



BOSTONIAN
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Benefits Beacon

Spring, 2007

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America's Youngest Workers Want New Approach to Retirement Programs

America's youngest workers have a lot to say about the way the nation's retirement programs should operate, and they are embracing changes like the auto-enrollment provision in the recently enacted Pension Protection Act.

The most recent entrants into America's workforce were given the opportunity to sound off about retirement in a new survey by Prudential Retirement. The "Fifth Annual Workplace Report on Retirement Planning" discovered that 66 percent of workers between the ages of 21 and 30 would feel "grateful" or "optimistic" if employers automatically enrolled them in workplace-provided defined-contribution plans.

In addition, the study showed that young workers were also enthusiastic about an automatic approach to other major components of defined-contribution plans, including required minimum-contribution rates, a program of gradual, automatic increases in contribution levels, and investment option defaults based on asset-allocation models adjusted for age and risk-tolerance. This is significantly different from the way defined-contribution plans currently operate.

When those polled were asked how they would feel if their employer not only automatically enrolled them, but also required a standard minimum for initial contribution rates, 54 percent of respondents said they would appreciate the help. In addition, over half of those polled had an equally positive reaction to an automatic plan feature that would gradually raise contribution levels.

America's youngest workers were two to one in favor of an automatic feature that would convert their defined-contribution plan assets into a guaranteed monthly income at retirement. The researchers took this as a clear rejection of the current practices of either taking a lump sum distribution or a gradual spend down of accumulated assets.

Fifty-seven percent of those polled answered "no doubt about it" or "feeling good" when, asked about "automatic" defined-contribution plans. Fifty-three percent said having their workplace-provided retirement program on "auto pilot" would deliver "far superior" or "somewhat superior" outcomes as compared to the current participant-driven approach.

Promotions and New Hires

The Bostonian Group is pleased to announce that it recently promoted Christine Moynihan to Senior Consultant, Employee Benefits and Jeff Venuti-Swann to Senior Consultant, Small Business Services. Christine initially joined The Bostonian Group in 2001

and brings more than 10 years experience in the employee health benefits field. She received a B.A. degree from Villanova University and holds a Masters in Health Care Administration from Suffolk University. Jeff joined

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The Bostonian Group is pleased to share our quarterly newsletter with you. The publication is designed to provide you with helpful, pertinent information pertaining to employee benefits, retirement, and human resources.

We hope that you will find this newsletter informative. Please feel free to send comments or questions to info@bosgroup.com.

Pick the Voluntary Benefits Which Best Fit Your Workplace

Employers want the benefits they offer to be well received by employees, whether they are part of a core benefits package or a supplemental, voluntary offering. A benefits package, if correctly designed, can be a critical tool in retaining current workers and attracting qualified new employees. Changing workforce demographics—including the aging of the workforce, the large number of single parents and households in which both parents work, and the growing number of working individuals with eldercare responsibilities—call for benefits packages that employees can tailor to their individual needs. Today's workers have more diverse needs than those of past generations, making the one-size-fits-all benefits formula obsolete. Furthermore, changes to core benefits that have shifted more responsibility to employees for traditionally provided types of coverage have made supplemental offerings more essential.

When it comes to voluntary benefits, since many different products are available, it is helpful to consider current trends in your industry, as well as the unique needs of your workers. Industry data can help assess your workers' likely response to a new voluntary benefits offering. For example—

- Women are the primary purchasers of disability policies (69%) and critical illness policies (64%), according to UnumProvident's Buyers Study. This study also found that the most common purchasers

of supplemental products overall were workers in their 30s and 40s.

- Regardless of age, disability insurance coverage is the most purchased voluntary benefit, with life insurance (individual life, universal life or variable life) the second most purchased, according to a survey by Aon Consultants.
- Employees who enroll in workplace long-term care insurance plans tend to average between ages 40 and 55. They also tend to have higher income and assets, and be better educated, according to a study of employer long-term care insurance plans prepared for the Health Insurance Association of America by LifePlans, Inc.

While industry data can provide a starting point in determining which voluntary benefits will be a hit with your employees, understanding your employees' needs and wishes is essential to picking the best voluntary benefits for your workplace. The Bostonian Group works closely with our clients to help them examine the office demographics and survey employees to determine what interests them.

Contact your Bostonian Group consultant and ask how we can work with you to identify cost-effective services that would be of value to your employees. Consider the fact that adding the right voluntary benefits can enhance your benefits package and help attract and retain excellent employees.

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The Bostonian Group in 2003 and brings more than 14 years experience in the employee health benefits field. He received a B.A. from the State University of New York at Fredonia and expects to complete his M.S. in Human Resources from Suffolk University in December 2007.

The Bostonian Group has also hired four new employees in recent months. Vincent Franks has been hired as an Associate Consultant, Financial Services. Originally from Ireland, Vincent earned his undergraduate from Dublin City University where he studied accounting and finance. Michael Seldon has been hired as a Consultant Practice and brings more than 13 years experience, with a focus on qualified

plans. Prior to joining The Bostonian Group Michael worked at MFS Investment Management and most recently was an external Relationship Manager for Transamerica Retirement Services. Maria DeMayo has been hired as a Senior Consultant, Sales and brings more than 12 years experience. She earned her B.S. from the Whittemore School of Business at the University of New Hampshire. Lastly, Joe Kendall joined the Finance team as a Financial Analyst. He brings 3 years experience in the financial services industry and 5 years experience as a fraud financial analyst. Joe received his B.A. and Masters of Business Administration from California University of Pennsylvania.

Countering the FSA Non-Participation Trend

Health care flexible spending accounts (FSAs) offer employees a real bang for their buck. The cost savings should be apparent: A \$100 pre-tax contribution to an FSA pays for \$100 of health care expenses, whereas without the FSA only the net remaining from the \$100 after taxes—possibly a reduction of \$30 or more—would be available to spend.

Despite this seeming bargain, employee participation in FSAs, on average, is low. A survey from the International Foundation of Employee Benefit Plans found that about three-quarters of surveyed employers that offered an FSA for health care indicated that 39% or less of eligible employees used the plan. Data published by one FSA vendor cites an even lower national average, at 18%.

Employers can take steps to buck the non-participation trend, by honing in on the possible reasons for non-participation and responding accordingly with targeted communications. With changes that have taken place in the FSA compliance landscape over the past couple years it's a good time to revisit FSA participation barriers and craft messages to educate employees.

For most employees, the decision not to participate can be traced to two reasons—they don't see how the FSA helps them, or they are afraid that they will lose the money they contribute to the plan.

1. Not understanding the advantages of using the FSA is probably the critical reason more employees don't participate in FSAs. Every employee will have expenses that aren't covered, and FSA communications need to give clear, concrete, day-to-day examples of these.
2. For employees concerned that they won't get their money back, employers must develop communications that address the use-it-or-lose-it rule. In order to make sure employees fully understand how the plan works, communications must cover the use-it-or-lose-it rule. Unfortunately, for some employees,

this message overshadows the tax-savings message, and causes them not to participate in the plan. However, few employees lose FSA money to this rule. The International Foundation survey found the majority of employers said that 7% or less of employees forfeited money. Make sure employees are aware of such statistics, and also understand that small forfeitures can be more than offset by FSA tax-savings.

More importantly, see to it that employees in your workplace are not experiencing FSA forfeitures, since good word-of-mouth is the best marketing tool you have for the plan. You can encourage a positive FSA experience:

- Make sure your plan uses the FSA "grace period." This enables participants to use an FSA to pay for expenses incurred during the plan year and those incurred in up to the first 2 1/2 months of the following plan year; so, for example, for plans that run on a calendar year, participants can use their 2006 health care FSA to pay for expenses incurred up to March 15, 2007.
- Offer an FSA card—a type of debit, credit or stored value card linked to the FSA—that lets employees immediately pay for qualified expenses using FSA funds instead of having to pay out of pocket and then file a claim for reimbursement.
- Keep the FSA in front of employees by making sure the plan vendor sends periodic statements that remind employees of their balance remaining in their accounts.
- Give employees tools to help them accurately estimate their upcoming health care expenses, so that the plan is as much use to them as possible.

National averages don't have to tell the FSA participation story in your workplace. These simple, targeted steps can help to ensure that a health care FSA works at its maximum potential for you and your employees.

Upcoming Events

The Bostonian Group will be hosting a series of educational programs in the spring of 2007. Our calendar is still being developed and more information will be forthcoming, but currently The Bostonian Group is pleased to announce the following programs.

Retirement Luncheons

Occur monthly throughout New England

Starting this spring, The Bostonian Group is hosting educational luncheons throughout New England. These luncheons provide important information about managing company retirement plans and review individual responsibilities, liabilities and opportunities under the Pension Protection Act. The program is intended for plan sponsors, investment committee members, and fiduciaries. Individuals at companies currently not serviced by The Bos-

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tonian Group Retirement Services practice would benefit from attending these educational luncheons.

- April 3, 2007 Oak Room at The Worcester Club in Worcester, MA – seats available
- April 24, 2007 Miel at the Intercontinental Hotel in Boston, MA – seats available
- May 22, 2007 The Polytechnic Club in Hartford, CT - seats available

If you are interested in learning more about these luncheons please e-mail stephanie_schueller@bosgroup.com or call 617-587-2307.

HR Seminar – Thursday, April 12th

The Bostonian Group will be hosting an all-day seminar on Thursday, April 12th at The Bostonian Group's office. The seminar entitled The New American Workforce: New Challenges in Attracting and Retaining Talent will be taught by Suffolk University professor, Susan Gaskell and will address the following:

- Changing demographics in the workforce
- Future workforce trends
- Workforce management – what this really means
- Retention strategies that can be applied in your workplace

This full day of training is intended for VP and Director level HR professionals who are responsible for the HR department's strategic planning and future growth.

If you are interested in learning more about this seminar or

would like to reserve a seat today, please e-mail rsvp@bosgroup.com and include "HR Seminar" in the subject bar.

Pension Reform Seminar

Thursday, May 3rd in Springfield, MA / Tuesday, May 8th in Waltham, MA

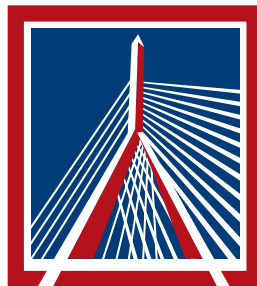
The Bostonian Group is co-hosting "Changing Landscapes of Pensions" with Wolf & Company on Thursday, May 3rd at the Sheraton Springfield Monarch Place in Springfield, MA and on Tuesday, May 8th, at the Westin-Waltham/Boston in Waltham, MA. The seminar will provide an overview of the changes in the market that affect your pension plans and will discuss the following:

- New perspectives... non-traditional plan design options, including non-qualified plans
- Mitigating liability... address creative ways to execute a defined benefit plan freeze, soft freeze or termination
- Harnessing runaway cost... liability-driven investment strategies that reduce funding volatility
- Risk transfer... financial engineering concepts that reduce corporate risk

This seminar is intended for Business Owners, CEOs, CFOs and senior level executives.

If you are interested in learning more about this seminar or would like to reserve a seat today, please e-mail rsvp@bosgroup.com and include "Pension Reform" in the subject bar.

Our clients come in many shapes and sizes. • As a result, so do our solutions.



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