



The 2003 **PULSE** on Plan Members

Our second annual snapshot of the attitudes and opinions of Canadian workers of their employer-sponsored retirement savings and health benefits plans.

By Sonya Felix

The word

around the office is 'stick with the plan.' Most Canadians who belong to either an employer-sponsored retirement savings plan or health benefits plan remain quite satisfied with these plans, in large part because they understand them. New research conducted for BENEFITS CANADA reveals a direct correlation between an employee's understanding of a plan and his or her satisfaction with it, which is a key factor in retaining talented staff.

Plan sponsors can take comfort in knowing that eight out of 10 members say they have a good comprehension of their plans, and understanding of a pension or health benefit plan is a primary driver of a member's confidence in that plan to meet his or her needs.

These are some of the key findings of BENEFITS CANADA's comprehensive *2003 Pulse on Plan Members* survey. The national survey of 1,205 members of employer-sponsored retirement savings or health benefit plans was conducted this past June and July by Environics Research Group of Toronto on behalf of Rogers Media and four corporate sponsors: Aon Consulting, Canada Life, The Great-West Life Assurance Company and Maritime Life.

Survey results show that 80% of respondents say they are satisfied with their employee retirement savings plan and the same number claims to have a good understanding of the plan. For employee health benefits, the numbers are even greater with 84% reporting satisfaction and a hefty 88% claiming a good understanding of the plan.

But plan sponsors shouldn't pat themselves on the back just yet. The overall level of satisfaction for retirement plans slipped three percentage points from last year's *Perspectives* poll (October 2002, BENEFITS CANADA), while the share of members with a good understanding dipped four percentage points. The satisfaction in health plans remained consistent last year (84%), but the level of understanding declined from 91% to 88%. This year's survey, while similar to the *2002 Perspectives* survey, was designed to go beyond the simple answers and to delve deeper into plan members' expectations and desires for their retirement savings and health benefits plans. Based on a conceptual model of consumer behaviour, the survey looked at what motivates plan members, their awareness and perceptions of the plans, their atti-

tudes, preferences and commitment level, as well as their behaviour and loyalty.

The results reveal a complex picture of the relationship between plan members' understanding of their plans, the confidence they have in them, their level of contentment with them, and how these factors affect an employee's likelihood to continue working for the same employer in the face of competition over pensions and benefits—a phenomenon known as continuance.

"The objective of the modeling was to understand satisfaction and continuance," explains Hugh Murphy, vice-president, financial services research, Environics Research Group in Toronto. "This is much more complicated than a simple survey. We recognize that no single thing is a fundamental driver of behaviour. Rather it is an interaction of various effects. Plan sponsors make huge investments in their employees by way of pension and benefits programs, and this research helps them to understand the relationships that exist between plan members' satisfaction with their plans and the drivers of that satisfaction."

To get at the core of the issue, the survey first asked plan members to rate their levels of satisfaction and understanding and then went on to ask about their use of sources of information, the importance of their plans, their knowledge of plan providers, their attendance at retirement seminars, their use of health programs, the degree of flexibility and options offered, and a range of other questions exploring the way members feel about their plans.

While the answers vary depending on region, gender, age, income level, education level, etc., they show significant discrepancies within the overall satisfaction and understanding ratings. And, it is these insights which point to the opportunities for improvement open to both plan providers and sponsors.

RETIREMENT PLANS

At the time plan members were polled, capital markets were faring poorly, the U.S. was at war with Iraq and pension shortfalls were front-page news. The results highlighted plan member anxiety generated by these events and a need for security in the workplace.

Here's a breakdown of the major findings on retirement savings plans:

- **Importance of plans** - A strong majority of respondents like the idea of employee retirement savings plans. In fact, 80% said that the plans should be mandatory and 84% said they would voluntarily participate in their plan.

The majority of respondents showed they would play hardball to achieve retirement security; nearly two-thirds (65%) said they would probably not take

How satisfied are you with your employee health benefits plan?

	2003 Survey	2002 Survey
Very satisfied	29%	29%
Somewhat satisfied	55%	55%
Neutral	8%	8%
Somewhat unsatisfied	6%	6%
Very unsatisfied	1%	1%

How satisfied are you with your employee retirement savings plan?

	2003 Survey	2002 Survey
Very satisfied	29%	33%
Somewhat satisfied	51%	50%
Neutral	10%	8%
Somewhat unsatisfied	6%	6%
Very unsatisfied	1%	2%

Source: 2003 Pulse on Plan Members Survey/ 2002 Perspectives survey

a job with a company that didn't have an employee retirement savings plan and almost half (47%) said they would consider leaving their current employer if offered the same salary and a better plan.

In fact, a large minority of respondents (45%) who do not currently have employee retirement savings plans would consider leaving their employer if offered the same salary with an employee retirement plan. Still, only 43% of respondents reported that their employee retirement savings plan was an important factor influencing their decision to join their current employers and 39% would rather take an increase in pay than a better pension plan. This is a shift from last year when 75% of plan members surveyed said they would rather have a retirement plan than an increase in pay.

- **Awareness of service provider** - The majority of those surveyed (70%) are familiar with the service provider of their employee retirement savings plans. The surprise here for employers: more than half (53%) of respondents said they would be interested in investing with the provider outside of the plan itself, given the opportunity, even though only 37% of Canadians in that group do so now.

- **Sources of information** - When asked about their use of information sources, most respondents said they use benefits statements (75%) or plan brochures (71%) to improve their understanding of their plans. The least commonly-used sources were union/association member sources (36%) and the Internet (29%). Overall, about half (47%) of respondents said they are either very or somewhat knowledgeable when it comes to making investment choices for their company retirement plan.

Like last year, most members reported that they turn to a financial advisor first for information and then to themselves. But in an interesting turn from last year's results, people today are relying slightly less on financial advisors or themselves and more frequently turning to friends, parents and, most notably, to the Internet (7%).

- **Retirement seminars** - Nearly one half (49%) of Canadians are offered retirement planning educational seminars through their employers. But, only 42% of those offered these seminars reported actually attending them. Of those who are not currently offered this option, a small majority (54%) would be interested in attending retirement seminars. The majority of respondents reported willing to spend between one and eight hours each year attending educational seminars.

- **Attitudes to plans** - The majority of respondents (63%) are confident that their plans will meet their retirement income needs and a slight majority (58%) are not concerned about reductions to their pension plans. Seven out of 10 also feel that the retirement planning guidance that has been provided by their employers is sufficient.

At the same time, more than three-quarters of respondents believe that the information they have received is clear and easy to understand. A significant majority (84%) believe that employees should have input into how employee retirement plan investments are allocated. Respondents were less confident in the public retirement savings system. Only 42% believed the system will be there for them in their retirement, down one percentage point from the 2002 survey.

- **Attitudes to employers** - Sixty-six per cent of plan members expect their employers to ante up should the plan be in a deficit position. Ninety per cent of defined benefit plan members are very or somewhat confident that their plans would pay the promised benefit, even in the current climate of plan shortfalls. Only 21% would expect to contribute more to the plan in an underfunded situation and 15% would expect to receive fewer benefits.

HEALTH BENEFITS PLANS

Here's a breakdown of the major findings on health plans:

- **Importance of plans** - Almost half (47%) of respondents said that employee health benefits plans were an important factor in influencing them to join their current employers, down two percentage points from last year. Most (71%) would be unlikely to take a job with a company that does not have such a plan and 48% said that if another company offered them the same salary and a better employee health benefits plan, they

would consider leaving their current company.

The majority of respondents (71%) consider their health benefits part of their total income and a firm majority of respondents (93%) view their health benefits as insurance for themselves and their families. If they were to trade in their health benefits plans for money, 44% would expect to receive between \$500 and \$2000.

• **Flexibility and options** - Although flexibility is considered a strong driver of satisfaction among plan members—last year 86% of respondents indicated they wanted choice around health benefits—40% of Canadians report being able to choose which health benefits they are covered for. This is up from last year when 33% of respondents indicated they could select their benefits.

One out of five Canadians say they are offered additional credits and/or dollars that they can use to pay for benefits that are not covered under their plans. Plan members are happy with having the option to choose; of those who are given the option to select their benefits, 87% are pleased with it. Of those without this option, 62% think it would be a good idea. However, the same number (62%) feel there is enough flexibility in the benefit options that they can choose from and 80% say their plan is flexible enough to meet their needs.

• **Use of information sources** - Similar to what was found for retirement plans, most employees with employer-sponsored health benefits plans use brochures (80%) or benefits statements (64%) to improve their understanding of their plans. More than half (57%) also use human resource departments and 31% use union/associations as sources of information. Despite the current emphasis on electronic communication, only 26% reported using the Internet as a source of information about their health benefits plans.

• **Program usage** - Programs that Canadians are most likely to make use of if covered by their health benefits plans include: fitness facility (80%), stress management workshop (68%), cholesterol/blood pressure assessment (67%), and healthy meal options (67%). Programs they would not make use of include: smoking cessation (62%), weight loss program (52%) and motivational speaker (52%).

• **Attitudes to plans** - A strong majority (81%) feel that the quality of health and benefits-related information provided by their employer is sufficient. Although a large majority (84%) feel that employers have an obligation to help keep their employees healthy, 51% would rather tend to their health without their employer's help. Almost all respondents (92%) would voluntarily participate in their company's employee health benefits plan.

THE SURVEY METHODOLOGY

The research behind the 2003 *Pulse on Plan Members* report was conducted by Environics Research Group of Toronto, on behalf of Rogers Media, in cooperation with four corporate sponsors. From June 12 to July 7, Environics polled 1,205 adults across the country by telephone to gauge Canadians' involvement in, usage of, and attitudes toward employer-sponsored retirement savings and employee health benefit plans. Only full-time employees that have either an employee retirement savings plan or an employee health benefits plan were included in this survey. The margin of error is no greater than +/- 2.8%, 19 times out of 20 on the total sample.

The survey was developed cooperatively by BENEFITS CANADA, Environics, and four corporate sponsors: Aon Consulting, Canada Life, The Great-West Life Assurance Co. and Maritime Life. Some of the questions were tracking questions from the study conducted in 2002; others were new questions. In 2002, Ipsos-Reid Corp. conducted the research behind the 2002 *Perspectives* report, which was renamed for 2003.

Note that some of the data in the charts may not add up to 100%, due to the rounding process.

When queried about this country's public health-care system, 61% of Canadians said they were very or somewhat confident in the system.

• **Attitudes to employers** - Unlike the demands respondents place on the sponsors of pension plans, plan members are more flexible when it comes to health benefits. And the results are reassuring for employers looking to cut rising benefits plan costs. Seventy-four per cent of respondents said they would help control costs by using generic drugs, 48% would pay pharmacy dispensing fees and 48% would pay a deductible.

So, although on the whole plan members generally rate their satisfaction and understanding levels as quite high, on a deeper level there is room for improvement. "These survey results offer insight into the relationship between the strategic and tactical elements over which plan sponsors have control in building strong employee relationships," says Murphy. "These kinds of reality checks provide the wise manager with the high-level feedback and understanding needed to continually guide and manage the offering of pension and benefits programs that attract and retain their most important assets—human capital. Improved understanding and awareness is the key—by helping members to understand the true value of their retirement savings and health benefits plans, sponsors can boost their members' confidence, satisfaction and continuance." **BC**

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For more coverage on the pensions and benefits findings of the Pulse on Plan Members Survey, see pages 37-61.

Despite struggling financial markets, conflict in Iraq, a heightened threat of terrorism and escalating pension shortfalls, the *Pulse on Plan Members* survey found a high level of satisfaction and understanding among members of employee retirement savings plans. Eight in ten respondents reported being satisfied with their plan (80% vs. 83% in 2002) and the same number said they have a good understanding of it. This underlines the correlation between plan satisfaction and understanding, as found by the Environics researchers.

Even amid the bear market and extreme geopolitical tensions, 90% of members of defined benefit (DB) pension plans were very or somewhat confident that their plan will pay the promised benefit. But they were not in a benevolent mood when it came to pension deficits; nearly seven in 10 would expect the employer to ante up if the plan was in deficit. Only 21% would contribute more to the plan, while just 15% would settle for lower benefits.

In fact, there is a sense of entitlement among members, with a strong majority (80%) feeling that workplace-sponsored plans should be mandatory (up from 75% last year).

But, as is to be expected, there is a huge amount of diversity of opinion within various subgroups based on age, region, gender, income level, company size, education level, union or non-union and public or private sector. And these differences are important, says Hugh Murphy, vice-president, financial services research, Environics Research Group in Toronto.

"We've tried to figure out which factors contribute to highly satisfied and highly dissatisfied plan members and provide a comprehensive view of the variation that exists in the workplace," he says. "The survey results provide a starting point for plan sponsors to recognize that each individual who sits down in the HR office has specific needs."

THE AGE GAP

There are widely varying attitudes between young plan members and those getting close to retirement. On the whole, the survey found that while younger respondents are more satisfied with their plans, they are less committed to their employers. Contrarily, older respondents are less satisfied and yet more committed to their employers.

"This makes considerable intuitive sense," says Murphy. "Younger people may be more satisfied with their plans because they know they don't have to be concerned about retirement for years. And, they have lower levels of continuance because it has become more the norm than the exception that people will move between employers



The BUZZ on pensions

Eighty per cent of members of employee retirement plans report being satisfied with them. Not bad for a tough year. The question is: can employers keep them satisfied?

By Sonya Felix

Would you personally invest with your employer's retirement savings plan provider, outside of the plan itself, if it were permitted by your company?

Yes	53%	No	41%
It depends	1%	Don't know	4%

Do you do so now? (473 respondents)

Yes	37%
No	63%

When it comes to making investment choices regarding your DC plan, who do you most often turn to?

	2003 Survey	2002 Survey
An independent financial advisor	31%	34%
Yourself	17%	21%
Your employer	15%	14%
A spouse/partner	11%	10%
Internet	7%	N/A
A friend	7%	4%
A parent	5%	3%
The media	5%	5%
No one, get no advice	1%	N/A
Other	1%	6%

Source: 2003 Pulse on Plan Members Survey/ 2002 Perspectives survey

// Newer [younger] employees are more confident in their employer's retirement savings plan provider, and we will increase our emphasis on the

over the course of their careers.”

While four in ten of the younger crowd (aged 18 to 34) don't have confidence in the public pension system, 68% believe that their employee retirement savings plan will meet their needs. Yet, only 40% of respondents in this group (compared to 43% overall) say that employee retirement savings plans were an important factor in influencing them to join their current employer. And, more than half (52%) would consider leaving their current employer if offered the same salary and a better plan.

This apparent lack of commitment seems to stem from a poor understanding of plan specifics. Forty-six per cent of the 18 to 34 group surveyed say they have a somewhat good understanding of their plan, compared to 34% of respondents aged 55 and over who reported a very good understanding. Younger members are also less likely to use information sources right across the board—from benefits statements to brochures, seminars, the Internet and union/association sources.

To be fair, fewer in this group say they are offered seminars, but only a small minority would be interested in

ore interested in electronic as the demographics change, Internet. // —Paul McLenachan, manager of pensions and benefits at DOFASCO

attending them even if they were offered. While it is possible that younger respondents are getting their information elsewhere, the survey shows that likely isn't the case. Next to themselves, the majority says it relies on employers for investment information.

On the other hand, older respondents—those 55 and over—show less satisfaction but a stronger understanding of their plans and more commitment to staying with their current employer. The driving factor for these attitudes seems to be the older group's greater concern about its plan meeting its retirement needs. Older employees are more likely to use information sources than their younger counterparts, as well. They primarily rely on benefits statements to obtain information and are more likely than younger employees to attend pension plan seminars.

Unlike 18 to 34 year olds, those in their last decade leading up to retirement tend to depend on their financial advisors for information, followed by themselves. Almost 60% of older respondents also say they would invest with their provider outside their employee plan. Older employees who have DB plans look more favourably on defined

How much personal time would you be willing to spend each year attending seminars to learn more about financial retirement planning?

No time	3%
1-4 hours	50%
5-8 hours	28%
More than 8 hours	19%

When it comes to making investment choices for your company retirement plan, please rate your level of knowledge?

Very knowledgeable	7%
Somewhat knowledgeable	40%
Neutral	21%
Not very knowledgeable	19%
Not at all knowledgeable	13%

Source: 2003 Pulse on Plan Members Survey/ 2002 Perspectives survey

contribution (DC) plans than both the younger group and respondents in general (see page 33).

Paul McLenachan, manager of pensions and benefits at Dofasco in Hamilton, Ont., says that providing a strong multimedia education program designed around the communication needs of different demographic groups can

help improve both understanding and satisfaction. "The bulk of our workforce is still using hard copy information so we've upgraded our benefits statements to suit the demographics of our current workforce," he says. "Newer [younger] employees are more interested in electronic communication and the Internet and as the demographics change, we will increase our emphasis on the Internet. But, we don't want to go there too soon. Rather, we are in transition to suit our workforce."

REGIONAL DISPARITIES

Respondents living in different areas of the country have markedly different attitudes towards their employee retirement plans. While this year's survey responses reveal strong regional disparities, it isn't necessarily easy to account for all the variations. Given the smaller regional sample sizes, these results offer directional cues that could prove helpful. Many factors such as political climate, social values and individual life experiences play significant roles in shaping opinions, but the survey's regional trends should be of interest to plan sponsors, whether their members are limited to one particular province or spread across Canada.

Some of the most striking discrepancies are found between survey responses from B.C. and those from Atlantic Canada. For instance, B.C. residents report satisfaction levels on par with the average, but, based on the plan, are more likely to consider leaving if a better position comes along. While this group places higher importance on confidence, it reports a lack of confidence that its plan will meet retirement needs.

Plan sponsors and providers should be able to build confidence by supplying employees with more information about their plans and retirement planning in general. And it shouldn't be hard, since B.C. residents are an information-seeking group. According to the survey, in line with the national average, B.C. respondents report that they rely on their benefits statements for information, but they also report the highest incidence of turning to their union or association for information and are more likely to attend retirement seminars. This group looks to financial advisors for investment advice but is also more likely than average (10% versus 7%) to use the Internet for investment advice. Over half the group would be interested in investing with their plan provider outside of the plan itself, given the opportunity.

On the other side of the country, respondents in Atlantic Canada show the lowest level of satisfaction with their plans of all the provinces. Yet, this group also reports the highest willingness to stay with the company, even if the same salary and a better plan are offered by another employer. Despite this commitment and the fact that they consider it very important to understand their plan, respondents in Atlantic Canada report having a very low level of plan understanding.

Strategies for plan sponsors

• Age Gap

Greater employer involvement could help improve younger employees' understanding of their retirement savings plans. Plan sponsors need to recognize that different age groups have different needs. Unlike older workers, retirement isn't typically top-of-mind for younger employees, but the under-35ers still need to know about the value of their pension at different stages of their working life and how to plan for retirement. Key messages should be targeted at meeting the information needs of various age groups within the workplace.

• Regional Disparities

It's important to recognize that employees in different areas may have not only different perceptions and attitudes towards their employee retirement plans, but also different communication needs. Regional disparities can be based on education level, comfort with the use of computers and a preference for face-to-face seminars. By assessing the communication preferences of the workforce, plan sponsors can improve employees' overall perception of the quality and value of the information they are provided with, and work with them to ensure that their plans will meet their needs.

• Private Versus Public

Tailor plans that will meet each sector's needs.

• Size Matters

Provide more information to improve understanding.

• Short-Term Employees

Improve understanding and offer more comprehensive plans.

• Gender Gap

Increase male employees' confidence that their plans will meet their needs. Provide more information to female employees to alleviate their concerns about their retirement plans.

While, on a national basis, 76% of respondents said that plan information that is provided is clear and easy to understand, only 68% felt the same way in Atlantic Canada. And only 65% of Atlantic Canada respondents said that retirement planning guidance provided by their employer is sufficient, compared to 70% overall. When asked if they know the service provider of the employer's retirement savings plan, 66% of those in Atlantic Canada said they are familiar with the plan's administrator, compared to 70% overall.

Though they are improving respondents' overall perception of the quality and value of information they are given, plan sponsors can improve members' satisfaction with the plan itself. But, this may prove to be a challenge. Although 80% of East Coast respondents say they would be interested in attending seminars, they report the lowest level (34% compared to 42% overall) of attending seminars when offered.

Still, employees in Atlantic Canada do seek information; they most often use their benefits statements and are more

DC versus DB

It seems that a large minority of retirement savings plan members are casting envious glances at the grass on the other side of the fence. Not surprisingly, the *Pulse* survey found that, although the majority (56%) of respondents still have a defined benefit (DB) pension plan, the proportion has declined by five percentage points since last year with the balance shifting to defined contribution (DC) plans. But, a good number of pension plan members on both sides would prefer to be in the type of plan they don't have. On average, 43% of members of DC plans would prefer DB plans. At the same time, 33% of those with DB plans would prefer a DC plan. Despite these signs of discontent, however, satisfaction rates appear quite high with DC plan members' satisfaction running at 83% and DB at 77%. So, what gives?

According to Hugh Murphy, vice-president, financial services research, Enviro-nics Research Group in Toronto, one answer to the discrepancies is explained by looking at which subgroups reported wanting what they don't have. A larger proportion than average of respondents aged 55 plus in both DC and DB plans would opt for whichever plan they don't have. "I think in this case, it could be that as respondents get closer to retirement they feel that their plans will not be substantial enough to meet their retirement needs," says Murphy. "As such, the grass will seem greener on the other side."

Other subgroups who have DC plans but would more strongly prefer DB plans include employees from small companies, those with lower levels of education and those who don't have health benefits plans. Meanwhile, of respondents with DB plans, a larger than average number of private sector employees, those from medium size companies, those who have attained lower levels of education and employees who are not offered a non-registered plan at work would rather have a DC plan.

The connection between flexibility and satisfaction could explain the desire to switch from DB to DC, says Murphy. "With DCs being a more flexible vehicle by their very nature, it's not overly surprising to find a higher degree of satisfaction with the respondents that are covered by a DC plan. Furthermore, when an eventual market upturn ends up influencing DC plan holders in a positive direction, it should not be surprising to see this satisfaction gap expand as DB plan holders are excluded from direct gains." These days, however, 90% of DB plan members are confident that their plan will pay the promised benefit.

likely than those in other parts of the country to turn to the Internet for information regarding their plans. But unlike residents of B.C., those on the East Coast don't use the Internet for investment advice. Rather, 34% reported using the Internet to improve their understanding of their plans—compared to the national average of 29%.

Half of those who currently have DC plans would prefer DB plans—slightly more than the national average, while 35% of those with DB plans would prefer DC plans. Employees in Atlantic Canada also have the highest rate of believing that employees should be involved in how plan assets are invested: 91% versus the national average of 84%.

PRIVATE VERSUS PUBLIC

Non-unionized private sector employees report lower levels of satisfaction with their employee retirement plan than those working in the public sector, but based on plan issues, they are also less likely to move on to another job. Despite a stronger commitment to their employers, only 59% of private sector workers (compared to 67% of those in the public sector) say they are confident their plan will meet their retirement needs.

This lack of confidence contributes to lower satisfaction levels among private sector employees, because this group is driven by the importance they place on the plans to meet their retirement needs. The survey also shows that private sector employees put a lot of emphasis on understanding their plans, and that they report an average level of understanding. Still, plan sponsors and providers could help boost confidence by creating and offering plans that better address their needs and by providing more information.

While public sector employees seem to be more satisfied with their employer-sponsored retirement plans overall, they are also more concerned about their employers reducing their benefits. There are other notable differences between the private and public sector groups as well; only 36% have bothered to attend seminars when presented with the opportunity, compared to 52% of those in the private sector. And only 50% of public sector workers would be willing to invest with a provider outside their employee plan, compared to 56% of private sector employees.

Those in the private sector are also more likely to attend formal employee meetings for plan information. And, when asked who they turn to for investment decisions, 28% of those in the private sector said 'their financial advisors' and 22% said 'themselves.' In the public sector, 35% of respondents said they turn to financial advisors and 18% said they rely on their employer.

COMPANY SIZE MATTERS

Last year's survey asked respondents what size of company (small, medium or large) they worked for. This year, an employer size question was added to the survey, and we found that most respondents who classified themselves as a "small company" also reported having less than 250 employees. It turns out that company size is a significant variable in the survey results. For example, while employees from smaller companies are the least satisfied of all groups, their continuance rate is on par with respondents from companies of other sizes.

It seems that this group's dissatisfaction stems from the strong importance they put on understanding their plans, which is at odds with their perception that they aren't very well-informed. They don't feel confident that their plan will meet their needs, yet at the same time, they aren't all that worried that their plan will be

reduced either. A smaller proportion of DC plan holders would prefer DB plans as compared to respondents from large companies. Thirty-six per cent of employees at small companies would prefer DC plans compared to 31% at large companies, and 32% of those at small companies would prefer DB plans compared to 50% at large companies.

Plan sponsors and providers could improve this sector's sense of understanding by providing more information. Currently those working for smaller companies utilize less resources altogether. They are also the most likely to invest outside their plans and less likely than average to attend seminars.

SHORT-TERM EMPLOYEES

Lower-than-average rates of satisfaction are found within segments of every subgroup, including those broken down by length of time working with their current employer. The survey found that those working with a company for less than five years have both low satisfaction and continuance rates. These trends seem to be driven by their concerns that their plans will not meet their retirement needs and that their plan benefits will be reduced.

Short-term employees also have a lower level of understanding of their plans than average (71% versus 80%)—no surprise considering that this group is less likely to use all sources of information offered, except the Internet. Few are offered educational seminars, presenting an opportunity for insurance companies to increase their involvement.

“There are numerous factors contributing to improved satisfaction such as a member's understanding of the plan, confidence in the plan and less concern that the plan will be changed,” says Murphy. “Longer-term employees are probably more satisfied with their jobs in general, which would have some effect on how they feel about their plans. Providing more information to new employees might be one way of increasing employee satisfaction, but I think that for new employees there just isn't enough in the plan to create as strong a feeling of satisfaction and continuance as you will find with longer-term employees.”

Good understanding and high satisfaction among retirement savings plan members are obvious goals for any plan sponsor. The disparities revealed by this survey should be viewed as a roadmap for improvement. “Early education is key to long-term satisfaction,” says McLennan. “Members need to understand from the beginning that pension plans are a shared responsibility.” **BC**

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For more coverage on the benefits findings of the Pulse on Plan Members Survey, see pages 47-61.

On the whole, members of employer-sponsored health benefits plans are a satisfied bunch. This year's *BENEFITS CANADA 2003 Pulse on Plan Members* survey found that 84% of the 1,200 people questioned reported being very or somewhat satisfied with their benefits plan. What's more, an impressive nine out of ten rated their understanding of their plans as good. Yet, as with the pensions side of the survey, respondents' opinions show considerable diversity among various subgroups based on age, union membership, income levels and company size.

THE AGE GAP

The age of an employee seems to have a huge impact on attitudes towards health benefits and behaviour regarding these benefits. On a general basis, the survey found that as employees age, the importance they place on security increases. Their understanding of their plans grows, yet becomes less of a driver to satisfaction. The importance they place on plan flexibility decreases and they place a higher dollar value on their benefits plan. As well, the older an employee, the less likely they will move to a different job with a better benefits plan.

"The importance of understanding shifts in the drivers of satisfaction as people age is particularly interesting from an HR perspective," says Hugh Murphy, vice-president, financial services research, Environics Research Group in Toronto. "Older respondents actively seek out more information so their level of understanding is higher; yet for this group, understanding is not as strong a driver of satisfaction. For the HR department, this could help [it] to decide how to promote [its] plans to different age cohorts to increase the perceived value of employee plans."

Certainly, the idea that younger employees have different needs than their older counterparts isn't unexpected. But, the strength of the discrepancies between various age groups does emphasize the need to identify these groups in the workplace, to develop key messages to address each group and to figure out the most effective channels for reaching these audiences.

Here are some of the main findings of the survey, with respondents broken down by age into younger (18 to 34 years old), middle-aged (35 to 54 years old) and older (55 and over).

- **Younger** - This group of respondents demonstrate the lowest level of perceived understanding of their



The BUZZ on benefits

Sponsors of health benefits plans could stand to invest a little more in promoting plan awareness. The payoff could be a reduction in the cost of providing benefits.

By Sonya Felix

// Concerns over plan stability can be alleviated somewhat by increasing plan knowledge and by greater employer involvement. Employees who feel that their employers care about them are less concerned that their plans may change; they feel that their employers have their employees' best interests in mind. //

—Hugh Murphy, vice-president,
financial services research, *EnviroNics*.

health benefits plan. While 93% of older respondents rate their understanding as good, only 83% of the younger crowd do. One explanation is that younger respondents are the least likely to use available sources to seek out information regarding their plans. And, while their satisfaction rate is on par with the overall average, this group is more likely to leave their current employer if offered the same salary and a better benefits plan (55% versus 48% overall and 43% for those 55 and over).

Younger employees place a lower dollar amount on the value of their plans. More than one-third (34%)—the highest proportion of younger respondents—valued their plans at \$500 to \$1000. And, this group is most likely to prefer more money over better benefits (32% versus 28% of older respondents).

Yet, despite the apparent low value they place on benefits, 75% of the younger group say they would appreciate it if their employer played a greater role in keeping them healthy. The involvement that employers have regarding employees' health is considered a driver behind young respondents' continuance with their employer.

• **Middle-aged** - This group is the only age bracket to show a strong relationship between satisfaction and continuance. The highest proportion of middle-aged respondents (22%) value their plans at between \$1000 and \$2000 and 23% of them (compared to 26% overall) would rather have more money than better health benefits. Yet, they are the least satisfied with the flexibility options (such as dollars/credits and lists of drugs) offered by their employers.

Middle-aged employees are slightly more likely to be interested in being able to choose the benefits they are covered for under their employee plan. They also report the least amount of interest and place the lowest amount of importance on employer involvement in

Recommendations for plan sponsors:

- Provide information to younger employees to improve their understanding of their benefits plans. If plan members are disinclined to seek information, it may be necessary to provide more detailed information when an employee is initially hired and to continue to push it at them using appropriate forms of communication. Offer this younger group plans that provide greater flexibility and increase employer involvement in health promotion.
- For middle-aged employees, increase the flexibility offered in their benefits plans to alleviate concerns about rising costs and to increase satisfaction.
- In response to older respondents' desire for more employer involvement in the maintenance of their health, build more preventative healthcare options into benefits plans. Also, tailor plans to cover the perceived needs of older respondents, such as offering ways to minimize plan costs and helping to reassure them about the security of their plans.
- Provide employees from small companies with more information about their plans and increase the flex options that are available within their benefits plans. This group is less likely to seek information, but better understanding can make them feel they have more control of their plans.
- Help non-union members feel more confident their plan will meet their needs by increasing the amount of control and flexibility they have over their plans.
- For union members, alleviate concerns that plans will change if costs of maintaining the plan increase and improve understanding among union members using union sources.
- Increase the amount of flexibility that is offered with plans. HR departments can use a strong benefits plan to entice potential employees. It is also important to provide sufficient understanding so employees feel they have some control over their plans.

their health.

Their unease about lack of flexibility, as well as their concern that the plan might be reduced because of rising costs affects whether respondents in this age group are willing to accept a job with a better plan. It follows that middle-aged employees' satisfaction is driven more strongly than other age groups by the perceived control they have over their plans.

• **Older** - For this group of survey respondents, both satisfaction and continuance are driven primarily by its need for security. Unlike younger employees, the older crowd has a better understanding of its plan and is more likely to use available information resources.

Those aged 55 and over place a high importance on their own involvement and their employer's involvement

Differences Among Income Levels

How much money a respondent makes has an impact on their attitude towards their health benefits plan. Generally, it appears that the higher the income, the more favourably employees view their plans. Whether this is because those in higher income brackets actually receive richer benefits than their lower income counterparts or because higher income employees simply have a different way of thinking about value is still unclear, says Hugh Murphy, vice-president, financial services research, Environics Research Group in Toronto.

Regardless of the reasons, the survey shows significant discrepancies between income groups:

• Under \$60,000

This group reports a lower level of understanding, satisfaction and continuance. It appears that understanding and flexibility are key drivers of satisfaction and desired control and concerns over plan stability are drivers of continuance. At the same time, desired control is also a driver of plan stability.

Yet, improving this group's understanding is more difficult because it is less likely to seek out information from available sources. It also reports having less control and flexibility surrounding plan options and is less willing to assist in cost controlling measures. While on average only 7% of survey respondents say their plans are worth less than \$200, 12% of lower income earners see it that way. Yet, almost one-third of those making less than \$60,000 a year, compared to 22% of those in the upper income bracket, would prefer more money than better health benefits. And, more than half (54%) of lower income earners say they would switch jobs if the new position offered a better employee health benefits plan.

• Over \$60,000

This group of respondents is more satisfied and have a better understanding of their health benefits plans than those making less money. For them, flexibility appears to be the key to both satisfaction and continuance.

A strong majority (86%) of upper income respondents feel that the quality of health- and benefits-related information that has been provided by their employer is sufficient (compared to 74% in the lower income group). Unlike lower income workers, those in the upper income bracket, particularly those making \$90,000, are more likely to be offered additional credits and/or dollars that they can use to pay for benefits that aren't covered under their plans. They are also more satisfied with the flex options they receive and tend to place a higher dollar amount on the value of their benefits plans. Not surprisingly, respondents in the upper income group (over \$90,000) are much less likely than lower income employees to be willing to leave their company for another job with better benefits (39% versus 54%).

in their own health. They are more likely than other age groups to make the most of preventative healthcare programs that could be covered by a health benefits plan.

A greater-than-average number of respondents in this demographic group feel that their plan is flexible enough to meet their needs (86% versus 80% overall). Not surprisingly, this group is the least likely to take a job with an

employer who does not offer a benefits package or to switch jobs if another company offered them the same salary and a better employee health benefits plan.

Rather, older respondents are the most willing to assist in cost-cutting strategies. They have a higher-than-average awareness that different pharmacies charge different amounts to dispense the same drug (83% versus 76% overall and 68% for those aged 18 to 34). And, they are more likely to consider the amount that the pharmacy charges when filling a prescription (45% compared to 36% of younger employees).

COMPANY SIZE MATTERS

As with the survey's questions about employee retirement savings plans, the size of the company where the respondent works seems to affect their opinions about their health benefits plans. The survey discovered some interesting differences between what drives satisfaction and continuance among employees of small companies (250 and less employees) and those working for larger organizations. Here's a look at some of the details:

• **Small companies** - People working for companies with 250 or fewer employees have a significantly lower level of satisfaction—only 73% compared to 84% on average for all respondents. Small company employees also have a slightly lower-than-average level of understanding of their health benefits plans (84% versus 88% overall). And, when asked whether the health benefits plan was particularly important in influencing them to join their current employer, only 38% of those from small companies said 'yes' compared to 47% overall.

It follows that a lower-than-average number say they would be unlikely to take a job with a company that doesn't have an employee health benefits plan (64% compared to 71% overall). A higher-than-average (12% versus 7%) proportion of respondents of small companies also place the value of their plans at less than \$200 and more than a third (36%) would rather have more money than better health benefits (compared to 26% overall).

What makes small company employees so dissatisfied with their health benefits plans? Flexibility—or a lack of flexibility—seems to be the main driver of satisfaction for this group. While on average, 40% of respondents report being able to choose which health benefits they are covered for, only 26% from small companies said this is so. And a scant 8% said they are offered additional credits and/or dollars to pay for benefits that are not covered under their plans (compared to 20% overall). Compared to 62% of respondents on average, only 50% of those from smaller companies feel there is enough flexibility in the benefit options they can choose from.

This group's level of understanding of their health benefits seems to play a significant role in the value

they place on their benefits plan. Yet, while these respondents say they are more willing to share personal information with their employers, they are less likely to use information sources provided to them. The one exception is that this group turns more to plan brochures for information. However, a considerably lower proportion of small company employees feel that the quality of health and benefits-related information provided by their employer is sufficient (72% compared to 81% on average).

Although very few smaller companies have the internal resources to develop meaningful and effective communications programs, this is an opportunity for plan providers to help. Offering more information and flexibility can positively influence satisfaction, says Murphy, adding that understanding and perceived control strongly influence perceptions of flexibility as well.

“Our research shows that employees who know more about their plans and feel that their plans offer a certain degree of flexibility are more satisfied overall. Improved knowledge of plan benefits might also force a re-evaluation of the current greater interest in financial remuneration over benefits.”

- **Large companies** - The survey shows that employees from large companies have a higher-than-average level of

Are you concerned your employer might reduce your retirement benefits in the future due to increases in the cost of maintaining the plan?

Strongly agree	16%
Somewhat agree	23%
Somewhat disagree	29%
Strongly disagree	30%

Source: 2003 Pulse on Plan Members Survey

Are you willing to participate in the following health benefit plan cost-controlling measures?

Generic drug substitutions

Very willing	74%
Not very willing	22%
Unwilling	1%

Pay/increase deductible

Very willing	48%
Unwilling	46%
Already do	4%

Source: 2003 Pulse on Plan Members Survey

// Understanding, confidence and flexibility contribute to employees' satisfaction and continuance. //

—Hugh Murphy, vice-president ,
financial services research, Environics.

satisfaction with their health benefits plan (87% versus 84% overall). These respondents also report that employee health benefits were a particularly important factor in influencing their decision to join their current employer (50% versus 47% overall).

If flexibility is a driver of satisfaction, no wonder these employees are happier than most. A greater-than-average number of large company employees say they are able to choose which health benefits they are covered for (46% versus 40% overall) and they are more likely than average to be offered additional credits and/or dollars that can be used to pay for benefits not covered under their plans (24% versus 20% overall). As well, they have less inclination to prefer more money over better benefits (only 21% compared to 26% overall).

Those working at large companies (over 1,000 employees) are less likely to take a job with an employer that doesn't offer a benefits plan and no more likely than average to be tempted to change employers if offered a better benefits plan.

But, employees of mid-sized companies (between 250 and 1,000 workers) are considerably more willing to consider taking a job with another company if offered the same salary and a better benefits plan (56% compared to 48% overall). This trend could indicate concern over plan stability related to the likelihood that an employee's benefits plan

Union Membership

This year's survey reveals some interesting disparities between unionized and non-unionized respondents' opinions about their benefits plans. Here are some of the major findings:

- Non-union members report a higher proportion of being "very satisfied" and having "very good understanding" than respondents who belong to a union.
- Although union members have more flexibility in their plan options, respondents who do not belong to a union are more likely to be offered additional credits and/or dollars that they can use to pay for benefits not covered under their plans (24% compared to 20% overall and 13% for union members).
- Non-unionized workers are more likely to be offered ways to minimize the cost of their plans (21% compared to 18% overall and 14% for union members).
- Although on average only 7% of respondents value their plans below \$200, 13% of union members do.
- Nearly eight in ten (78%) union members, compared to 67% of non-union members, would be unlikely to take a job with a company that does not have an employee health benefits plan.
- Close to eight in ten (77%) union members, compared to 69% of non-union respondents, feel that employers have an obligation to help keep their employees healthy.
- While 54% of survey respondents overall are concerned their employer might reduce their health benefits in the future because of increases in the cost of maintaining the plan, 60% of unionized respondents expressed this view compared to 50% of non-unionized members.
- Respondents belonging to a union demonstrate a lower level of plan understanding and satisfaction and are more likely to turn to their union sources to gather plan information than to other sources that may be available to them.

will change because of plan cost-related issues, says Murphy.

“Concerns over plan stability can be alleviated somewhat by increasing plan knowledge and by greater employer involvement. Employees who feel that their employers care about them are less concerned that their plans may change; they feel that their employers have their employees’ best interests in mind.”

Yet, respondents from large companies (with over 1,000 employees) are more likely to be offered ways to minimize the cost of their plans (21%). And, this group also agrees more strongly than average that the quality of health and benefits information provided by their employers is sufficient (84% versus 81%).

HELPING OUT

Overall, employers are not looking to their employees to help minimize the rising costs of benefits plans. But they should be. Respondents indicate that they are concerned about these increases and the state of their plans; 54% report they are worried their employer might reduce their health benefits in the future.

And employees want to help. Seventy-four per cent say they would accept generic drug substitutions, 48% would pay dispensing fees and 48% would agree to a deductible or an increase in their current deductible.

Pharmacy dispensing fees are one area where employees could be more aware. While 76% of Canadians are aware that different pharmacies charge varying amounts to dispense the same drug, only 41% consider the amount when getting a prescription filled.

Of all the provinces, B.C. residents are the most conscientious, with 84% considering the amount a pharmacy charges to dispense medication; at the other end of the spectrum is Quebec, with 83% weighing the dispensing fee. Eighty per cent of higher income respondents (over \$90,000) are aware of this amount, compared to 69% of lower income respondents (less than \$60,000).

WORK TO BE DONE

Where does this leave us? Though plan members are generally satisfied with their benefits plans, there are still areas employers need to work on to boost satisfaction in the workplace.

The first is to deal with plan member anxiety. With regards to employee benefits plans, 54% of respondents are worried their employer may reduce health benefits in the future. Steps need to be taken to put plan members at ease, including offering more educational seminars to educate employees and providing more comprehensive plans.

If employers fail to deliver, they could lose employees to other companies with better plans. After all, benefits plans were cited in the survey as a reason for leaving a company.

Younger employees, who happen to be the most volatile, should also be targeted. The least knowledgeable about their plans—their knowledge levels dropped seven percentage points from last year—they indicate a preference for learning about their plans online.

Increasing benefits information on the company Web site and directing younger employees to the site might be one way of increasing knowledge and satisfaction levels. The payoff could be a higher retention rate of this group.

Offering more flexibility is another area employers can capitalize on. At the moment, only 40% of employees are allowed to choose which health benefits they are covered for. Providing more choice in benefits is an option that could potentially improve members' satisfaction.

But there is also room for employers to cut costs. While there isn't much wiggle room on the pension side, with 66% of Canadians expecting their employer to provide funding should the plan be in deficit position, on the benefits side, there is a large potential to curb spending. As 74% of respondents would be willing to accept generics instead of more costly medications, almost half would pay dispensing fees and the same percentage would pay a deductible, employers can offload many costs.

Cost-cutting could also be effected by increasing employees' knowledge about the value of their benefits plans. Currently, a significant percentage of respondents value their plan at below \$200, with 12% of respondents with lower incomes believing this to be true. An education campaign highlighting the true costs of plans might help boost responsible benefits usage and reduce the financial burden on employers.

While the differences found between various subgroups reinforces the idea that many factors

affect employees' attitudes towards their retirement plans and health benefits plans, a message to employers can be discerned. "For all groups, understanding, confidence and flexibility contribute to employees' satisfaction and continuance," says Murphy. "But, the key is understanding and awareness." **BC**

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