

# **Preliminary Report: 2011 Benefits Survey**

**Conducted by:**  
**University Benefits Committee and**  
**Research institute for Studies in Education (RISE)**

**January 2012**

## **Introduction**

The University Benefits Committee (UBC) has an advisory role regarding all matters related to the employee benefit programs and makes recommendations directly to the University through the Vice President of Business and Finance. Members of this representative committee are expected to act as conduits for information to and from their constituents and provide input regarding all matters related to University employee benefit programs. The UBC receives employee feedback and suggestions on benefit programs, makes recommendations to University leadership regarding benefit programs, benefits policy and design, selection of providers, and monitors provider and plan performance to ensure coverage and cost equity, balance and sustainability.

In support of this role, a benefits survey was designed by the University Benefits Committee, in conjunction with Benefits Staff and RISE, and the electronic survey was administered over a ten day window in March 2011. The purpose of the survey was to benchmark employees' benefits satisfaction with and knowledge of general and ISU benefits; employees' retirement planning familiarity, motivation, and preparedness; and potential options for controlling future benefits costs.

All ISU faculty, professional and scientific (P&S), and supervisory and confidential (S&C) employees were invited by email to participate in the survey. The response rate was outstanding and approximately 42 percent (1,775) of the prospective respondents (4,225) participated. A discussion of the results from the survey follows background information on ISU benefits, benefit costs, and issues.

### *Background on Financial Literacy*

Financial decision making has become more complex as employers' have adopted choice-based total compensation plans due to employee demand and as a means to control benefit costs. Increased choice and flexibility impact how firms recruit, retain, and retire employees and have implications on employee satisfaction (Christensen et al., 2002). Greater benefit choice requires

that employees have a high level of financial knowledge to ensure that sound financial behavior is the norm. Unfortunately, the literature on knowledge-based employee benefit research suggests that many individuals are underprepared to make judicious retirement and benefits choices (Bernheim, (1998).

A brief review of the knowledge-based finance literature shows that most Americans are not prepared to make financial decisions, are unaware of their financial vulnerabilities, and they lack the knowledge, sophistication, and /or authoritative guidance required to set them on the right track. A 2003 ISU retiree survey showed that our retirees were satisfied with their university provided retirement benefit and highly valued employer-provided retirement information and advice, but wished that they would have begun planning for retirement earlier in their careers (Power and Hira, 2004).

The extant literature also points out that the area of retirement planning is especially important for women (Hira and Mugenda, 2000) because on average they live longer than males, but make less income throughout their lives due to childbearing, household duties, and lower wages. Women also tend to bear the financial burden of their spouse's death, and are more prone to the effects of inflation, medical issues and disability. Last, the literature generally supports that good financial behaviors are positively associated with higher levels of financial knowledge and financial knowledge and behavior are positively influenced by exposure to financial education Oamek (2005).

### *Background on ISU Plan*

ISU was an early adopter of a choice-based total compensation plan for its traditional and non-traditional benefits. In 1996, the University created a flexible benefits platform called the ISU Plan and moved away from guaranteed cost medical plans to self-funded third-party administered plans. Several significant benefit changes have been made since the ISU Plan was created and include, but are not limited to: carving out prescription drug coverage to a pharmacy benefits manager and later participation in the TowersWatson RX collaborative, changing plan design to encourage prevention and utilization control, reducing the number of medical expense plan options, and instituting safety and cost control protocols, where possible.

The plan design changes that have been made since 1996 have been proactive and well received by the university population. Because the benefits program has been forward looking and dynamically managed, ISU benefits remain high in quality, cost efficient, and employee cost shifting has been minimized. However, as health care costs continue to increase at a rate greater than general inflation and as the provisions of the Affordable Care Act must be met, significant structural changes in the ISU Plan may be required. Consequently, the University Benefits Committee felt strongly that employee input through a benefit survey was needed before prospective changes in benefits programs, plan design, and contribution levels were discussed. The next five sections of this report present the general findings of this survey. Select tables and figures are noted within the report and are exhibited at the end of the paper.

### **General Findings of the Survey**

Several general findings from the survey need to be presented at the front end of this report with greater detail provided in subsequent sections. Overall, employees that participated in the survey felt that ISU was an excellent place to work. The majority of ISU employees report that they are healthy non-smokers that are willing to take some financial risk and have a high level of understanding of the value that benefits add to their total compensation. The highest valued benefits are the ISU Plan medical benefits and our retirement plan. Not surprisingly ISU respondents feel very strongly that it is very important to maintain current level of university contributions to both of these benefit plans and maintain their current plan design. Respondents somewhat support a favorable comparison of ISU's total compensation (benefits and salary) when compared to other universities, but differences based on demographic and other characteristics do exist. Greater detail is provided in subsequent sub-sections of this report.

#### *Socio-demographic Profile*

Characteristics of the respondent population are presented in Tables 1.3 to 1.16 and the tables can be found in Appendix A of this document.

The overall participation in the survey was excellent and all unit affiliations had respondents represented in the survey. Forty-two percent of faculty, professional and scientific, and supervisory and confidential staff responded. The highest level of participation within a classification (56%) was in the supervisory and confidential category, with 51 % of P&S

employees participating, and 28% of faculty. Of the 1,775 employees that took the survey, approximately 71% were from the professional and scientific group.

Females were more likely to participate in the survey (56%) than males, and the majority of respondents (60%) were in the 45-64 age cohorts, which is not surprising given ISU's aging work force. Almost all of the respondents (98.5%) had a 50% or greater appointment in their respective work units. The highest frequency of responses (33%) based on length of employment was in the 5-14 year cohort and 60% of the respondents have been employed at ISU for 14 or fewer years.

The average respondent was more likely to be participating in the HMO medical plan (57%) than the PPO (37%). Participation by tier of medical plan coverage was equally weighted by the self and self, spouse/domestic partner, and children coverage tiers, at 33% each or 66% of the respondents. Fifty-nine percent of respondents participated in the Basic Dental plan while 33% were enrolled in the Comprehensive plan.

From a risk tolerance perspective, socio-demographic findings show that ISU's employee population is willing to take risk (58%), while risk averters make up the remainder (42%). The finding that our population is not overly risk averse resonates with the finding that 82% of the respondents handle stress well/very well.

Survey results show that respondents self-report high levels of overall health, with 95% of the population in good/excellent health and only 3% of the respondent population currently uses tobacco. While the self-reported level of overall health is high, slightly over 46% of respondents report that their current weight is higher than normal, which could lead to the conclusion that we have a healthy but overweight population.

#### *Knowledge (Familiarity) of General and ISU Benefit Terms/Coverage*

Information regarding benefit terms and coverage was collected based on numerous respondent characteristics, such as gender, age, classification, length of employment, college/unit, participation in HMO/PPO, and others. The data will be empirically analyzed to determine if significant differences exist based on these characteristics and as such, the observations made in this and the following sections are not statistically robust.

On average, respondents report that they have “some knowledge” of general and ISU benefit terms and coverage. Respondents report that they are satisfied with customer service provided by Wellmark Blue Cross/Blue Shield, Delta Dental, Medco Pharmacy, and TIAA-CREF.

Several general benefit observations can be made via inspection, and as mentioned previously, statistical analysis will be undertaken and empirical results reported. Consistent with the literature, it seems that male respondents are more knowledgeable regarding general benefit terms than female respondents. Level of benefit knowledge seems to increase as one ages, as well with length of service, and is supportive of learning via experience. Faculty seem to be more knowledgeable regarding benefit terms and not surprisingly business faculty seem to have higher levels of knowledge on average than other colleges/units. A last observation regarding general benefits knowledge is that more commonly used financial services, such as IRAs, CDs, mutual funds, personal savings, and traditional benefits (medical, pharmacy, dental) have higher levels of respondent knowledge than those that may be used less or are described formally, such as Old Age Survivors Disability Health Insurance Program as opposed to Social Security.

Observations regarding knowledge of ISU benefits are both similar and somewhat dissimilar when compared to the general benefit observations. It seems that ISU employees understand the financial value that benefits contribute to employees’ total compensation regardless of socio-demographics or other characteristics. Regarding ISU benefits knowledge, it seems that female respondents are more knowledgeable than male respondents, especially regarding medical/dental benefits and non-traditional benefits, such as flexible spending accounts, EAP, and sick leave. There does not seem to be a college/unit difference in knowledge, but non-college units are much more knowledgeable regarding vacation pay and sick leave than college units.

### *Benefit Utilization*

An important characteristic of our medical plan design is the focus on prevention over treatment and early stage intervention in conjunction with managed care. The utilization results from the survey seem to support the prevention objective of our medical plans. Over 90% of respondents visited their physicians’ office during the most recent plan year with over 73% of respondents receiving an annual physical examination, approximately 70% an eye examination, and 56% received at least one immunization. Oral health prevention was also very high with almost 90%

of the group receiving dental preventative examination and cleaning. Benefit utilization was similar based on gender, but utilization increased with age and length of employment at ISU. Some differences in utilization were apparent based on respondents' classification and college/unit.

### *Importance Factors Related to ISU Benefits*

Retirement benefits are very important to ISU Plan participants. In general, all respondents indicate that it is very important to have a qualified plan where current university contributions are maintained and where ISU and employee voluntary contribution can be set aside for retirement. It is also very important for plan participants to have options for setting aside retirement accumulations that meet respondent preferences for risk/return. Having resources available to plan for retirement and make retirement planning decisions are viewed as being very important as well. The least important factor relating to the ISU retirement benefit is the ability to take a loan from the retirement account.

The highest levels of importance regarding ISU Plan benefits were associated with maintaining medical plan choice, having ISU contribute the majority of medical plan cost, maintaining the current plan design for both medical and prescription drug coverage, and providing preventative care options under our medical and dental plans. Other areas of importance were associated with the ability to use pre-tax income to pay for non-covered charges under our plans, maintaining current levels of life and disability benefits, and being able to obtain benefits information using AccessPlus. As would be expected, levels of importance of voluntary benefits were lower relative to university provided benefits.

### **Benefits Rank and Options for Controlling Future Benefit Costs**

The University Benefits Committee and the Benefits Staff have made strategic platform, plan design, and vendor changes that have resulted in significant cost savings while maintaining high quality benefit options. Benefit costs continue to increase at rates that are greater than general inflation, while university appropriations from the state of Iowa shrink, creating obvious negative

budget implications. Our employees responsibly utilize our medical plans and the medical providers in our community are of high quality, relatively cost efficient, and responsive to our needs, as they arise. Third party administration through WellMark Blue Cross and Blue shield has allowed our employees to participate in a comprehensive network of local and national providers with significant network savings and high quality managed care.

The primary driver of our non-retirement benefit costs are the HMO and PPO medical expense plans which are estimated to have a combined expenditure equal to \$46 million for 2011 plan year, of which the University would be responsible for approximately \$41 million. ISU contributions to benefits are paid from the salary pool and a tradeoff between direct and indirect wages is always a consideration. For the last three years, budget constrains required ISU Administration to mandate that benefit contributions from the University not exceed five percent and that the UBC keep direct and indirect cost shifting to employees at a minimum.

The UBC and Benefits Staff met this request through innovation in benefit financing, platform and plan design, and managed care, among others, but recognized that additional innovations of this type may be insufficient to control future costs and that direct reductions in benefits or employee cost shifting may be necessary. The Committee also recognized that employee input regarding potential options for controlling future benefit costs needed to be obtained in advance of any UBC deliberations and recommendations. The next section of this report discusses respondent benefit preferences ranking of potential options for controlling future benefit costs.

#### *Potential Options for Controlling Future Benefit Costs*

This section of the survey required respondents to rank order benefits (1 to 6) and then options (1 to 9) that require tradeoffs among various benefit levels.

Respondents ranked the two most important benefits as the medical plan (first) and the retirement plan (second). This finding is consistent with the expectation of the UBC and not surprising since University contributions to medical and retirement plans are the largest of our benefit offerings, these plans are traditional benefits, very popular, and very important to respondents from a value added perspective.

Dental and pharmacy plans were ranked as third and fourth. This finding is somewhat consistent with expectations, although from a cost perspective, the pharmacy annual spend significantly exceeds the dental spend and in 2011 employee share of total dental cost is forecasted to be 57% or approximately \$2 million. The dental rank may be influenced by the high utilization rate of this benefit and/or perhaps lack of respondent understanding of our stand-alone prescription drug plan.

Life insurance and long-term disability insurance were ranked as fifth and sixth, respectively. Both of these benefits are for income replacement and while important from a financial planning perspective, fortunately both premature death and disability are low frequency events at ISU.

Respondents were also asked to rank nine benefit options that require tradeoffs among benefit levels, benefit costs, and employee contribution levels, respondents ranked the benefits in the following order from most acceptable to least acceptable. The rankings are as follows:

1. Reduce university-provided life insurance benefits to 1x salary.
2. Reduce university-provided long-term disability insurance to 50%.
3. Increase office visit co-pay.
4. Increase employee contribution for dental coverage.
5. Increase prescription co-pay.
6. Increase the maximum out-of-pocket deductible for medical coverage.
7. Increase employee contribution for medical coverage.
8. Forego salary increase and use available funding to cover benefit costs.
9. Reduce ISU contribution to retirement from 10% to 8% (employee contribution of 5% remains the same).

Consistent with the benefit importance findings, respondents indicated that it was most acceptable to reduce university-provided life insurance and long-term disability coverage. At the other end of the continuum, respondents indicated that it was least acceptable to forego salary increases to fund future benefit costs or reduce ISU retirement contribution from ten percent to eight percent. Various strategies that indirectly shifted costs to respondents made up options 3 – 6 and option 7 was a direct cost shift by increasing employee contributions for medical coverage.

The takeaway from this section is that on average employees understand the value that benefits provide and rank order tradeoff options according to direct value added (how much they have to gain (lose)). From the perspective of making future changes to the ISU plan, respondents seem to be indicating that changes should be made first to low frequency (utilization) and low cost benefits; next, indirect cost shifting to employees should be used to meet cost control objectives; and the least palatable changes would be those options that directly shift cost or reduce prospective salary increases or contributions to retirement.

Importantly, these findings provide some direction to the UBC, but it should be recognized that the preferred choice options would not generate enough plan savings to offset significant plan cost increases that most likely will be driven by increases in health care costs. Other options such as creating a comprehensive on-campus wellness program should be analyzed to determine if long-run cost benefits may be captured.

### **Additional Analysis**

Additional analysis of the data from the survey beyond the socio-demographic profile and discussion that was presented in this report is currently being conducted. We will analyze the differences among employees' benefits satisfaction with and knowledge of general and ISU benefits; employees' retirement planning familiarity, motivation, and preparedness; and potential options for controlling future benefits costs. Further analysis will be on identifying independent variables such as participation in HMO or weight perception that might explain levels of benefits knowledge and satisfaction.

### **Summary**

The University Benefits Committee is hopeful that benchmarking employees' benefits satisfaction with and knowledge of general and ISU benefits and employees' retirement planning familiarity, motivation, and preparedness, along with the analysis of employee responses to the survey questions will (1) provide guidance and support for decisions regarding the future of the ISU Plan; (2) allow for targeted educational initiatives and improved communication with plan participants; and (3) better enable Benefits Staff to provide enhanced service to all constituent groups and individual employees.

## References

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01.12.12 final copy; distributed to Mr. Madden on 01.12.12

## Appendix A: Socio-demographic Frequency Tables

**Table 1.3. Age—Frequency of Responses (FoR)**

	n	Valid Percent
Under 25	13	0.7
25 – 34	280	15.8
35 – 44	395	22.3
45 – 54	512	28.9
55 – 64	509	28.8
65 or Older	60	3.4

**Table 1.4. Gender—Frequency of Responses**

	n	Valid Percent
Male	776	43.7
Female	999	56.3

**Table 1.5. Position—Frequency of Responses**

	n	Valid Percent
Faculty	486	27.4
Professional and Scientific	1254	70.6
Supervisory and Confidential	18	1.0
Other	17	1.0

**Table 1.6. Primary College Unit Affiliation—FoR**

	n	Valid Percent
College of Agriculture and Life Sciences	286	16.1
College of Business	66	3.7
College of Design	55	3.1
College of Engineering	102	5.7
College of Human Sciences	121	6.8
College of Liberal Arts and Sciences	244	13.8
College of Veterinary Medicine	88	5.0
Ames Laboratory	61	3.4
Athletics	17	1.0
Business and Finance	159	9.0
Extension and Outreach	140	7.9
Information and Technology Services	76	4.3
Parks Library	35	2.0
President/Provost	74	4.2
Student Affairs	143	8.1
VP Research and Economic Development	107	6.0

**Table 1.7. Employment Status—Frequency of Responses**

	n	Valid Percent
50% or greater appointment	1732	98.5
Less than 50% appointment	27	1.5

**Table 1.8. Length of Employment at Iowa State—FoR**

	n	Valid Percent
Less than 5 years	481	27.2
5 – 14 years	579	32.7
15 – 24 years	371	21.0
25 – 34 years	268	15.1
35 or more years	71	4.0

**Table 1.9. Persons Covered by Respondents' Medical Plans—FoR**

	n	Valid Percent
Self	589	33.2
Self and domestic spouse/partner	272	15.3
Self and children	129	7.3
Self, spouse/domestic partner, and children	588	33.2
Double spouse (two ISU employees on same medical plan)	140	7.9
Have no coverage	54	3.0

**1.10. Medical Plan—Frequency of Responses**

	n	Valid Percent
HMO	1005	57.1
PPO	650	36.9
Not enrolled	57	3.2
Not sure	49	2.8

**Table 1.11. Dental Plan—Frequency of Responses**

	n	Valid Percent
Basic Dental	1046	59.1
Comprehensive Dental	576	32.5
Not enrolled	82	4.6
Not sure	67	3.8

**Table 1.12. Tobacco Usage—Frequency of Responses**

	n	Valid Percent
Yes	53	3.0
Previous, but have quit	299	16.9
Never	1417	80.1

**Table 1.13. Ratings of Overall Health—Frequency of Responses**

	n	Valid Percent
Poor	2	0.1
Fair	93	5.2
Good	981	55.3
Excellent	697	39.3

**Table 1.14. Ratings of Current Weight—FoR**

	n	Valid Percent
Underweight	23	1.3
Normal	928	52.5
Overweight	737	41.7
Obese	79	4.5

**Table 1.15. Ratings of Ability to Handle Stress—FoR**

	n	Valid Percent
I need help	17	1.0
Not very well	314	17.8
Well	1169	66.3
Very well	263	14.9

**Table 1.16. Ratings of Tolerance for Risk—FoR**

	n	Valid Percent
I avoid risk	42	2.4
I am cautious	697	39.4
I am willing to take some risks	945	53.4
I am a risk taker	85	4.8