



A Changing Benefits Landscape

Results from the **Sixth Annual Study of Employee Benefits: Today & Beyond** indicate that the benefits decision making process within organizations has been evolving over the past few years and more companies are turning towards TPA's to outsource their benefits administration.

Both brokers and plan sponsors see a change in the decision-making process for employee benefits over the past five years.

When brokers/consultants were asked whether the benefits decision-making process (including the functional areas and titles involved) has changed in the past five years, more than two-thirds (69%) feel it has to some extent.

Plan sponsors also report changes, yet, to less of an extent than brokers/consultants do. Two in five (40%) say the employee benefits decision-making process in their company has changed to some extent over the past five years; this is significantly fewer than brokers/consultants.

Senior management's influence has increased the most in the past five years (45%). Human Resources is the second most common area to gain in influence (39%). Employee Benefits, Finance/Treasury, Employees, and Board of Directors all increased in influence relatively equally (22%, 22%, 21%, and 21%, respectively).

Those who report more change to how benefits decisions are made are more likely to have a greater number of areas involved throughout the process and report that more people became influential.

Two-thirds of plan sponsors say four or more areas of their organization are influential in the employee benefits decision-making process: 45% say four to seven areas are involved, 21% say eight or more areas are involved, and only 34% report zero to three areas are involved to some extent.

Plan sponsors who say decision-making has changed to a great extent over the past five years are more likely to think their employees are satisfied with their benefits program (46% saying very satisfied vs. 22% for some change and 23% of those neutral/no change).

- Plan sponsors who report a great amount of change to the decision-making process are more likely to agree that employees would make better benefits decisions if their life and disability enrollment were separate from their medical insurance enrollment (44% saying top 2 box, vs. 20% of somewhat and 9% of neutral/no change).
- Effectiveness of communications also demonstrates care and concern for employees and their decisions. Plan sponsors who say decision-making has changed to a great extent over the past five years tend to rate the effectiveness of their benefits communications higher than others (48% saying "highly effective," vs. 25% of somewhat and 18% of neutral/no change).



Extent Decision-Making Process Has Changed in Past Five Years

Percentage of Plan Sponsors

Satisfaction of employees with overall benefits package			
Those saying “highly satisfied”	46%	22%	23%
Level of agreement that employees would make better benefits decisions if their life and disability enrollment was separate from their medical insurance enrollment			
Those saying “highly agree”	44%	20%	9%
Effectiveness of company’s benefits communications			
Those saying “highly effective”	48%	25%	18%

Plan sponsors are outsourcing administration more today than four years ago, yet it is unclear what the future will hold.

Many plan sponsors (61%) say they use a third-party administrator (TPA) to outsource benefits administration for their retirement plan; this is the most commonly outsourced benefit. Nearly half outsource administration for medical insurance, while roughly two-fifths use TPAs for life insurance, disability insurance, and dental insurance.

In general, roughly two in five plan sponsors (37%) say they are increasing the use of third party administrators (outsourcing benefits administration) to some extent in order to manage costs. Among those using this strategy, 65% indicate it has been successful in achieving desired cost savings.

These numbers are higher than reported in 2007, indicating that there has been a substantial increase in outsourcing benefits administration over the past four years – for all benefits. When asked about outsourcing in 2007, results ranged from a high of 47% for retirement benefits to a low of 29% for disability insurance.

Use of Third-Party Administrators—Actual 2007 vs. Actual 2011

Percentage of Plan Sponsors

	2007	Today	Difference
Retirement Plan, e.g. 401(k)	47%	61%	+14
Medical Insurance	36%	46%	+10
Life Insurance	28%	40%	+12
Dental Insurance	31%	39%	+8
Disability Insurance	29%	37%	+8



This is the third in a series of five key point documents that highlight the major findings from Prudential's **Sixth Annual Study of Employee Benefits: Today & Beyond**. The research was conducted via the Internet during April and May of 2011 and consists of three distinct surveys:

- A Plan Sponsor Survey among 1,500 benefits decision-makers
- A Plan Participant Survey among 1,200 full-time employees age 22 or older, who work for a company with at least 50 benefits-eligible employees
- A Broker/Consultant Survey among 744 group employee broker/consultants who work full time for a company with at least 50 employees

The research was conducted for Prudential by the Center for Strategy Research, Inc., an independent Boston-based market research firm.

To access the full version of the report, as well as the other key point documents, please visit www.prudential.com/benefitsbeyond.

The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ.

Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.