



News Release

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DELAYED RETIREMENT, INCREASED COST CONCERNS DOMINATE 2009 TOTAL REWARDS TRENDS

Deloitte/ISCEBS Research Also Reveals Need to Tailor Rewards for the Generational Workforce

NEW YORK, Feb. 2, 2009 — Almost half of human resource professionals surveyed now plan to delay their retirement, according to the 15th annual Top Five Total Rewards Priorities survey conducted by Deloitte and the International Society of Certified Employee Benefit Specialists (ISCEBS). Capturing employers' strategic rewards challenges and choices for 2009, the survey revealed health care costs overtaking talent management concerns this year, which held the top spot in 2008. The results also exposed a growing emphasis on "personal responsibility" and a potential blind spot related to generational differences.

The tug of war between rewards costs and attracting key talent rages on for employers. At the same time, anxious about the financial crisis and economic uncertainty, a significant 44 percent of the 426 respondents now plan on delaying their retirement. This is one tactic surveyed professionals are using to address their number one personal concern of being able to afford retirement, a concern shared by 76 percent of participants.

"If the delaying retirement trend becomes a reality, organizations will need to adapt their talent strategies and budgets to account for the unexpected retention of near-retirement employees," cautioned Dick Kleinert, a principal with Deloitte Consulting LLP and co-director of the survey. "However, the willingness to take personal responsibility in the face of economic pressures presents opportunities for organizations to offset these cost concerns in the areas of retirement planning and health care consumerism."

In fact, 48 percent of the respondents intend to participate in wellness and disease management programs to maximize their current health status, while 44 percent plan to increase their level of contributions to their private savings (for example, stocks, bonds, mutual funds, bank accounts).

Additionally, 35 percent plan to initiate formal retirement planning and/or estate planning through resources other than through their employer and 33 percent expect to increase contributions to their qualified retirement plans, such as their 401(k).

Nonetheless, retirement concerns still weigh heavy on employees' minds as 56 percent of respondents report their number two personal concern is "the investment performance of my 401(k) or other employer-sponsored savings/profit sharing plan." Coming in close behind with 55 percent is "my ability to earn additional rewards that allow me to stay on top of inflation and advance in real economic terms."

The Top Five Total Rewards Priorities for 2009

For employers, the current financial crisis has thrust cost to the forefront at the expense of attracting, developing, engaging and retaining employees. Containing health care costs is now the number one Total Rewards strategic challenge facing organizations today (68 percent of respondents). Talent, which held the top spot in 2008, slid to the number two spot with a drop of nine percentage points to 65 percent. These results show employers continue to struggle with balancing the need to control costs and proactively manage talent.

"While short-term emphasis on managing cost may be necessary, organizations should be careful not to mortgage the future by losing sight of talent issues," explained Tim Phoenix, a principal with Deloitte Consulting LLP and co-director of the survey. "Talented people are hard to find — and even harder to replace. If an organization's talent base is eroded, it could take a long time to rebuild, which quickly translates to a competitive disadvantage when the economy turns around."

Rounding out the top five include the clear alignment of Total Rewards strategy with business strategy and brand (51 percent of respondents), the willingness of employees to pay for an increasing portion of benefit plan coverage and to manage their own reward budget (48 percent) and a new choice for 2009, the ability of rewards programs to accommodate the varying needs and interests of different generations (45 percent).

Also worth noting at number six is that employers are concerned with the ability of employees to afford retirement, which was noted by 36 percent of respondents, moving up from seventh at 27 percent last year. This *employer* response contrasts with the number one *personal* challenge of "my ability to afford retirement," indicating a continuing disconnect between organizational priorities and individual concerns.

Consistent with growing societal and economic emphasis on "personal responsibility" employers reported that they plan to take a number of measures to help support employees in this regard, including:

- Increased employee communication and education
- Better tools for retirement planning
- Enhanced preretirement planning sessions
- Incentives for participation in fitness, wellness and disease management programs
- Focus on other reward programs -- flexible work arrangements, learning and development programs and paid time off

The Generational Blind Spot

With a recognition that today's workplace now accommodates four generations in significant numbers, the 2009 Top Five survey added three questions specific to generational considerations. Though

clearly a priority (ranking fifth overall), organizations are currently struggling to address generational differences.

Nearly a quarter (24 percent) of respondents do not believe “my organization’s leadership team understands the Total Rewards perspectives and values of the different generations in our workforce.” Almost a third (31 percent) reported their rewards strategy is not aligned with the four distinct age groups. Furthermore, 37 percent believe generational preferences are not even considered in making changes to total rewards programs.

“This generation gap cannot be ignored,” warned C. Scott Boring, CEBS and 2009 ISCEBS president. “Each generation of employees has distinct attitudes and beliefs about work, life, rewards and what motivates them along with clear preferences related to workplace technology and communications. Understanding the different perspectives/tendencies of the generations in the workforce is critical for talent management both externally (attraction) and internally (motivation and retention).”

Additional Findings

Other significant findings from the survey point to:

- Significant declines in redesign for Total Rewards programs, compensation plans and retirement plans
- A major focus on employee communications and retirement planning
- Growing concerns regarding 401(k) returns
- Greater use of employee self-service technology in rewards administration

A full copy of the report is available at www.deloitte.com/us/2009Top5 or at www.iscebs.org. To schedule an interview with Tim Phoenix or Dick Kleinert from Deloitte or Scott Boring from ISCEBS, please contact Britton Josey at 404-220-1334, bjosey@deloitte.com or Stacy Van Alstyne at 262-373-7746, stacyv@ifebp.org.

Methodology

Conducted since 1994, this year’s survey was completed online by 426 respondents in November and December 2008. As in prior years, respondents represent a diverse cross-section of the U.S.-based employer universe by industry and size. For purposes of this survey, the term “total rewards” is defined as all compensation, benefits, perquisites and any other direct or indirect payments made to employees.

About International Society of Certified Employee Benefit Specialists

The International Society of Certified Employee Benefit Specialists (ISCEBS) is a non-profit educational association whose members have earned the Certified Employee Benefit Specialist (CEBS) designation, which is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania. For more information on the Society or CEBS, please visit the ISCEBS Web site at www.iscebs.org.

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