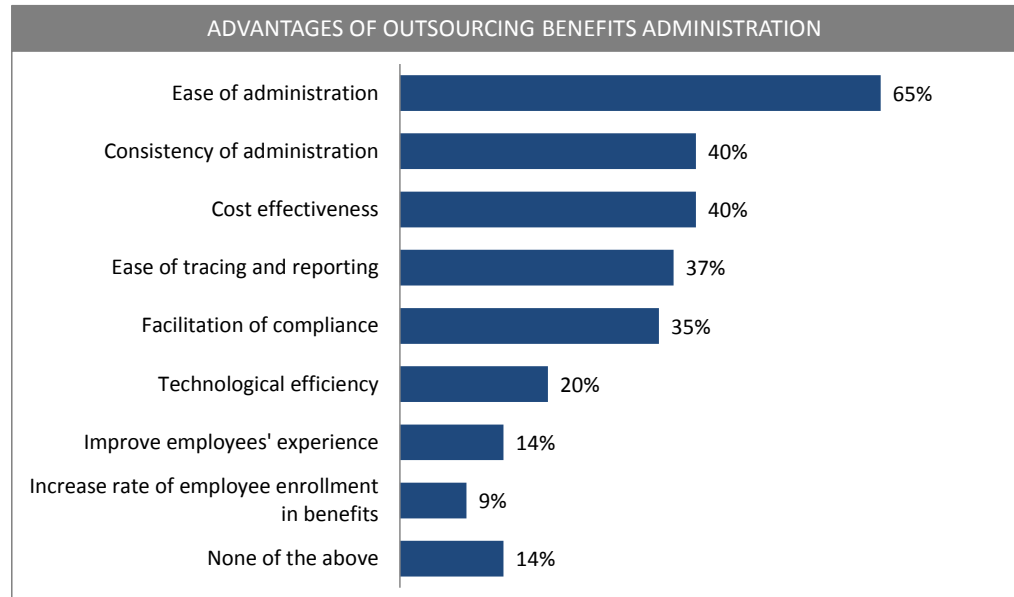
Perhaps most importantly, more than 1 in 3 employers feel it is very important to increase the role of third-party administrators (outsourcing benefits); this is up by 10 percentage points from last year's study.





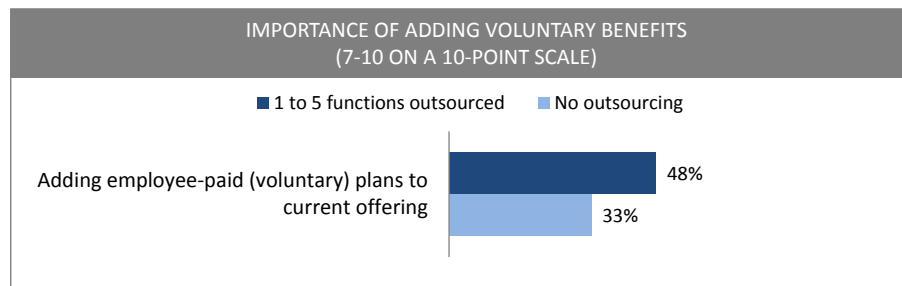
When asked about the advantages of outsourcing, many cite the ease of administration. Four in 10 also report that offloading benefits administration has helped them to become more cost effective. This is a key motivator, given the importance of controlling benefits-related costs and reducing costs associated with administration. Moreover, 4 in 10 believe that their administration becomes more consistent when handled by an external organization.

Those who outsource benefits administration functions are more likely to offer a wider range of benefits, including dental, short-term and long-term disability, and group life insurance.





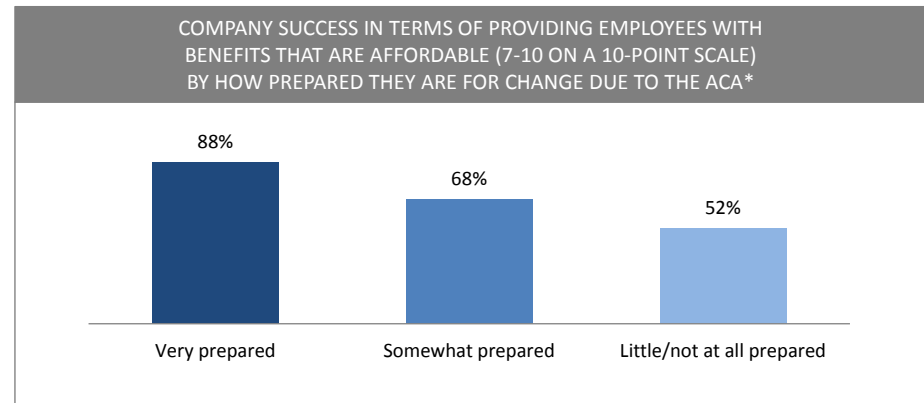
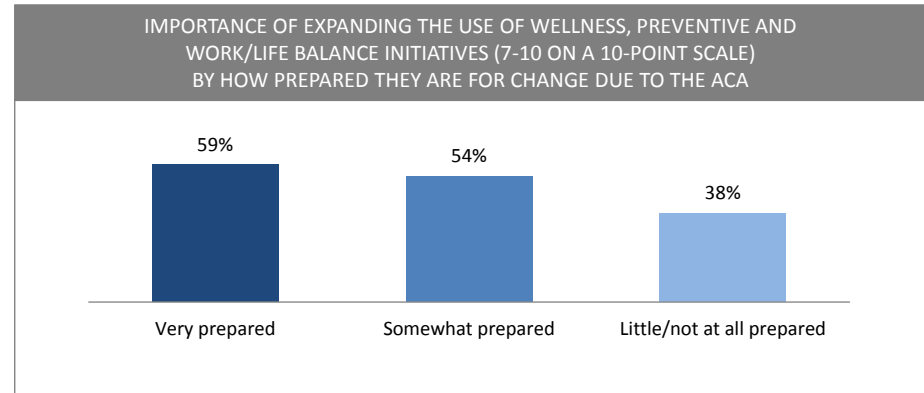
Additionally, employers that outsource place greater importance on adding employee-paid, voluntary plans as one of their benefits plan objectives.



THOSE PREPARED FOR HEALTH CARE REFORM ARE MORE FOCUSED ON EMPLOYEE NEEDS

There is a connection between being prepared for the ACA and how employers value wellness, preventive and work-life balance programs. More so than others, ACA-prepared employers have shifted their focus to employee well-being, in addition to cost containment, placing a greater emphasis on these initiatives than those who are less prepared.

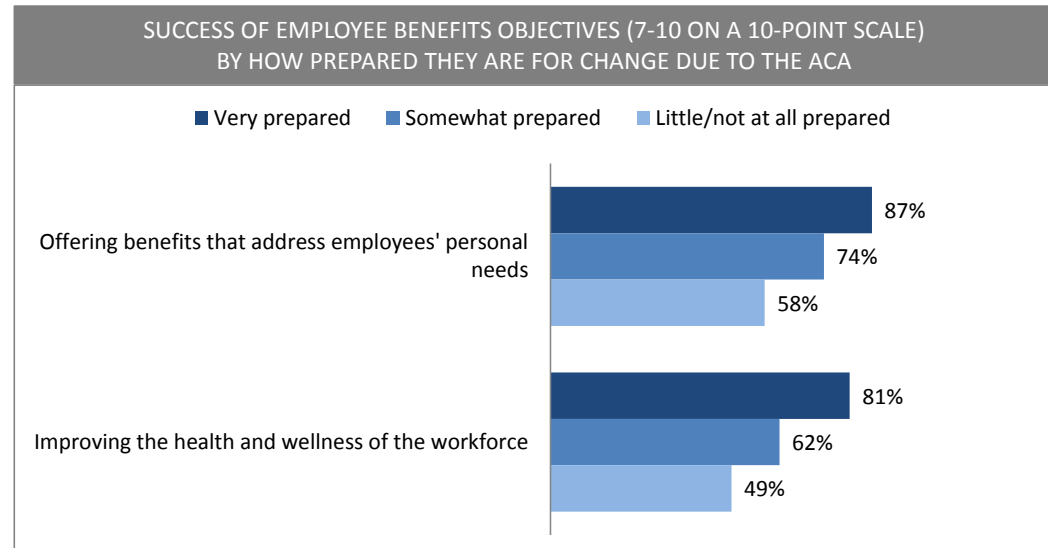
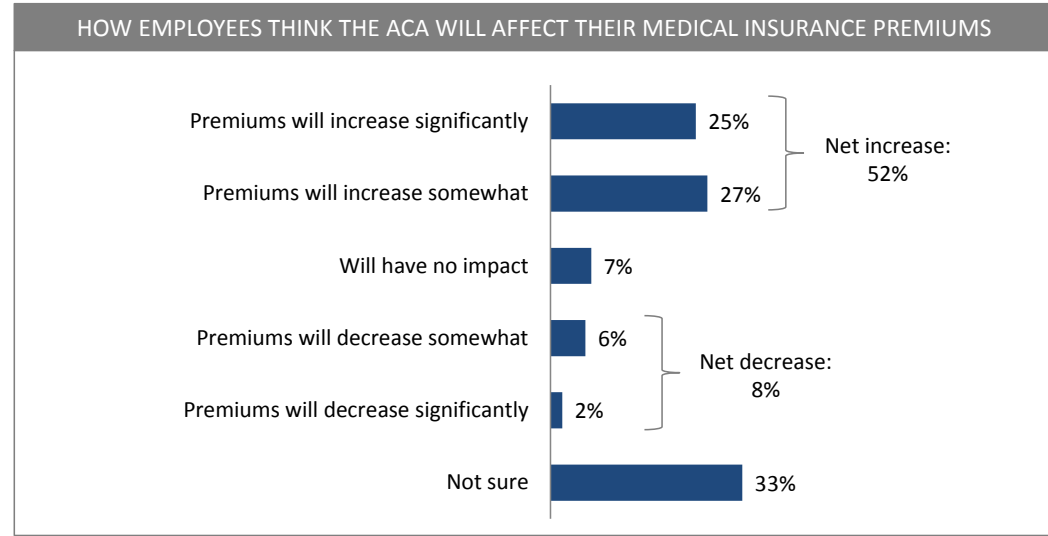
There is a tendency for employers that are more prepared for the ACA rollout to feel they are providing their employees with affordable benefits. Nine out of 10 employers who feel well prepared for the new health care law feel their benefits programs are affordable versus only half of those who are not prepared for changes in the health system.



*Of those who view this objective as important (7-10 on a 10-point scale)

++++++ The ability to do maintain affordable benefits will likely be
 ++++++ important to employees who believe that health care costs will
 ++++++ rise due to the ACA. Half of American workers believe that the
 ++++++ new law will push health insurance premiums up and only 8%
 ++++++ believe the law will lead to more affordable premiums.

++++++ Employers who have done their due diligence on the ACA are
 ++++++ more inclined than others to believe they are offering benefits
 ++++++ that address their workers' needs and improve the overall well-
 ++++++ being of their workforce.

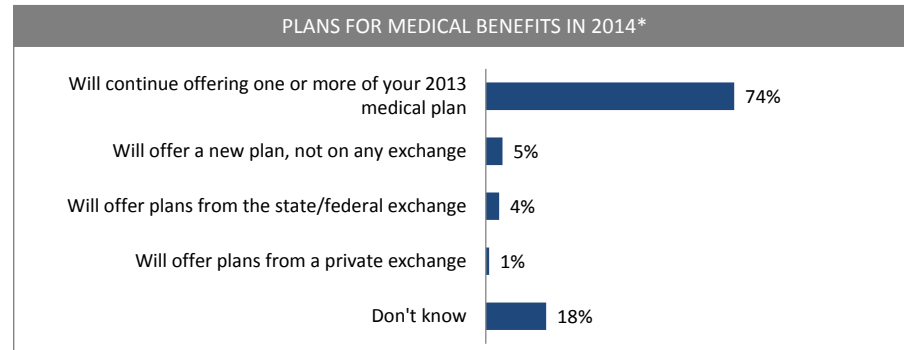


*Of those who view these objectives as important (7-10 on a 10-point scale)

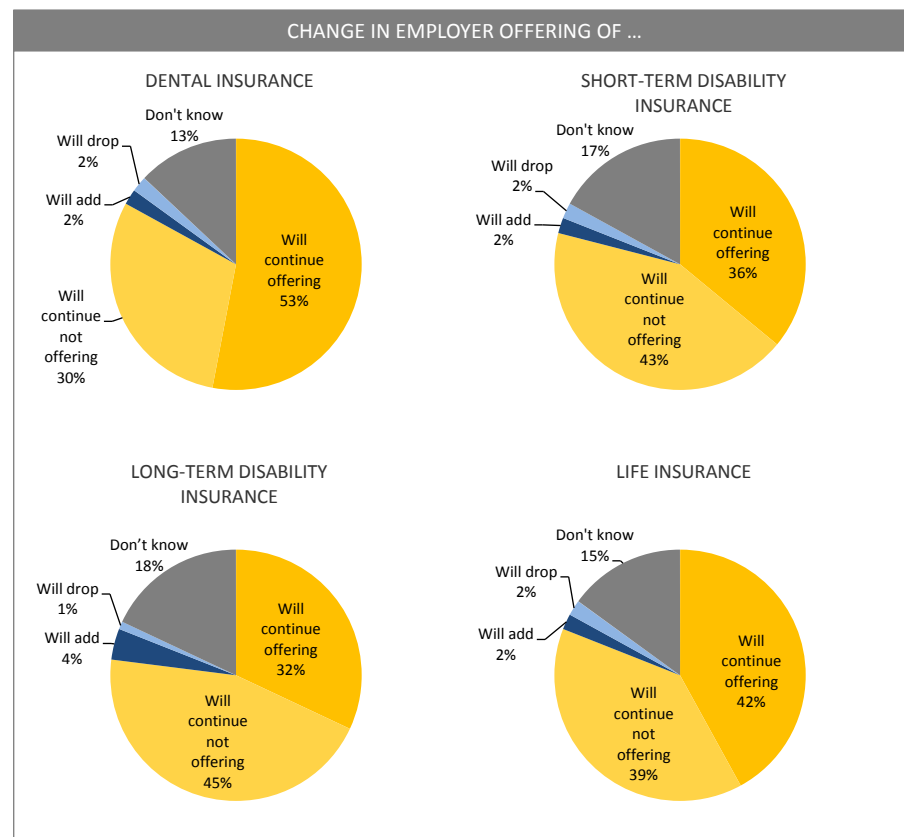
UNCERTAIN ABOUT EXCHANGES

If employers follow through on their intentions, a migration to public or private exchanges may be slow in coming. Only 5% plan to use a health care exchange in 2014; another 5% expect to change their medical plan, but not use an exchange. However, 1 in 5 (18%) offering medical plans in 2013 don't know what they'll do in 2014. (This study was conducted before it was learned that certain plans do not comply with ACA mandates.)

Most employers expect to maintain the status quo with their non-medical benefits; few plan to add or drop coverages. Yet, the uncertainty surrounding medical plans may extend to other benefits, as well. Roughly 1 in 6 employers are unsure about offering short-term and long-term disability plans or life insurance.



*Respondents allowed to select more than one category, so percentages do not total 100%.



IMPLICATIONS

Health care reform’s impact on medical plan design and cost will likely cause a ripple effect of changes to other aspects of employers’ benefits programs. Prepared employers are not only considering the implications for their company, but also on their workforce.

Amid uncertainty, many employers are evaluating the advantages of outsourcing all or part of their benefits administration and enrollment functions. It may be easier and more prudent to use an external organization (carrier or third-party administrator) to apply the changing and complex benefits policies and requirements consistently across all of their employee groups than it is to try to continue managing with internal benefits staff. Increasingly, employers believe that outsourcing also will be more cost effective in this rapidly changing environment.

ACA-prepared employers have turned their attention to the more enduring benefits that continue to fulfill important employee health and financial needs. American workers, too, have renewed their focus on benefits, as evidenced by their higher Benefits Value Index scores measured in this year’s study. Maintaining competitive benefits while controlling both employee and employer costs, and selecting the right external partners for effective benefits enrollment and administration will be an even more pressing imperative for employers in the years ahead.

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THE LINK BETWEEN ENROLLMENT OUTSOURCING AND VOLUNTARY BENEFITS SUCCESS

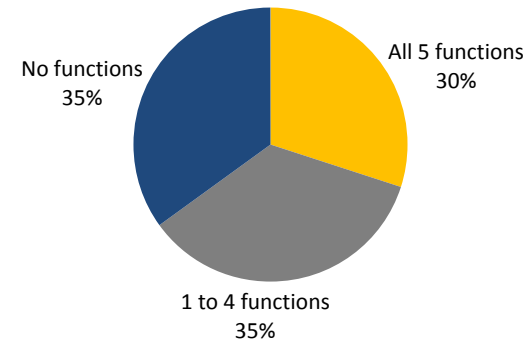
In a changing benefits environment, enrollment outsourcing may provide a solution for employers who have greater need to manage complexity and cost. Enrollment outsourcers report greater success with voluntary benefit participation and are more apt to provide personalized communications and advice. They also have greater technical needs. More than ever, outsourcing enrollment may provide solutions to the increasing challenges faced by benefits managers.

VOLUNTARY PARTICIPATION IS ONE OF MANY BENEFITS TO OUTSOURCING

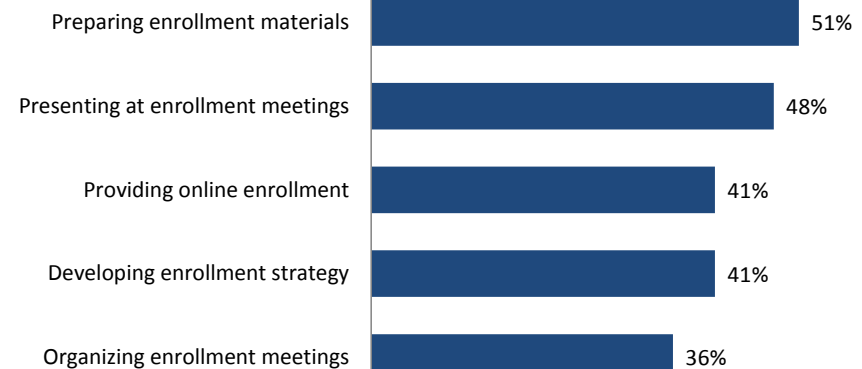
Benefits enrollment places significant time and effort demands on HR and benefits administrators, and a large majority of companies are seeking external support. Two-thirds of companies outsource at least one of five key enrollment functions — strategy, materials, meetings, presentations and online enrollment — and fully 3 in 10 employers outsource all of these enrollment activities.

While most feel equipped to handle the organization and logistics of enrollment meetings, half of all employers depend on external providers to develop enrollment materials and to present at meetings. Four in 10 have outsourced their online enrollment. Somewhat surprisingly, 4 in 10 employers rely on an external company to help with the bigger-picture task of developing enrollment strategy.

NUMBER OF ENROLLMENT FUNCTIONS OUTSOURCED



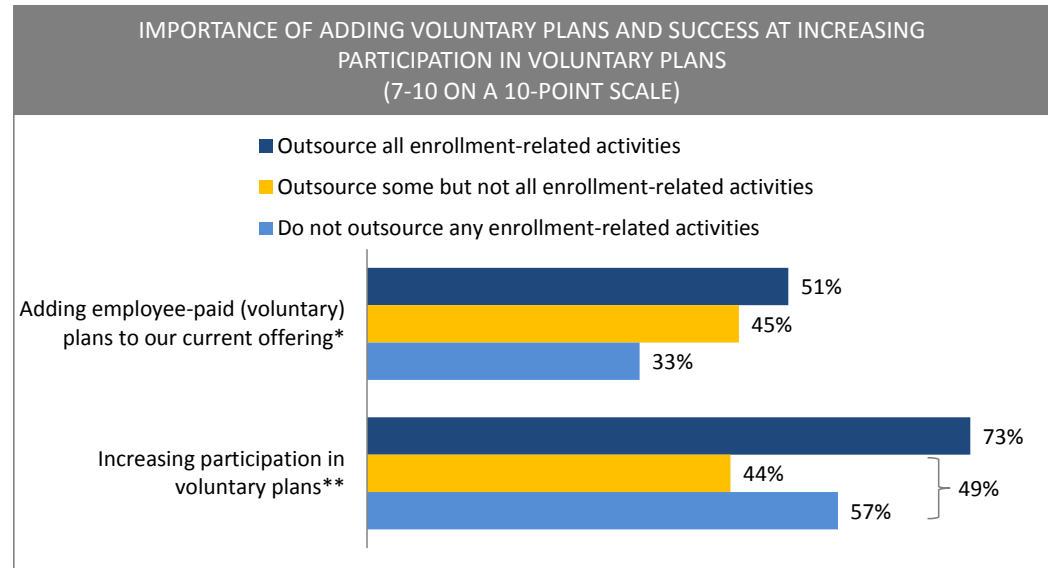
PERCENTAGE OF EMPLOYERS WHO OUTSOURCE THE FOLLOWING ENROLLMENT ACTIVITIES



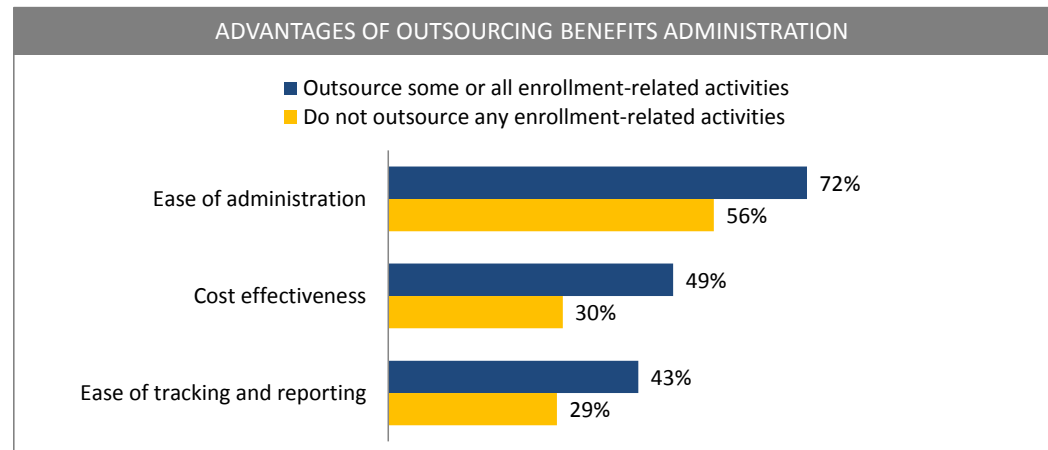


A connection appears to exist between outsourcing enrollment efforts and the success employers have with their voluntary programs. Employers who have outsourced enrollment-related functions are more likely to place importance on adding voluntary plans to their current offering than those who do not. Three-quarters of companies who have totally outsourced enrollment report success in increasing participation in voluntary plans, compared to 49% among those who have kept at least some of these functions in-house.

Companies that use external help for enrollment support also perceive other advantages from outsourcing, in general. They are more likely to believe that outsourcing improves the ease of benefits administration, tracking and reporting, and cost effectiveness.



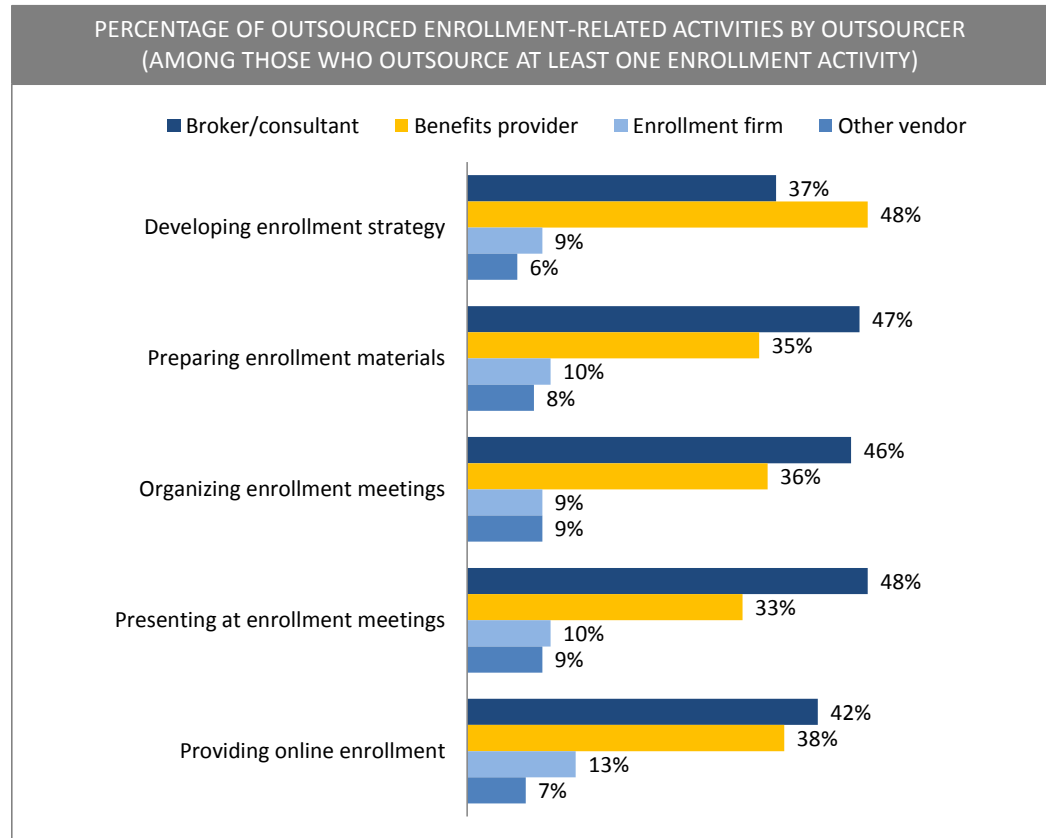
*10-point scale based on importance
**10-point scale based on level of success



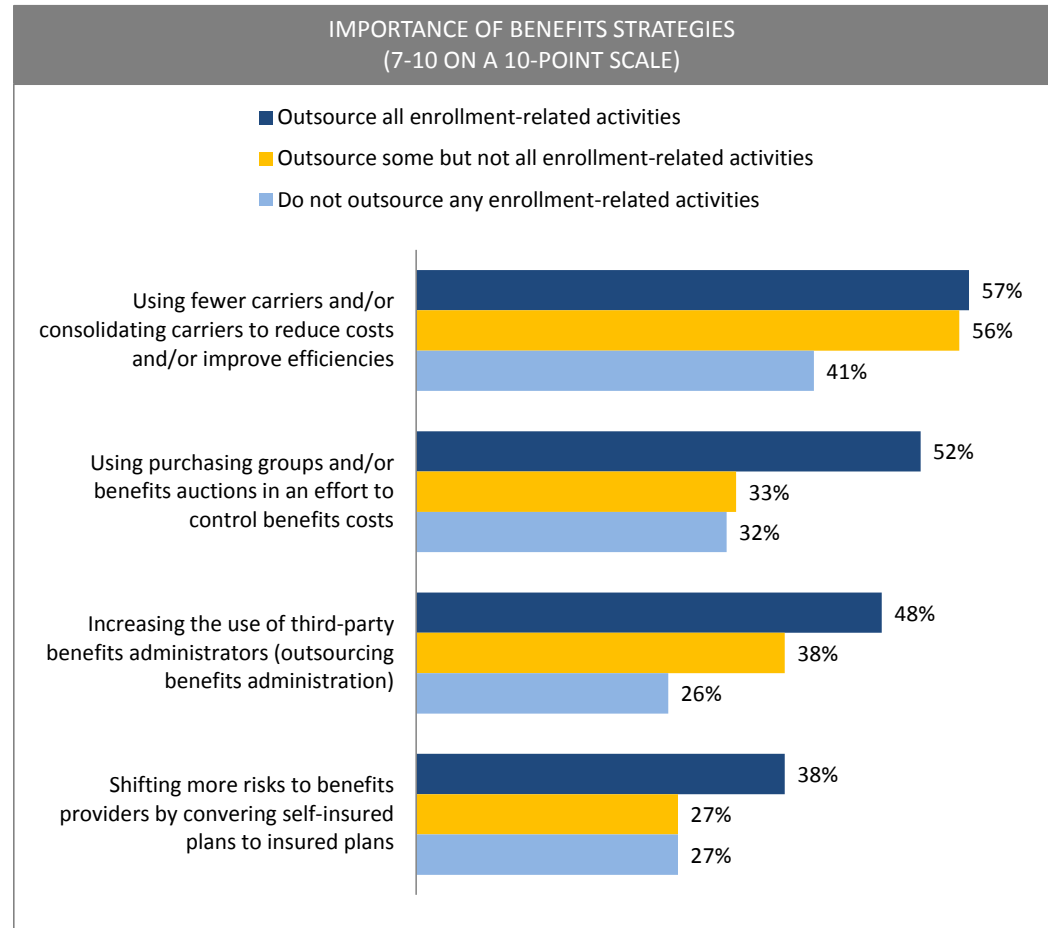
BROKERS ARE THE GO-TO, BUT CARRIERS & THIRD-PARTY ADMINISTRATORS CAN PLAY A PIVOTAL ROLE

It is not surprising that outsourcers tend to turn to their brokers or consultants to assist with enrollment functions, since they typically have ongoing relationships with these parties. A much smaller share — roughly 1 in 6 — say that an enrollment firm or some other vendor is taking the lead on these tasks.

More than a quarter of employers who outsource enrollment say that the primary responsibility for preparing materials, presenting to employees, providing online enrollment and even developing enrollment strategies falls to the benefits provider.



Employers who totally outsource their benefits enrollment are considering even more external help. They place greater importance on increasing the role of third-party administrators (TPAs), shifting away from self-insured plans, consolidating carriers and using purchasing groups all as a part of their overall benefits strategy.

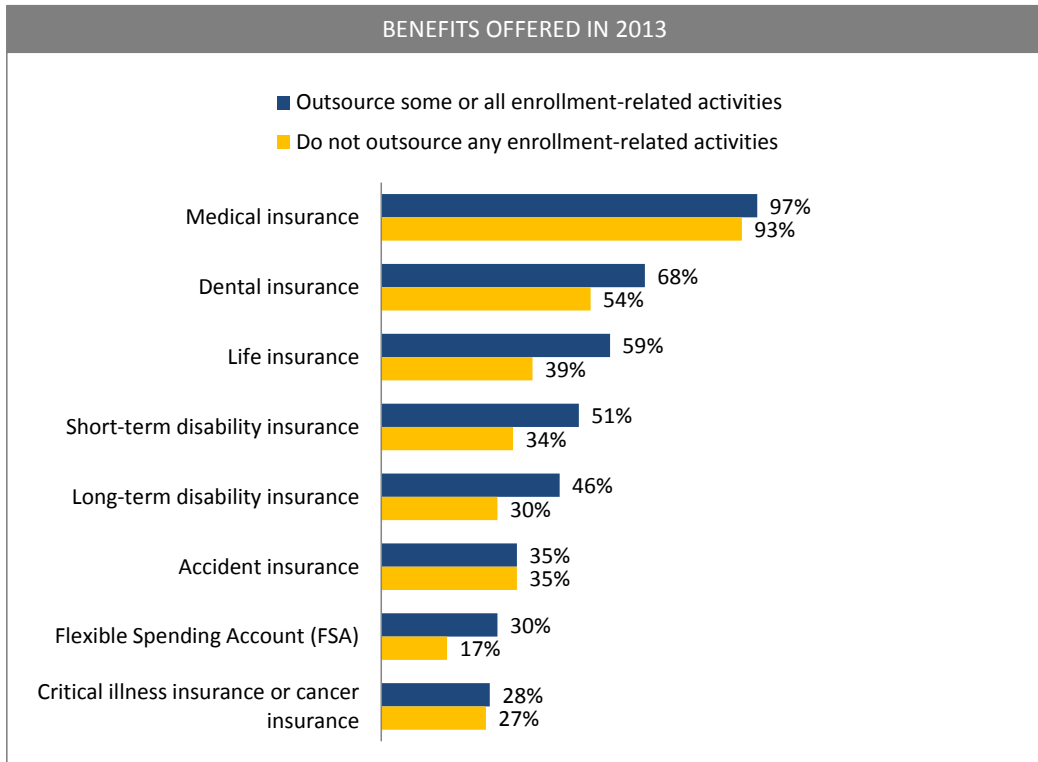


OUTSOURCING ENCOURAGES TAILORED BENEFITS OFFERINGS & COMMUNICATION

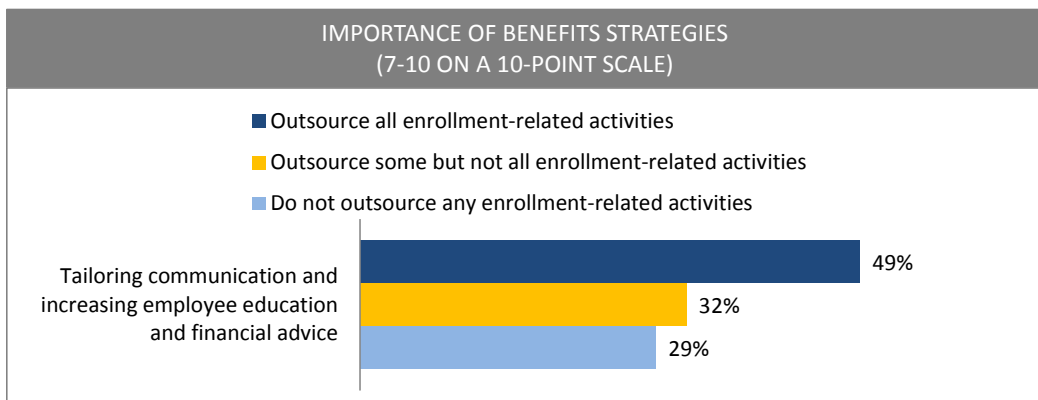
Employers who use some type of outside help for enrollment functions tend to offer a fuller benefits package to their employees — one-third of those who outsource offer a full suite of health, retirement and other insurance products, compared to just 14% who manage enrollment internally. Specifically, enrollment outsourcers are more apt to offer medical insurance, dental insurance, short-term and long-term disability, life insurance and flexible spending accounts (FSAs).

While many companies recognize that different employees have different benefits needs and communications preferences, not all act upon this knowledge. However, those who tap into external resources for enrollment support place a greater emphasis on targeting communication and enrollment for various employee segments. Employers who outsource all of their enrollment functions place greater strategic importance on tailoring communication and increasing employee education and financial advice.

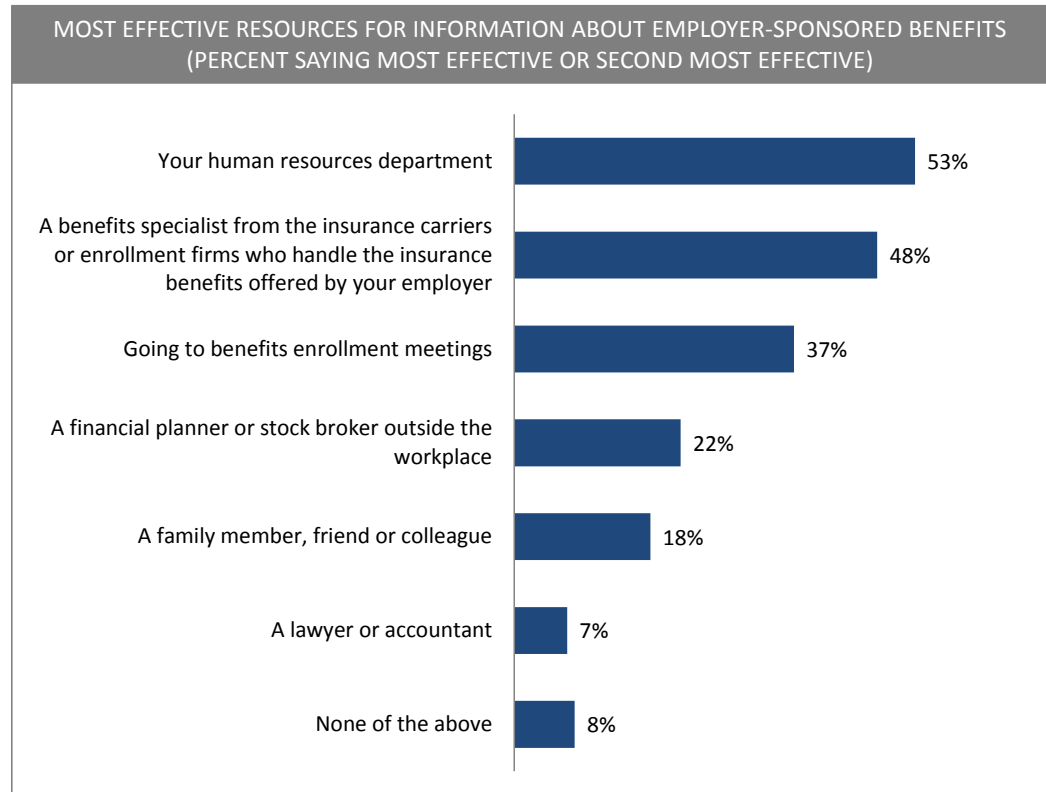
BENEFITS OFFERED IN 2013



IMPORTANCE OF BENEFITS STRATEGIES
(7-10 ON A 10-POINT SCALE)

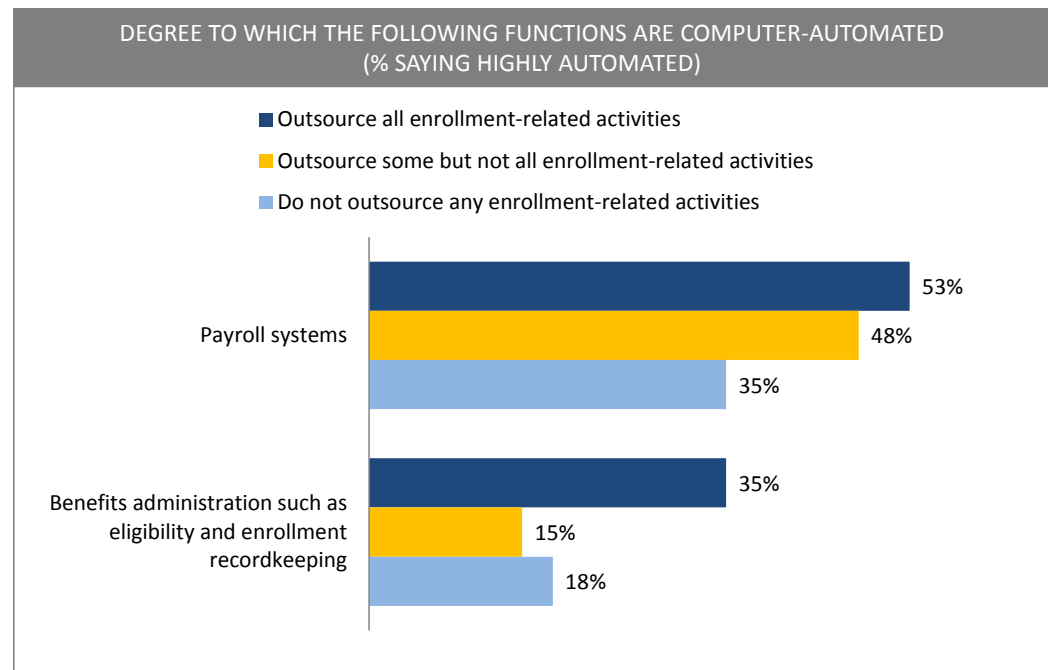
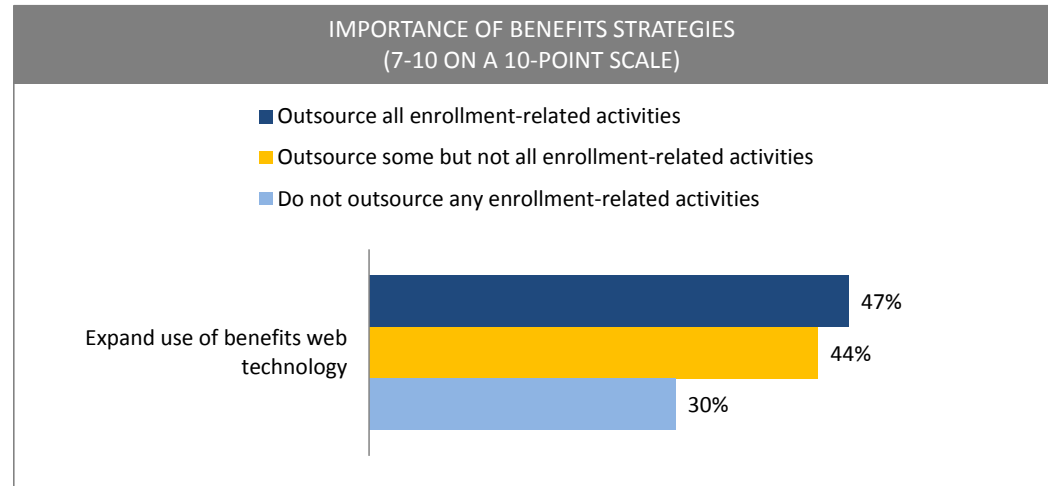


Nearly half of workers name benefits specialists from insurance carriers or enrollment firms as the most effective sources of information about their employee benefits.

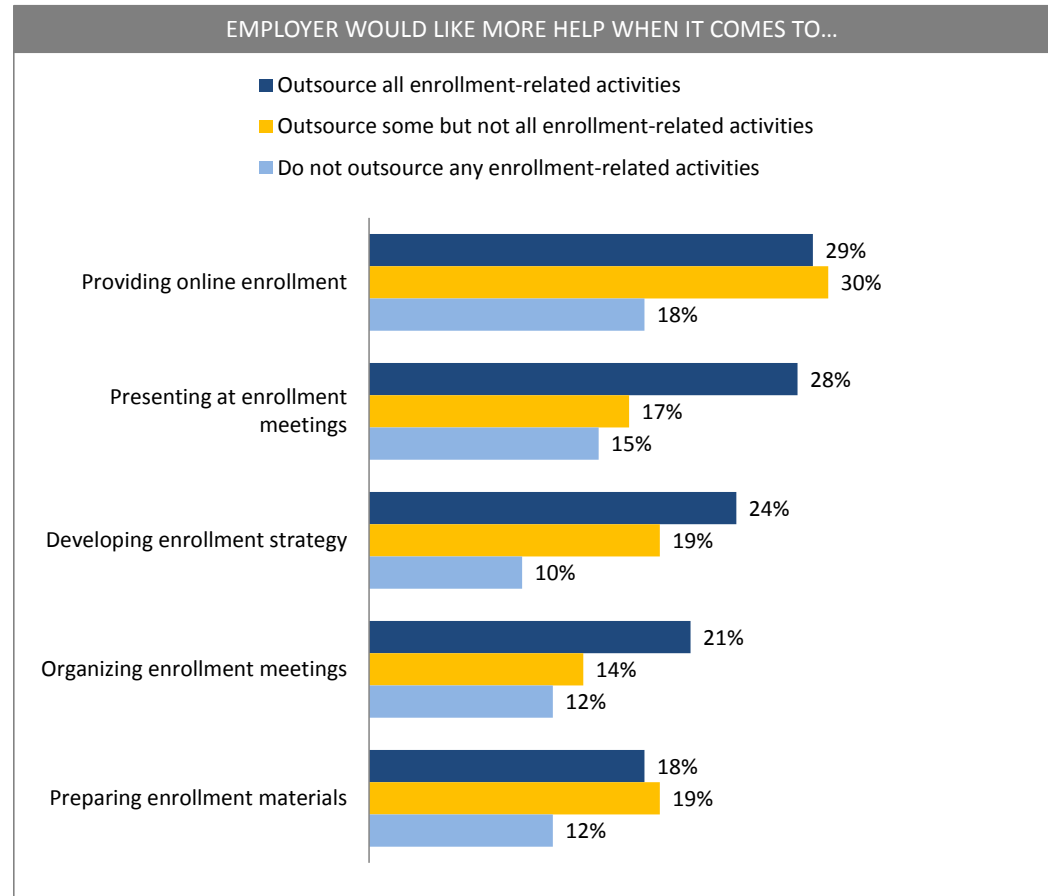


OUTSOURCERS WANT TECHNICAL SUPPORT AND MORE

Employers who outsource enrollment are more focused on expanding benefits technology as a strategic goal. Those who totally outsource their enrollment are far more likely to report that their payroll, benefits administration and enrollment record keeping are highly automated.



In addition to the help they already receive, companies who rely on external vendors for enrollment support are likely to want even more help. For example, 3 in 10 would like more help with online enrollment. Those who totally outsource enrollment are also more likely to want additional assistance in developing their enrollment strategy and with employee presentations.



APPENDIX

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METHODOLOGY AND SAMPLE CHARACTERISTICS

The latest Guardian Workplace Benefits Study was fielded in September 2013 and consisted of two online surveys: One among benefits plan sponsors (employers) and another among benefit plan participants (employees), allowing us to examine benefits issues from both perspectives.

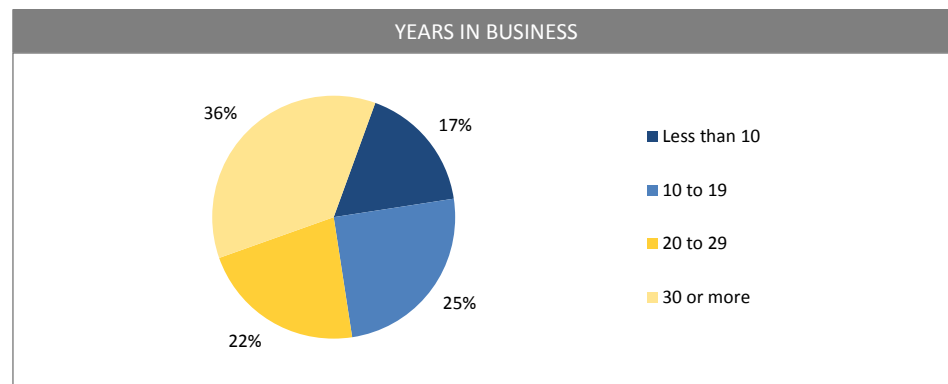
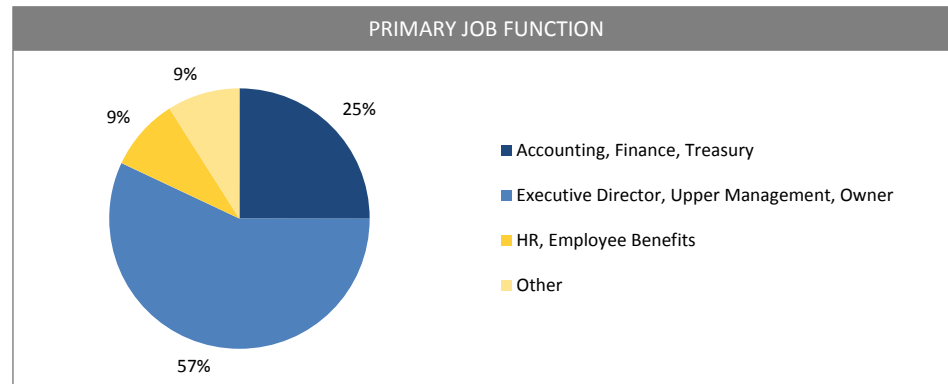
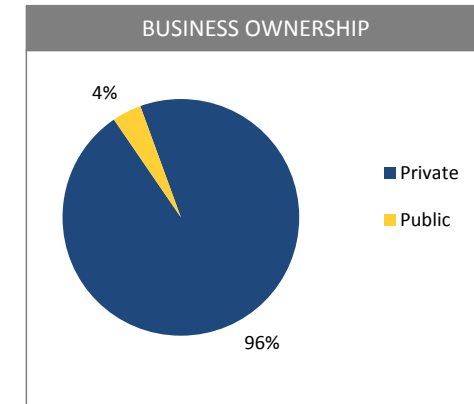
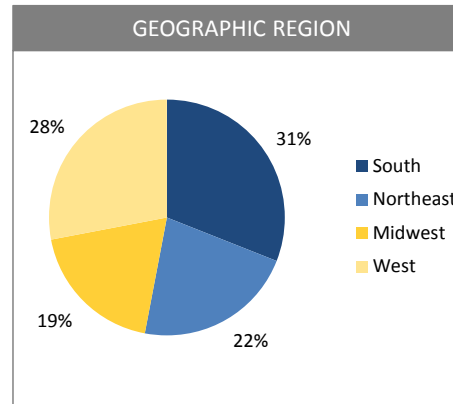
The study was conducted for Guardian by Greenwald & Associates, an independent market research firm located in Washington, D.C.

OVERVIEW OF PLAN SPONSOR SURVEY

Employer results are based on a national survey of 1,007 employee benefits decision makers. Respondents include business executives, business owners, human resource professionals and financial management professionals. The survey covers all industries and is nationally representative of U.S. businesses with at least five full-time employees.

Data shown in this report are 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. The margin of error at the 95% confidence level is +/-3%.

Following is a breakdown of survey respondents by survey participation region, job function, industry, company size, years in business and business ownership.



OVERVIEW OF PLAN PARTICIPANT SURVEY

Employee results are based on a survey conducted among 1,704 employees age 22 or older, who work full time for a company with at least five employees. This survey was also conducted in September 2013.

The survey sample is nationally representative of U.S. workers at companies of at least five full-time employees. Data shown are weighted to reflect the actual proportion of U.S. workers by gender, region, race, ethnicity, education level, household income, age and employer size based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.4 at the 95% confidence level.

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

