




# Programs to Engage the Workforce

November 1, 2018

# Agenda

 **Voluntary Benefits Landscape**

 **Student Loan Repayment Programs**

 **Emerging Trends and Generational Influences**

- **Attraction and Retention of Millennials and Generation X**
- **Fitness, Pet Insurance and Employee Purchase Programs**

 **Wrap Up and Q&A**

# Voluntary Benefits Landscape

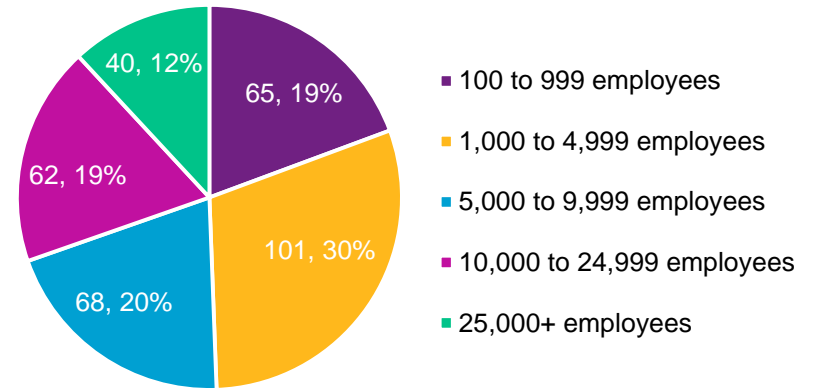
# About the survey

**336** employers with at least 100 employees responded the survey

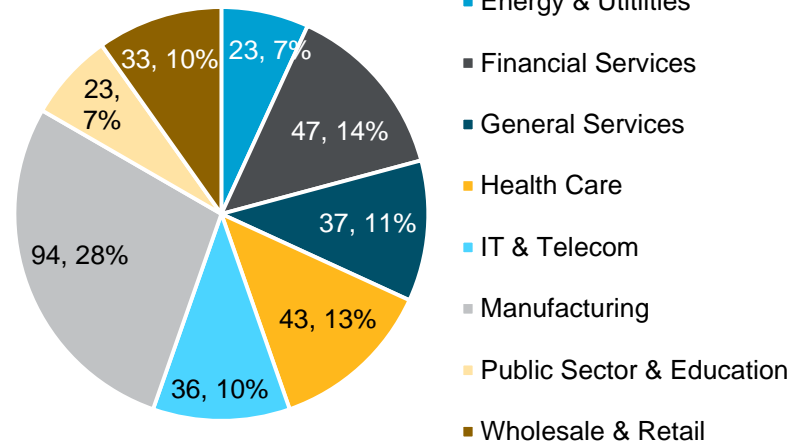
**4.3M** employees working at the responding organizations

**271** employers responding the survey with at least 1,000 employees

## Employer size



## Industry



Source: 2018 Willis Towers Watson Voluntary Benefits Survey

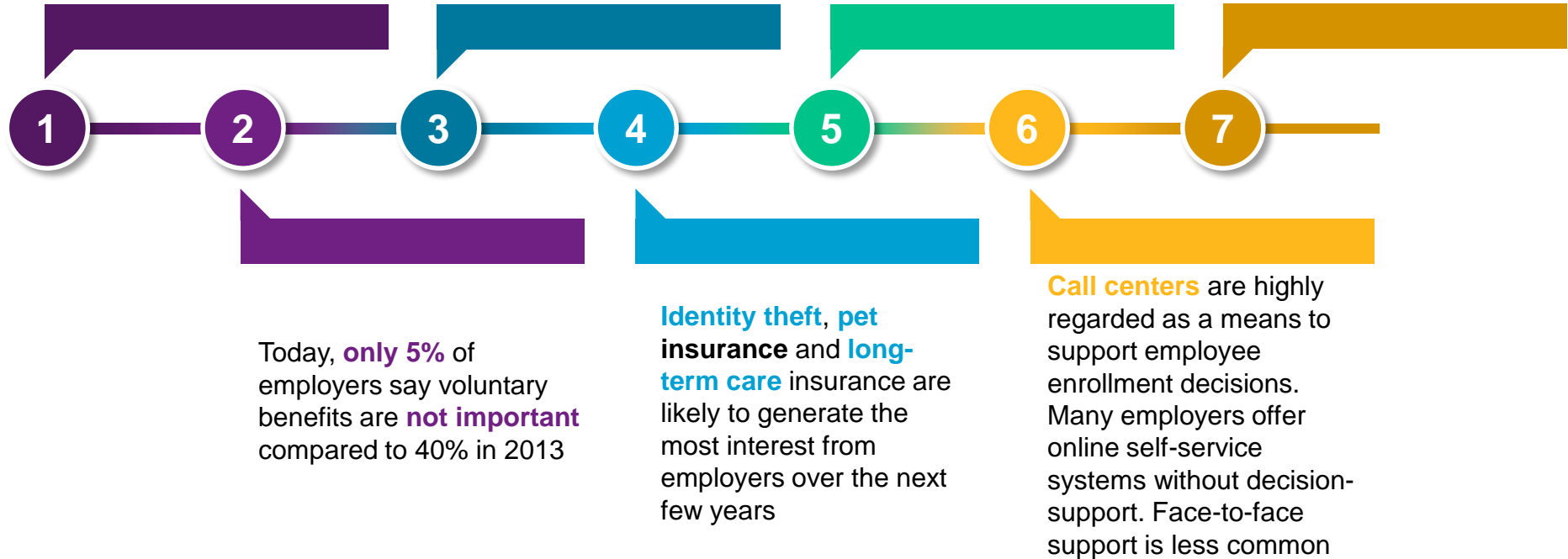
# 2018 Voluntary Benefits Survey: Key highlights

Employers are increasingly offering **choice in benefits** to allow employees to **personalize** their rewards

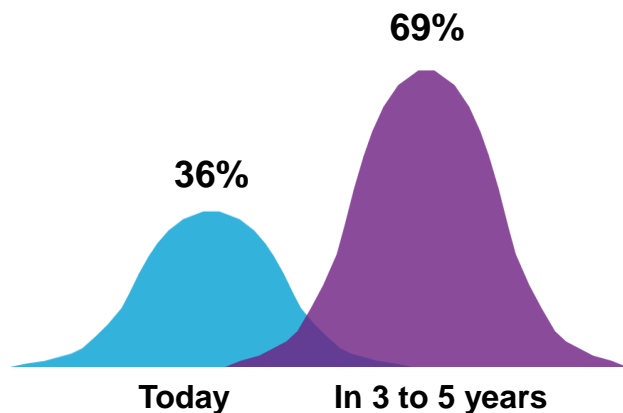
Voluntary benefits are viewed as a priority to **enriching the employee value proposition** and supporting the financial well-being of a **multi-generational workforce**

**Education benefits** to address the rising student loan debts are gaining traction along with broader financial well-being programs to protect employee wealth

**Employer subsidized voluntary benefits coverage** is still emerging – offered by 20% of employers today with another 20% considering it in the future



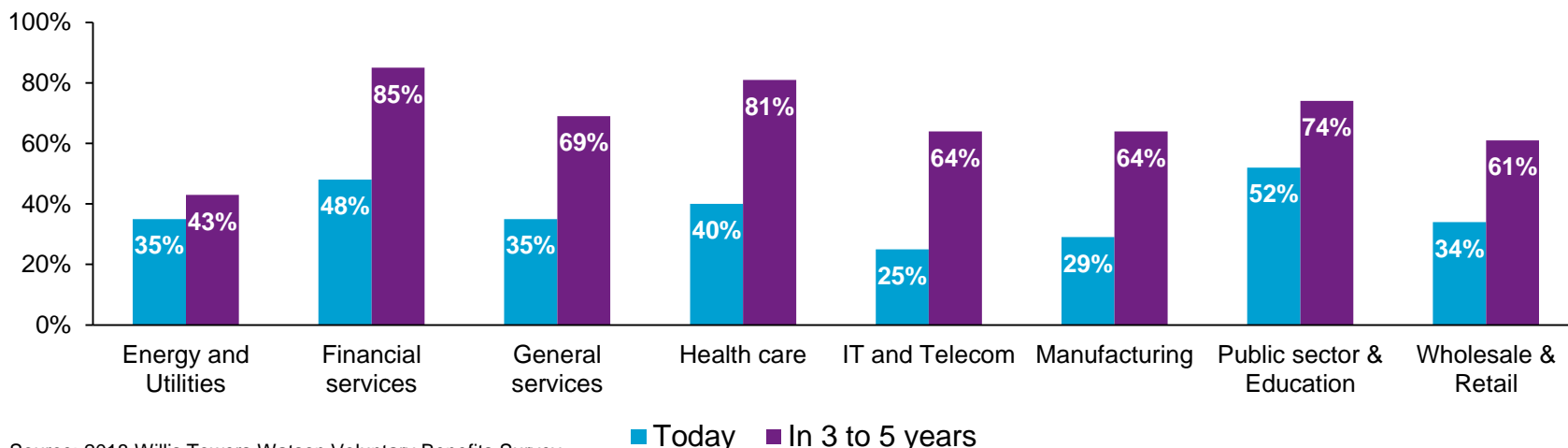
## Employers recognize the importance of voluntary benefits in enhancing the employee value proposition



Almost **7 in 10** employers identify voluntary benefits and services an important component of their employee value proposition and total rewards strategy in the next 3 to 5 years, which is twice as many as today.

(% of 'To a very great extent', 'To a great extent')

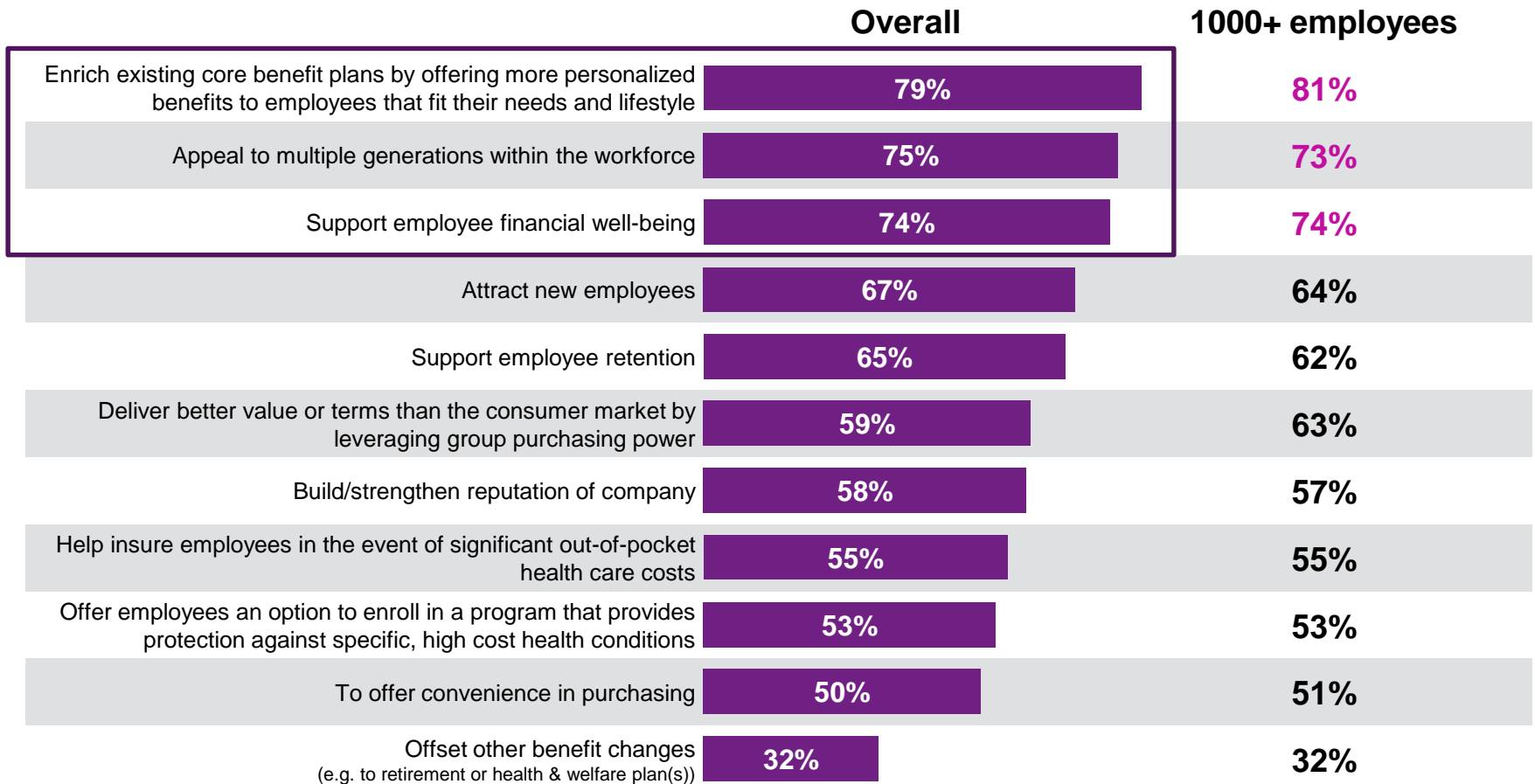
### By Industry:



Source: 2018 Willis Towers Watson Voluntary Benefits Survey

# Meeting employees' needs and supporting their financial well-being are top reasons why employers offer voluntary benefits and services

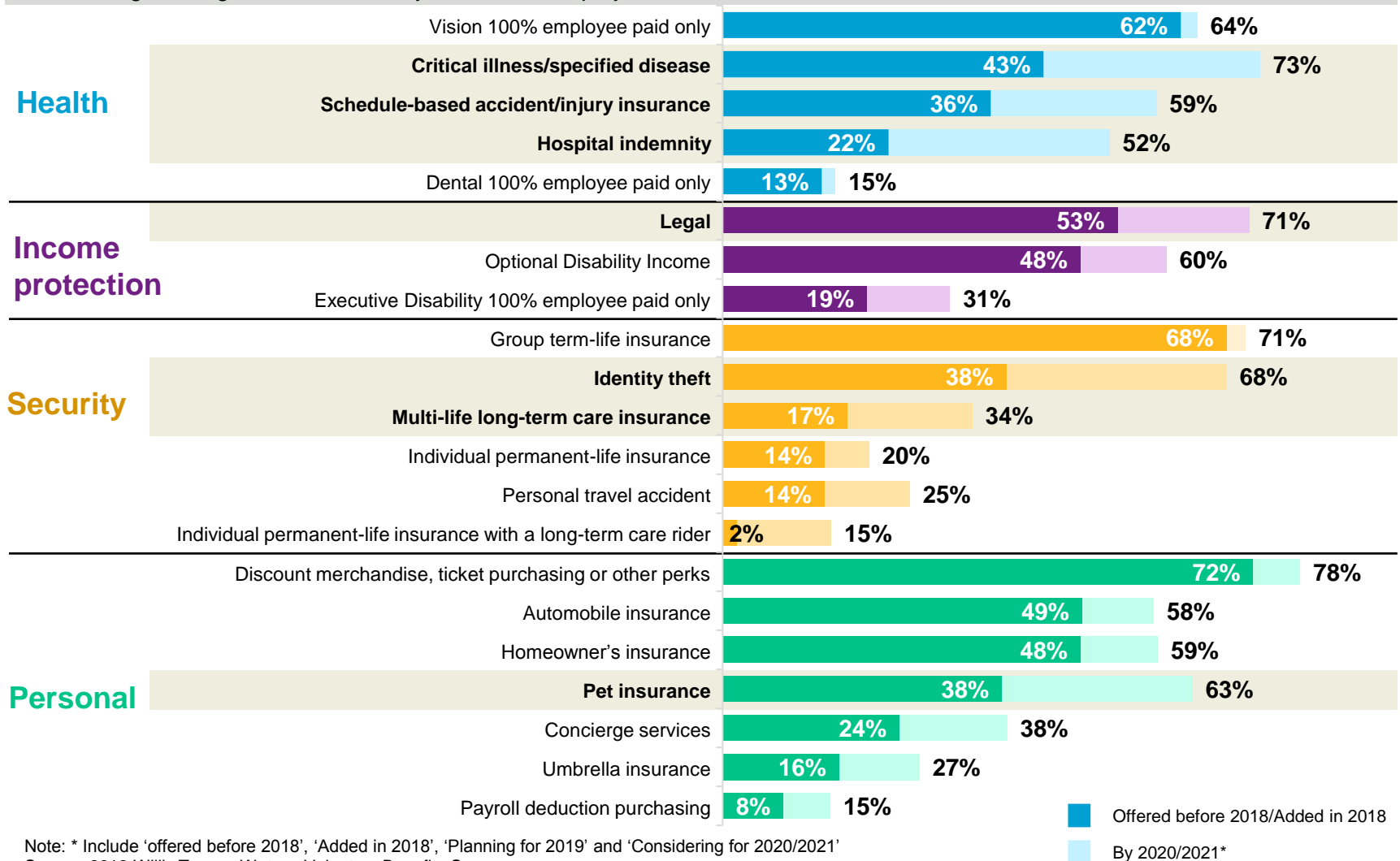
To what extent are the following important reasons your company offers (or is planning to offer) voluntary benefits and services? ('To a very great extent' or 'To a great extent')



Source: 2018 Willis Towers Watson Voluntary Benefits Survey

# Employers plan to expand their voluntary benefits offerings

Which of the following voluntary benefits and services does your organization currently offer, plan to offer in 2019 or is it considering offering for 2020/2021 to your current employees?



Note: \* Include 'offered before 2018', 'Added in 2018', 'Planning for 2019' and 'Considering for 2020/2021'  
Source: 2018 Willis Towers Watson Voluntary Benefits Survey

Offered before 2018/Added in 2018

By 2020/2021\*



# Employers look to add workforce perks

Opportunity for employers to expand their benefits to support employee needs



## Employer view

“We do, or plan to make workforce perks a **core part** of our value proposition”

100-999 employees

1,000+ employees



## Employee view

Overall

**43%**

1,000+ employees

**44%**

“My benefits package offers a wide variety of **choice** and **flexibility** that **meets my needs**”

Overall

**27%**

1,000+ employees

**27%**

“Overall, the **initiatives** offered by my employer to help me **manage my finances** meet my needs”

Source: 2017 Willis Towers Watson Best Practices in Health Care Employer Survey and 2017 Global Benefits Attitudes Survey

# Student Loans

# Student Loans – Startling Statistics

*\$75B – new student debt taken out in 2014 - 2015*

*\$57B – new student loan debt taken out in 2016 – 2017<sup>1</sup>*

The average student in the Class of 2016 has \$37,172 in student loan debt.<sup>7</sup>

**\$1.48** trillion  
in total U.S. student loan debt<sup>2</sup>

**56%**

From 2004 to 2014, students' average debt at graduation rose<sup>5</sup>

*In 2015, 50% of borrowers had payments of \$203 or lower & another 25% had payments between \$203 and \$400<sup>3</sup>*

**Borrowers in their 30s and 40s had highest loan balances, averaging \$31,000<sup>4</sup>**

*Among respondents reporting that they currently owe student loan debt for their own education, the mean level of debt is \$32,731, the median is \$17,000<sup>6</sup>*

Americans over 60 years old are the fastest-growing category of student loan borrowers, having roughly quadrupled in number between 2005 and 2015. They're more likely than younger borrowers to be behind on payments. Most are repaying debt they took out to help finance the education of their children or grandchildren, though some are still paying off their own tuition.<sup>8</sup>

#### Sources:

1-Total Annual Amount Borrowed in Federal Loans over Time – Trends in Higher Education – College Board – May 2018

2-Federal Reserve.gov – Q 2017

3-Federal Reserve Bank of Cleveland – May 2016

4 – National Journal, The Five Things You May Not Know About Student-Loan Debt, April 2015

5 - US News and World Report, 2014 Graduates Had Highest Student Loan Debt Ever, Oct 2015

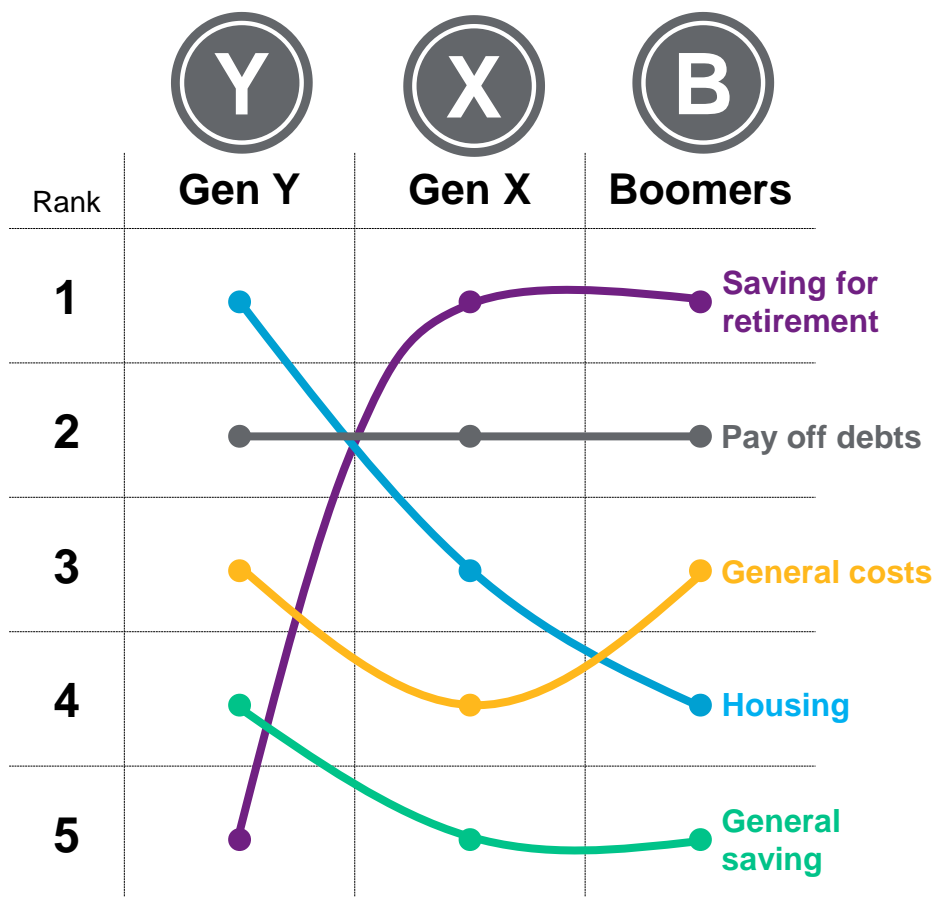
6- Federal Reserve - Report on the Economic Well-Being of U.S. Households in 2016 - May 2017

7- Forbes - Student Loan Debt In 2017: A \$1.3 Trillion Crisis – February 2017

8- Politico – Why AARP is worried about Student Loans – June 6, 2018

# Debt repayment is a top financial priority across all ages

What would you say are currently your top financial priorities? *Top priority.*



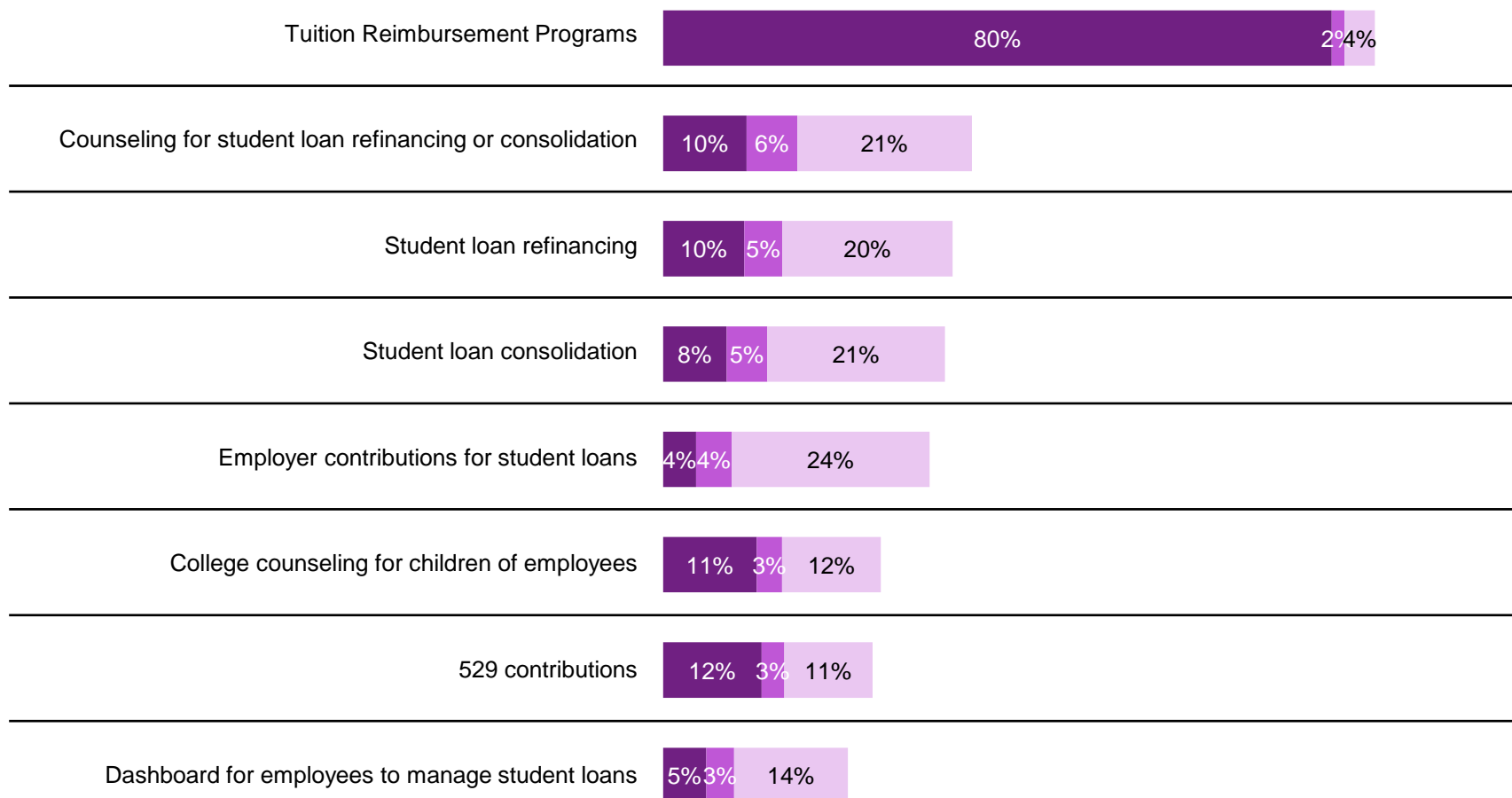
	Y	X	B
Saving for retirement	33%	56%	72%
Pay of debts	53%	47%	42%
Housing	55%	46%	34%
General costs	51%	42%	38%
General saving	36%	33%	33%
Other planned saving	29%	20%	22%
Leisure	20%	18%	19%
Children's expenses	10%	23%	16%
Medical expenses	8%	13%	22%

Source: 2015/2016 Global Benefits Attitudes Survey, U.S.  
 Sample: Full-time employees only.

# Education benefits are becoming increasingly prevalent

Many considering counselling and refinancing programs

## Offer rates: Student Loan and Tuition Benefits



Source: 2018 Willis Towers Watson Voluntary Benefits Survey.

Offered before 2018/Added in 2018
  Planning for 2019
  Considering for 2020/2021

# Student Loan Programs

## Market Overview

- Student loan repayment programs are emerging as a new benefit category
  - Pre-election, there was bi-partisan interest in addressing the issue of student loan debt – to date the new administration has not taken a firm position & Congress appears focused on other issues.
- Numerous entrants to the student loan space:
  - All are small / a few have larger backers and / or have landed major clients
  - No one vendor covers all areas
  - Expect to see some level of consolidation over time
- Vendors are starting to provide a variety of services ranging from consolidation to repayment and employer matching models.
- Employers are continually exploring ways to support employee financial well-being
  - Opportunity exists for employers to offer student loan programs to a subset of the employee population
    - No firm regulations to date (as we see with tuition reimbursement programs)
- Employer goals for offering these programs are twofold:
  - Deliver a unique attraction and retention tool
  - Create a more productive and focused workforce by helping to reduce stress due to personal financial pressures and obligations
- As of 2018, only a small % of employers offered student debt repayment programs; the percentage is expected to grow significantly by 2020 / 2021<sup>1</sup>

<sup>1</sup> 2018 Willis Towers Watson Voluntary Benefits & Services Survey

# Breadth of Vendors & Solutions

The student loan space is far from monolithic with vendors with varying missions and offering a breadth of solutions.

- Many of these vendors come out of the banking space & leverage their lending expertise

Refinancing



- Offer both counseling and consolidation / refinancing; frequently with an employee “dashboard”

Broad Based Players



- Numerous startup companies are entering this arena with a very socially conscious mindset

Counseling Focused



## There is a range of student loan repayment services and benefits

<b>Dashboard</b>	<ul style="list-style-type: none"> <li>▪ View &amp; manage all public/private student loans on one website</li> <li>▪ Ideally loan information is imported directly</li> <li>▪ Understand total debt and payment options</li> </ul>
<b>Consolidation</b>	<ul style="list-style-type: none"> <li>▪ Specific to federal loans</li> <li>▪ Can change payment programs</li> <li>▪ Maintaining eligibility for federal forgiveness &amp; other programs</li> </ul>
<b>Counseling</b>	<ul style="list-style-type: none"> <li>▪ Provide employees with advice that is specific to their situation &amp; needs</li> <li>▪ Find best consolidation, refinancing or other match for the individual</li> <li>▪ May include forgiveness programs</li> </ul>
<b>Refinancing</b>	<ul style="list-style-type: none"> <li>▪ Employees may be able to achieve lower rates refinancing of loan</li> <li>▪ Can be “direct” by vendor or via a marketplace of 3<sup>rd</sup> party vendors (indirect)</li> <li>▪ <b>Consider carefully:</b> Refinancing without counseling can lead to loans with deferred interest being refinanced &amp; starting to accrue interest</li> </ul>
<b>Payroll Deduction</b>	<ul style="list-style-type: none"> <li>▪ Option to payroll deduct loan payments to support budgeting; can be tied to refinancing</li> <li>▪ <b>Consider carefully:</b> 0.25% rate reduction via EFT does not transfer to payments via payroll deduction</li> <li>▪ Can work well when tied to an additional employee payment beyond minimum deducted from bank account</li> </ul>
<b>Employer Contribution</b>	<ul style="list-style-type: none"> <li>▪ Employer match for loan payment (direct to loan vendor)</li> <li>▪ Employer match towards the borrower’s 401K</li> <li>▪ <b>Consideration:</b> Employer contribution is deductible to the employer, but is taxable to the employee.</li> </ul>



# Student Loan Repayment Program

	Incremental Option <ul style="list-style-type: none"> <li>▪ Counseling</li> <li>▪ Consolidation</li> <li>▪ Refinancing</li> </ul>	Robust Option <ul style="list-style-type: none"> <li>▪ Employer contribution towards student loan debt</li> </ul>
Pros	<ul style="list-style-type: none"> <li>▪ Minimal cost (administration fees only)</li> <li>▪ Voluntary offering consistent with one-size-fits-none philosophy</li> <li>▪ Mid-range offering that can attract employees</li> <li>▪ Can provide a platform to launch employer contribution at a later date</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less frequently offered within the market so can offer a clear competitive advantage</li> <li>▪ May generate positive publicity</li> <li>▪ “Richest” offer within this framework</li> </ul>
Cons	<ul style="list-style-type: none"> <li>▪ Not as “exciting” as a program with a subsidy</li> <li>▪ Benefit may not be a competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher price point</li> <li>▪ Limited data on if employee retention</li> </ul>

# Budget Impact

- Administrative fees associated with voluntary student loan repayment benefit (SLRP) are variable. Typical fees are:
  - Ongoing administration fee: \$3 – \$5 / month per participant
  - Set-up fee: \$0-\$10K
  - 2 – 3 year rate guarantee



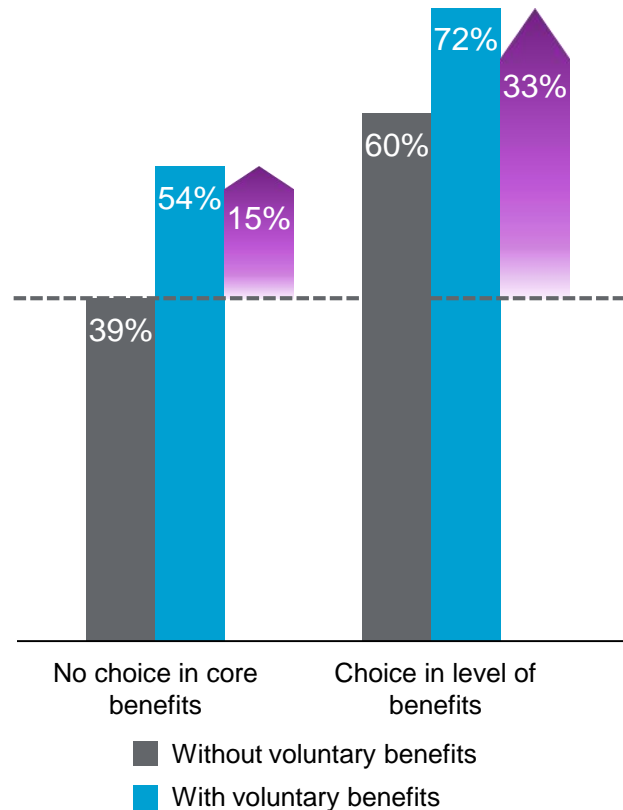
# Emerging Trends and Generational Influences

# Voluntary benefits have a positive impact on satisfaction and engagement

## Choice is key to employees appreciating their benefits package

1. Employees with greater choice and flexibility value their benefits more.
2. Most of the gains from offering choice can be achieved by providing it in the level of benefits and voluntary benefits.
3. Online recommendation engines also improve benefits appreciation.
4. Is there an opportunity for using choice to enhance the benefits value proposition?

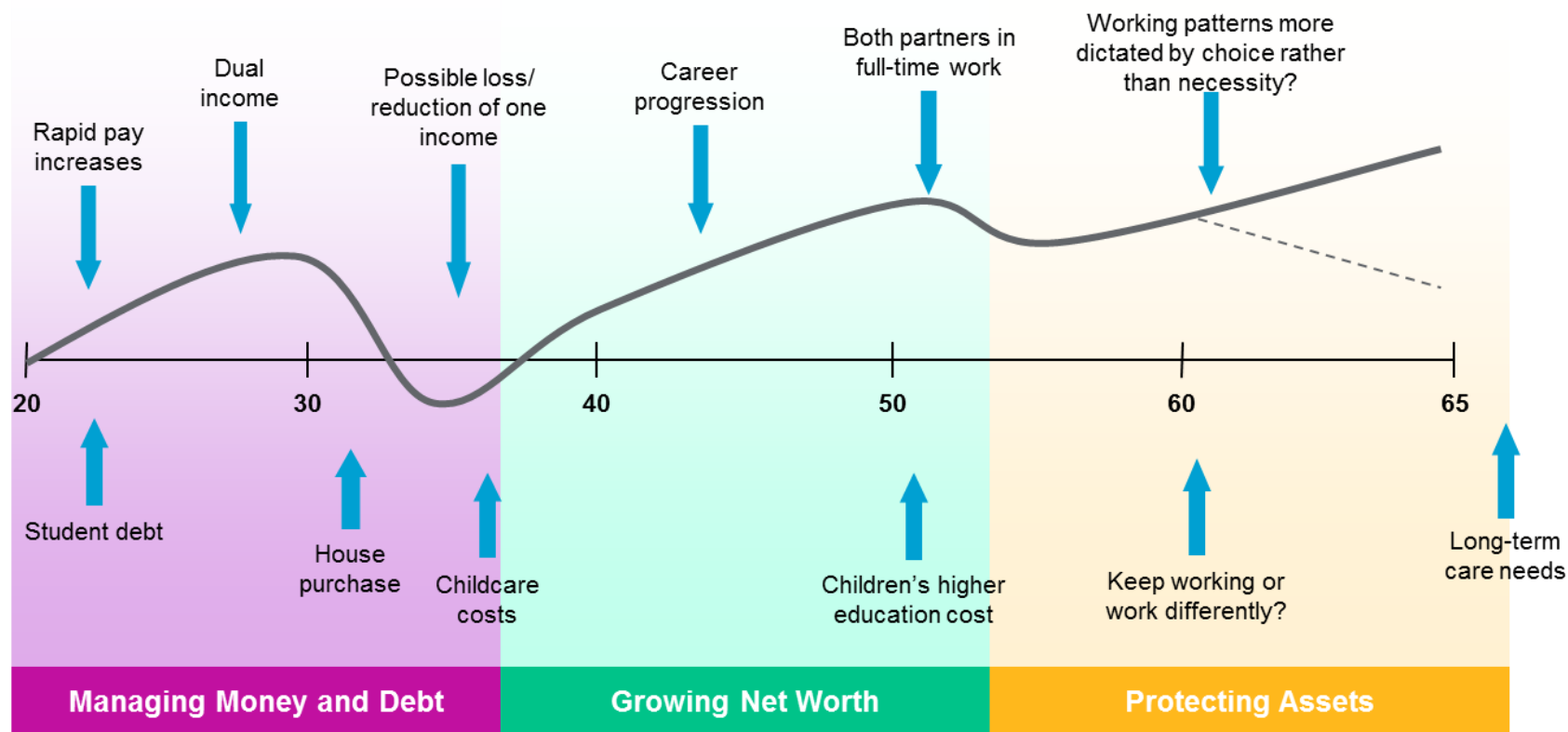
Overall, my benefits package meets my needs?



“Employers need to recognize that employee appreciation of their total benefit package has a positive impact on employee engagement. **Our research shows just over half of employees whose benefit package meets their needs are highly engaged in their job compared to just 25% of employees reporting a high level of engagement when they believe their benefit package does not meet their needs,**” said Julie Stone, a managing director, Health and Benefits, North America, Willis Towers Watson.”

Note: Percentages indicate 'Agree' or 'Strongly agree'.  
Source: 2017 Global Benefits Attitudes Survey, United States

# Employees have different needs at different life stages



A one-size-fits-all employee benefit program no longer meets diverse needs. To increase value, address the life stage of the employee — either through employee segmentation or ***by offering flexibility and/or choice***

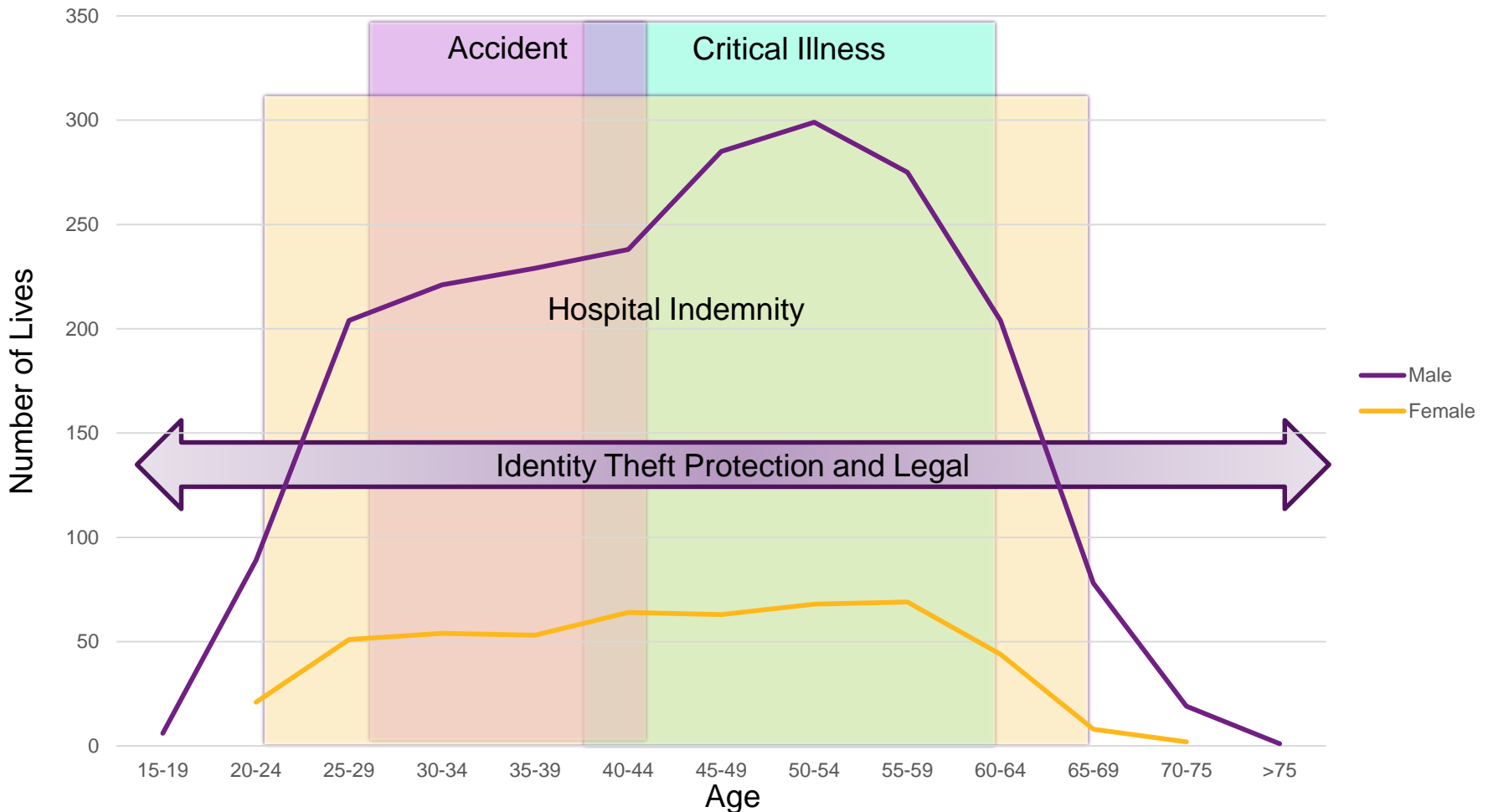
# Generational indicators for voluntary plans

Age in 2019	Baby Boomers 53 – retirement	Generation X 37- 52	Generation Y 21 – 36
<b>Work Ethic</b>	<ul style="list-style-type: none"> <li>Driven and committed</li> <li>Believe rewards come after paying one’s dues and building a career</li> </ul>	<ul style="list-style-type: none"> <li>“Work hard, play hard” attitude.</li> <li>Believe in accumulating skills by taking on different projects</li> </ul>	<ul style="list-style-type: none"> <li>Millennials tend to <b>value professional fulfillment over salary</b></li> <li>Expect rapid promotion and meaningful work or they’ll seek other opportunities</li> </ul>
<b>Greatest Fear</b>	<ul style="list-style-type: none"> <li>Losing their pension, <b>savings</b> or job and <b>being unable to retire</b></li> </ul>	<ul style="list-style-type: none"> <li>Being overshadowed by millennials and being overlooked for career advancement</li> </ul>	<ul style="list-style-type: none"> <li>Being trapped in routine jobs or eternal internships</li> </ul>
<b>General Attributes</b>	<ul style="list-style-type: none"> <li>May have grown children living at home <b>who they are helping financially</b></li> <li><b>Caring for elderly parents</b></li> <li>They are able to buy, but will question if they should save instead, primarily as they are <b>focused on having enough money to retire</b></li> </ul>	<ul style="list-style-type: none"> <li>Keys to job retention are salary, autonomy, independence and opportunities for promotion</li> <li><b>Difficult to meet their household expenses on time each month</b></li> <li><b>Most likely to carry credit card balances</b></li> <li>Their needs include income protection, help with long-term savings</li> </ul>	<ul style="list-style-type: none"> <li>Keys to job retention are personal relationships, multiple tasks and fast rewards.</li> <li>Average <b>Gen Y has \$29K in student loan debt</b></li> <li><b>More worried about getting rid of debt than about their day-to-day expenses</b></li> <li>Needs <b>include portable benefits, forced savings, financial education and concierge services</b></li> </ul>
Plans that <i>may help to address</i> or support generational attributer	Critical Illness, Hospital Indemnity	Accident, Critical Illness, Hospital Indemnity	Accident, Hospital Indemnity
	Permanent Life	Permanent Life	
	Legal Plan	Legal Plan	Legal Plan
	Identity Theft	Identity Theft	Identity Theft
	Auto Home	Auto Home	Auto Home
		Payroll Purchasing	Payroll Purchasing
	Pet Insurance	Pet Insurance	Pet Insurance
	Long Term Care	Long Term Care	
		Student Loan	
	Discount Mall	Discount Mall	Discount Mall

# Company ABC age/gender distribution

Eighty one percent of the population is male, suggesting that both Critical Illness and Accident could be a good fit.

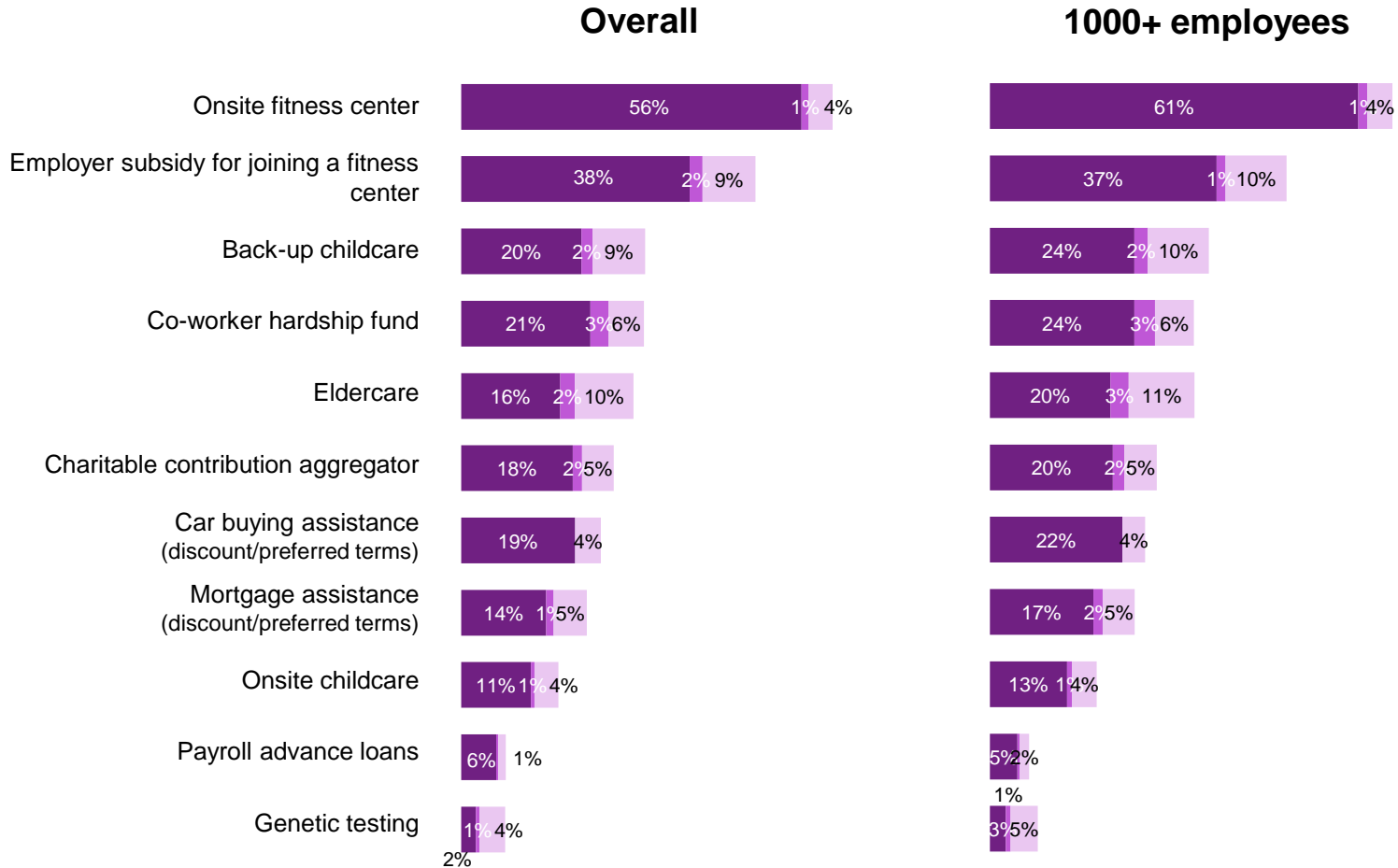
Histogram of Age Distribution  
By 5 Year Age Bands and Gender



# Additional Benefits continue to have an increased importance for employers

## Significant participation in onsite services

Offer rates: Other Benefits, Services or Perks



Source: 2018 Willis Towers Watson Voluntary Benefits Survey

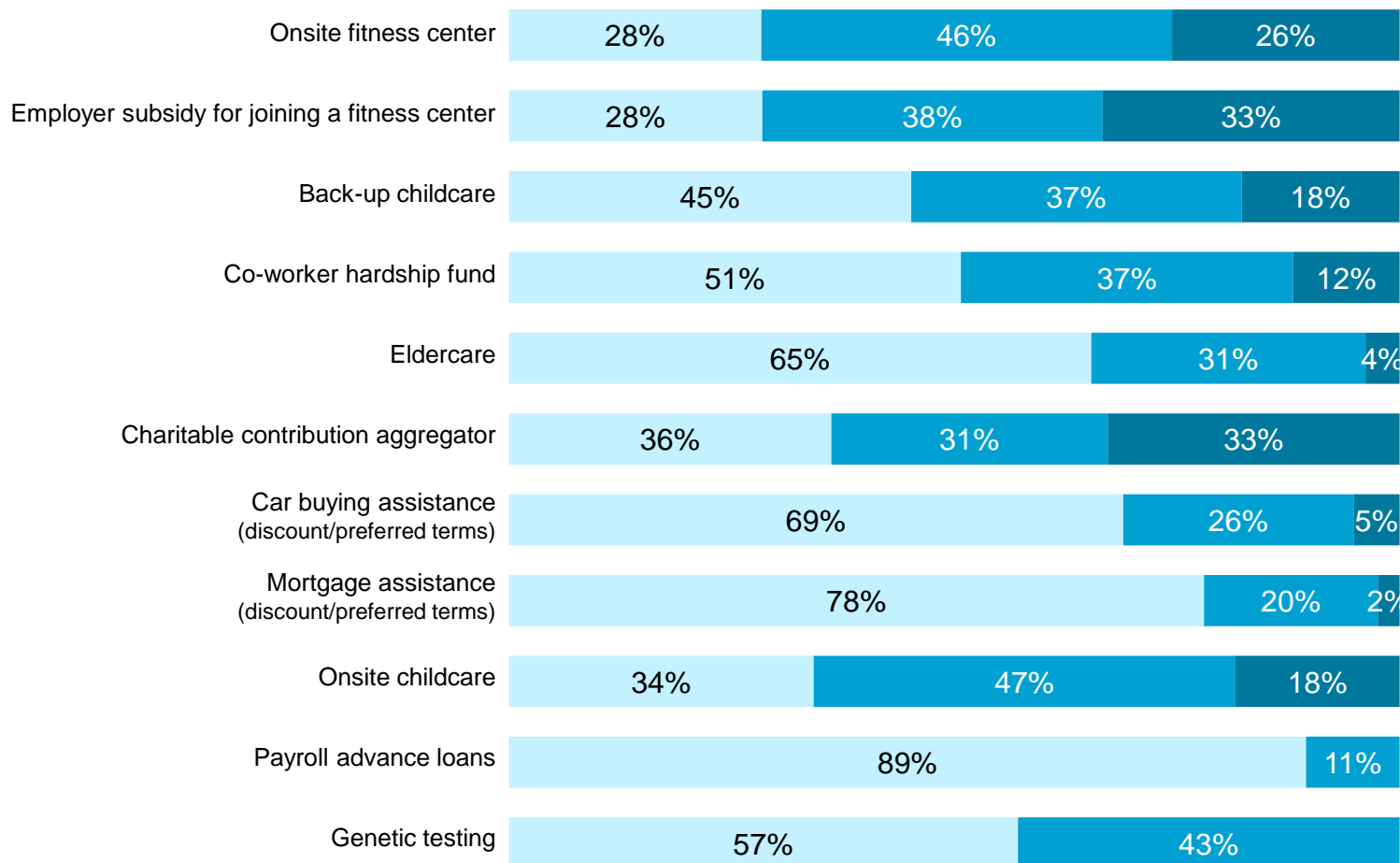
■ Offered before 2018/Added in 2018 ■ Planning for 2019 ■ Considering for 2020/2021



## Participation in fitness centers is strong

Employees show interest in onsite services and charity programs

### Participation\*: Other Benefits, Services or Perks



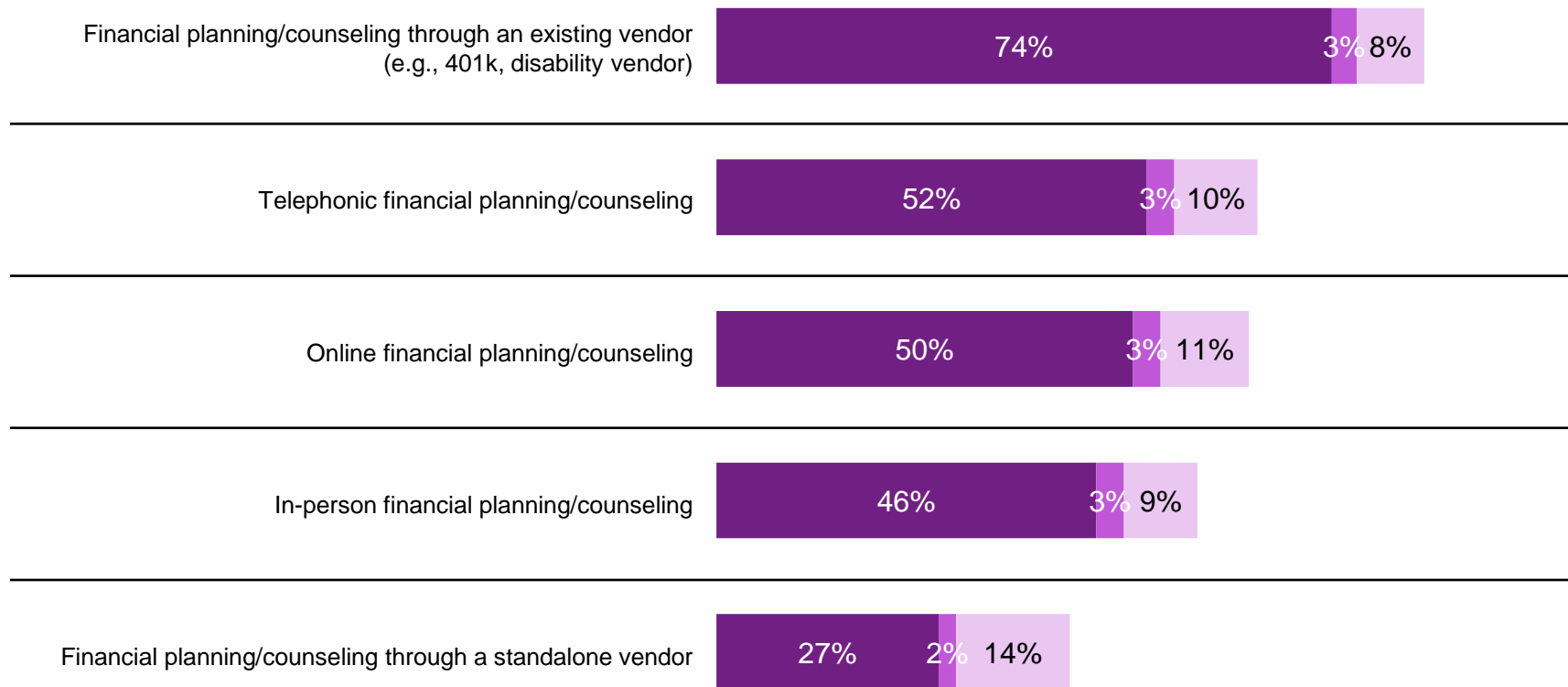
Note: \* Based on 'Offered before 2018/Added in 2018'

Source: 2018 Willis Towers Watson Voluntary Benefits Survey

Very few/Few employees   Some employees   Many/Most employees

# Employers already offer or plan to offer a variety of financial planning programs to support employee well-being

## Offer rates: Wealth



Source: 2018 Willis Towers Watson Voluntary Benefits Survey.

Offered before 2018/Added in 2018
  Planning for 2019
  Considering for 2020/2021

# Payroll Deduct Purchasing Sample Scenario

## How it works

### John's Family Vacation

John does not want to charge his vacation on a credit card, but can't pay all at once.



John chooses one of the vacation vouchers from the purchasing website. He pays for the vacation in over 12 months through payroll deductions.

John takes family on vacation in June	
John's bought a vacation voucher on 5/1/16	\$3,000
Biweekly deduction	\$115.39
Deductions start	5/15/16
<b>Vacation paid by</b>	<b>5/15/17</b>

### Jane's Refrigerator Breaks

Jane has worked very hard to reduce her debt and raise her credit score. She doesn't want to open a line of credit to buy a new one.

Jane buys a new refrigerator through the purchasing website. The price includes delivery of the new and removal of the old appliance. No credit check, compounding interest or late fees.

Jane buys a refrigerator in 1/10/16 which is delivered in 1 week	
Total cost plus delivery	\$650
Biweekly deduction	\$25
Deductions start	5/15/16
<b>Paid in total by</b>	<b>12/15/16</b>

# Pet Insurance Sample Scenario

## How it works



### Ron gets a dog

Ron lives in Atlanta, GA and got a 2 year old Labradoodle named Samantha. Ron enrolled in a \$250 deductible Pet Insurance Plan with a Wellness Rider.

**Sample Plan Cost**  
**\$56 / month**  
**\$672 / year**

**Ron takes Samantha for her annual vaccines and exams (considered a wellness visit)\***

*\*Deductible does not apply for wellness*

**Samantha is playing in the back yard and accidentally cuts her leg.**

**3 months after her leg injury, Samantha has an ear infection that requires prescription ear drops.**

Description of Vet Visit	Wellness visit
Total Cost of Vet Visit	\$150
Pet plan benefit	90% reimbursement
Ron's initial cost	<b>\$150</b>
Reimbursement amount after submitting proof of visit	<b>\$135</b>
Total out-of-pocket expense	<b>\$15</b>

Description of Vet Visit	Laceration requiring stitches
Deductible previously met?	Yes
Total cost of vet visit	\$500
Pet plan benefit	90% reimbursement
Ron's initial cost	<b>\$500</b>
Reimbursement amount after submitting proof of visit	<b>\$450</b>
Total out-of-pocket expense	<b>\$50</b>

Description of Vet Visit	Laceration requiring stitches
Deductible previously met?	Yes
Total cost of vet visit	\$75
Pet plan benefit	90% reimbursement
Ron's initial cost	<b>\$75</b>
Reimbursement amount after submitting proof of visit	<b>\$67.50</b>
Total out-of-pocket expense	<b>\$7.50</b>

## Wrap Up and Q&A