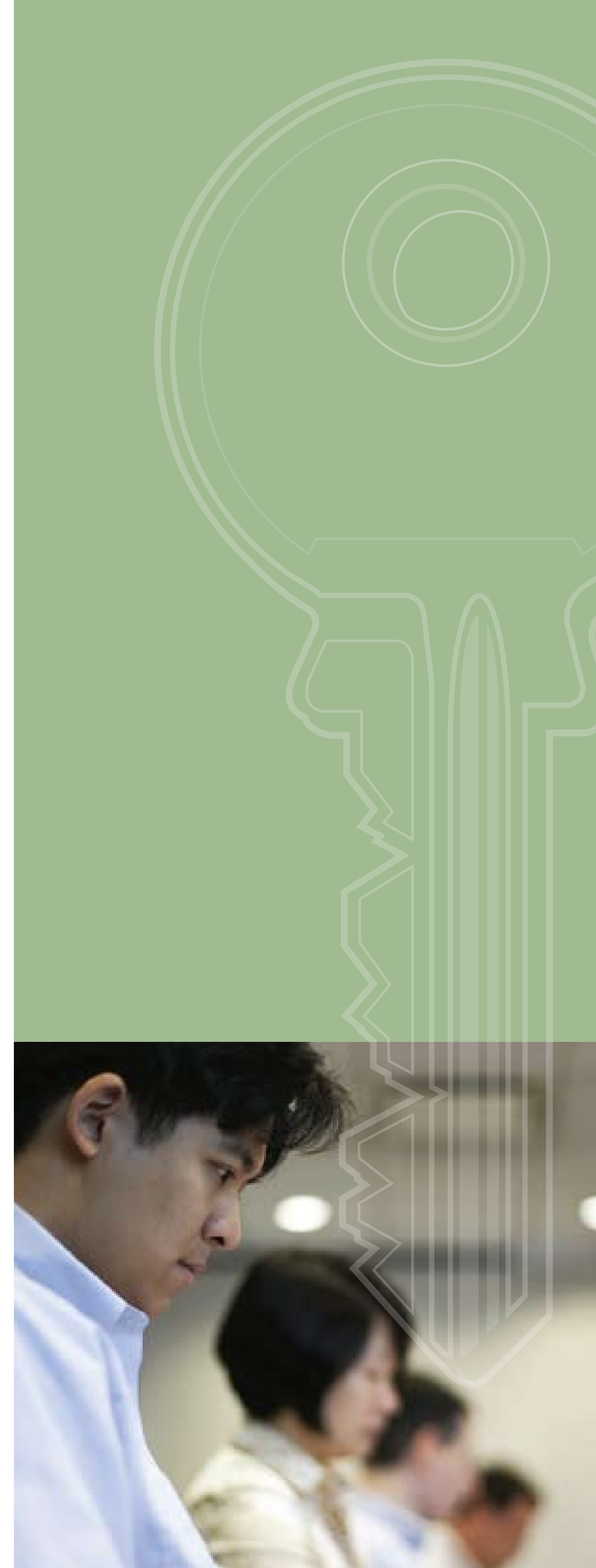
Emerging ideas in **employee benefits**

Milliman helps clients keep pace with the rising costs and regulatory challenges of employee benefits. Our guiding vision is **Security Now**.

Milliman's **independent culture** is an incubator for new ideas, tools, and strategies. For this publication, we surveyed the professionals across our Employee Benefits practice. We asked them to tell us what they are doing that is **innovative**, **stimulating**, and **improving** the way our clients manage their benefits programs. Here are six impressive stories …



Milliman

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The cure for GASB 45 sticker shock

How Milliman's experienced actuaries managed a first-year contribution from a budget-busting $19 million down to a manageable $1 million

Right now, municipalities across America are confronting a multimillion-dollar problem. It could be a city or a town, a school district, a police or fire department, or a hospital. With GASB 45 rules taking effect this year, administrators need to measure and disclose their liabilities for other post-retirement employment benefits (OPEB), the cost of providing retiree medical, dental, prescription-drug, life, and disability coverage.

THE FIRST SET OF NUMBERS

Becky Sielman, principal and consulting actuary in Milliman's Hartford, Conn., office, says she frequently encounters scenarios similar to this one: A town solicits bids and hires a local actuarial firm that promises to do the job for the lowest cost. The firm identifies all of the liabilities. It presents its findings and–guess what? The municipality has accrued liabilities of $203 million and an annual required contribution of $19 million.

If you're the mayor, you've got GASB 45 sticker shock.

Fortunately, that's not the end of the story. As Becky points out, "You can't just stop when you get your first set of numbers because they don't tell the whole story." Becky and her colleagues at Milliman have extensive experience in employee benefits for public and private entities. She notes that a lot of actuarial firms have sprung up recently, describing themselves as GASB 45 specialists. But a municipality can find itself in a serious situation if its consultant doesn't command the range of strategies needed to set up a smooth transition to a GASB 45 regime. "The biggest hurdle is that first year," says Becky, "and that's exactly what we set out to do with our clients: create a plan to make that first year manageable."

Here's a quick review of the four steps Becky and her team used to reduce one town's first-year contribution from $19.3 million to $1 million.

1. Prefunding cuts liability calculation in half

First, the town listened to Becky's discussion of the benefits of prefunding, as opposed to addressing its OPEB liabilities on a pay-as-you-go basis: Establishing an OPEB trust (comparable to a defined benefit pension fund) would harness long-term investment returns and improve the town's status in the eyes of credit-rating agencies. And it would provide the immediate benefit of a higher discount rate in calculating the town's accrued liability. "Normally," says Becky, "this change in discount rates would cut the contribution in half." But in this case, by committing to prefunding its OPEB benefits, **the town earned a 40% reduction to $122.4 million, with a corresponding decrease of $5 million in the annual contribution, reducing it to $14.3 million.**

2. Choose a more favorable amortization policy

Rather than using "level dollar amortization," which works like a flat-rate mortgage, Becky recommended that the town utilize "level percent of pay funding." This is an amortization technique that starts with smaller payments, which increase over time in step with the cost of other benefits and compensation. **Level percent amortization reduced the annual contribution by almost $4 million, down to $10.6 million.**

3. Scrutinize the budget

Becky notes that "municipalities are already paying a significant amount for retiree medical benefits out of their current budget. These expenditures may be hard to spot because they are often buried, along with medical costs for active employees. But the municipality is still paying for them, nonetheless." In this example, **Milliman identified $5 million in OPEB costs already in the budget, reducing the amount needed in new contributions to $5.6 million.**

4. Phase in over several years

The final adjustment comes from understanding the dynamics of the municipal budget process. Basically, it is much more difficult to add a new line item than it is to increase an existing one. That's why Becky and her team recommended a five-year phase-in period. This allowed the town to start with a politically palatable–and otherwise manageable–initial contribution, and then increase it in regular annual increments. **The phase-in strategy allowed the town to begin with an annual contribution of $1 million.**

ATTENTION WILL INCREASE AS GASB 45 IMPLEMENTATION PHASES IN

The GASB 45 requirements themselves were phased in over a three-year period, starting with the largest entities. As Becky observes, "The first wave of bigger municipalities implementing GASB 45 are doing it for the fiscal year that just ended, and we haven't seen many published financial reports yet. They haven't all had discussions with the rating agencies, so we don't know yet if there will be credit downgrades as a result of GASB 45 implementation. But I expect that is about to start happening: I think we're going to start hearing about these enormous numbers causing major headaches."

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2

Pension Performance Dashboard

A new tool allows DB plan sponsors to keep closer tabs on their funded status than ever before

How can plan sponsors manage pensions in the 21st century when they have only 20th-century tools at their disposal? That's the question that struck principal and consulting actuary Bart Pushaw last year. For many clients, a large source of uncertainty came from the timing of their actuaries' annual valuations: "They feared a scenario where the actuary would show up in June and say, 'Your contribution for this year will be double what I told you last year.'"

EARLY WARNING

That insight sparked the development of Milliman's Pension Performance Dashboard. Working in collaboration with fellow consultant Jeremy White, Bart identified six key metrics that would provide the information needed for effective governance. Most importantly, they devised a way to collect and deliver the data on a monthly basis. That's a big technical breakthrough. Traditionally, a plan sponsor had only its actuary's annual valuation to guide its decisions. Because these reports need to be so detailed and precise, year-end 2008 data would typically not be available until the following May or June.

To create the Dashboard, Bart and Jeremy located regularly updated data feeds that they could apply to the prior year's certified numbers. Bart explains, "Technically, you can't get updated data any more rapidly than monthly, so we're providing it as quickly as anyone can. This allows us to address the plan sponsor's concern about uncertainty, which is particularly important right now because the Pension Protection Act includes a series of deadlines for getting the plan's financial status certified."

In addition to timeliness, the other source of the Dashboard's power is its laser focus on the indicators that matter most–such as funding levels, contributions needed, and a special tool that warns when operational constraints may be triggered. Plan sponsors can use the Dashboard throughout the year to help them formulate appropriate strategies and communicate to their boards in a timely way.

SECURITY NOW: CHANGING THE MINDSET ABOUT RISK

Bart notes that a second major source of uncertainty for plan sponsors is market risk. And he argues that today's market environment requires new tools and a new mindset about risk management. Says Bart, "In 1974 when ERISA passed, the pension funding rules were based on long-term funding targets of 25-30 years, because, back then, the business environment was a 30-year animal. As a result, pensions planned that way and invested that way."

Today, a long-term horizon is five years at the most. Performance is judged on an annual or quarterly basis. But, to achieve their funding goals, plan sponsors need to move away from seeking high investment returns and thinking about risk in terms of standard deviation. As Bart puts it, "If I'm the CFO, standard deviation is not my definition of risk. Instead, I'm going to ask questions like, 'How will the pension plan affect my balance sheet? How will my costs be impacted or changed from year to year because of our asset allocation policy?'"

This is the kind of thinking that's built into the Pension Performance Dashboard. There is no individual manager, or even asset-class-level, performance information. Investment returns reflect the performance of the total portfolio, and are always presented in the context of liabilities and funding status. As such, it's a tool for measuring progress toward "Security Now," with the ultimate goal of providing a compelling employee benefit and enhancing shareholder value.

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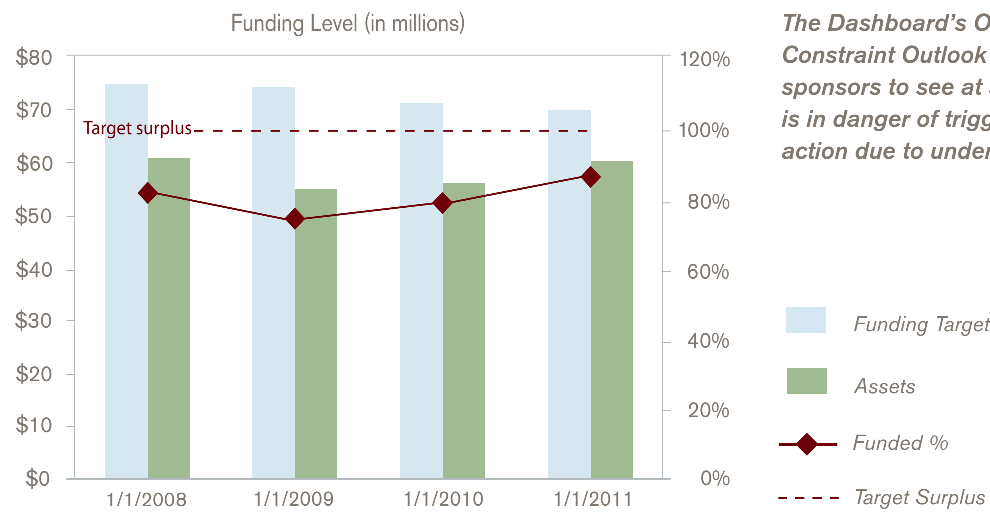

The Dashboard's Operational Constraint Outlook Tool allows plan sponsors to see at a glance if the fund is in danger of triggering regulatory action due to underfunding.

3

403(b) transformation

Bringing open-platform retirement plan solutions and cost containment to the nonprofit sector

Here's a world-class assignment: Transform an underperforming, nonbenchmarked, fee-burdened 403(b) plan into a flexible, well-managed, and monitored investment program—while slashing fees by more than 65%. Sound like a Cinderella story? It's all in a day's work, according to Dallas-based consultant Doug Conkel, who directed the project for a Texas client.

GIVING DILIGENCE ITS DUE

Prior to 2008, 403(b)s were the "poor sister" of employer-based retirement plans. Geared toward tax-exempt organizations, the administrative rules for 403(b)s were far less exacting than those governing their 401(k) counterparts. As a result, many 403(b)s operated without a written plan document. Frequently, plans were loaded up with a multitude of investment products, including high-cost annuities that were difficult to manage and virtually impossible to monitor.

"One of the challenges in the 403(b) market has been that plan sponsors didn't have a well-thought-out governance structure in place to monitor their retirement programs," Doug explains. His Texas client offers a case in point. "It didn't have a retirement committee. Basically, all the sponsor was responsible for was taking a set percentage out of each employee's paycheck and sending it to the vendor. The sponsor didn't monitor the investments. It didn't monitor the fees. And so of course it had no idea if its employees were getting a fair deal on expenses—or competitive investment returns."

This client wanted to do better by its employees. The organization hadn't performed due diligence on its plan for some time, so it brought in Doug to provide a diagnostic review of employees' holdings.

SKY-HIGH FEES—AND RESTRICTIVE STRUCTURES

Originally, says Doug, the client was simply seeking a way to benchmark employees' underlying funds. His analysis of the plan was dismaying: The existing investment roster consisted of fixed and variable annuities, each with surrender and liquidation charges, and an ongoing investment expense ratio with wrap fees of *2.29% per year.*

"We helped the client understand how exorbitant and restrictive these fee structures were," Doug recounts. When the client learned about the surrender and liquidation charges that would be applied when assets were transferred out of the accounts, "it understood that it was being taken advantage of—it was paying an excessive amount for a program that wasn't even giving its employees great funds or flexibility."

It was clear to the client that its 403(b) required more than a benchmarking study. It hired Milliman to create the investment tools and structures that would enable it to provide its employees with a great retirement program.

MILLIMAN'S OPEN-PLATFORM SOLUTION

Milliman's solution was a complete restructuring of the client's retirement program service model. Doug helped it create the appropriate fiduciary standards, including a written investment policy and a structured investment committee that now reviews the plan on a regular basis.

The client transferred its record-keeping services to Milliman and, with that, it now has a broad slate of investment options with a more advantageous fee structure. The new investment platform gives employees access to more than 4,000 mutual funds.

"We took its average expense ratio inclusive of all the fees from 2.29% down to 0.79%," says Doug.

All new 403(b) contributions are going into the new program. But, because of the high surrender charges of the old provider, portions of those investments remain there. "You've got to be creative when approaching some of the former 403(b)-type arrangements," he says. "With these annuity contracts and their attached tail-end fees, you've got to do your homework to protect participants. We provided this client with the full picture so it could make the best decision in its employees' interests. Every year, as those fees decline, we can continue to move a portion of the remaining funds into the new program."

THE BEST POSSIBLE TOOLS FOR EMPLOYEES

At the end of the day, Doug notes, his client has the reassurance that it is in compliance with new 403(b) regulations. "But most importantly, it can take pride in the program it's providing to its employees. Participants get better service, and they've got much better investment options with better track records. All of that translates into the ultimate goal—to give employees the best possible tools at the best possible price so they can save and invest for retirement."

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4

A strategic relationship

Why the New York Bankers Association chose Milliman to provide a full spectrum of retirement plan services

In any profession, it's always an honor to be recognized by your peers—and an even greater honor when they choose to use your services. That's why a trio of consultants in Milliman's Albany practice—Jeff Marzinsky, Randy Broscious, and John Wukitsch—are so pleased that the New York Bankers Association (NYBA) chose Milliman as an endorsed service provider for its defined benefit and defined contribution retirement programs.

OBJECTIVITY IS KEY

The New York Bankers Association represents more than 150 community, regional, and money-center commercial banks and thrifts operating in New York state, with approximately 300,000 employees and $9 trillion in assets.

According to Jeff Marzinsky, who is responsible for defined contribution (DC) plans in the Northeast region, Milliman's objectivity played a key role in NYBA's choice of Milliman. "The members are all financial services organizations, and some of them have ties to other actuarial and administrative services firms. They really could have chosen anyone to develop the products that they've developed with us. In our discussions, NYBA indicated that it likes the fact that we don't sell financial services or mutual funds: It likes our independence."

DB: A FLEXIBLE PLATFORM

NYBA's relationship with Milliman dates back to 1998. Following a comprehensive due diligence selection process, NYBA hired Milliman to provide actuarial and consulting services for its defined benefit retirement system. John Wukitsch oversaw the transition of the DB platform and continues to manage the relationship today.

As John describes it, "The platform allows NYBA members to opt in for the administration of their pension plans and the management of the plan assets. The assets of all members are pooled and the system employs outside investment firms to manage the fund as a whole, adhering to a systemwide asset allocation policy. However, each member has the ability to customize its plan, specifying the level of benefits and other key terms and conditions that are appropiate for its bank. The system also has diligent oversight by a board of trustees who are CEOs of participating financial institutions."

As a result, NYBA has a flexible platform that can accommodate a wide range of member needs. Of course, Milliman's consulting expertise helps ensure that each bank's program is sound from both actuarial and fiduciary perspectives.

DC: MAXIMUM USE

Pleased with the results of the DB platform, NYBA extended the scope of Milliman's responsibilities in 2005 to include its DC program as well. Randy Broscious manages the DC side, following the same basic formula: a common administrative platform and the ability to customize it with plan-specific features–guided by Milliman's consulting expertise.

Says Randy, "We allow each individual sponsor to have the features and flexibility typical of plans in the $100 million to $500 million range. Our system delivers economies of scale to provide custom services to smaller plans that otherwise wouldn't have access to them."

Custom services include:

- open architecture that allows NYBA members the ability to select virtually any mutual fund
- individualized employee education materials
- plan documents with provisions tailored to truly fit each organization

Randy, Jeff, and John all agree that, while flexibility is important, it's really the quality and appropriateness of the investment choices that allow a DC program to succeed. Says Jeff, "Milliman's goal is to help each sponsor select best-of-class investments and top-notch services. We provide fee transparency and a sound fiduciary perspective to every aspect of the program. Most important, we're saying to the employees, 'This is your overall program: We're here to help you understand it and make maximum use of it.'"

A POSITION OF STRENGTH

Milliman's expertise enables it to take a full-service approach with its clients, saying, in effect, "We're not here to talk about DB or DC. Our true focus is: What's the best solution for your retirement plan?" In that vein, NYBA has been tapping Milliman's depth to augment the menu of services provided to members.

These include:

- post-retirement medical programs–Milliman health actuaries provide appropriate disclosures for financial statements
- executive compensation reviews–an increasingly important fiduciary concern in today's market
- deferred compensation plans–Milliman's in-house attorneys review these legally complex arrangements and their actuaries provide appropriate disclosure for financial statements
- Medicare Part D–Milliman health actuaries provide creditable coverage testing and actuarial equivalence testing, and help develop and implement communication strategies

At the highest level, this is a holistic approach designed to enable any institution or company to adapt as necessary to changing environments–whether compliance, the economy, or the markets. Says John, "That is what Milliman is all about. We're not just helping our clients adapt; we want them to move forward so they're in a position of strength."

"In our discussions, NYBA indicated that it likes the fact that we don't sell financial services or mutual funds: It likes our independence."

5

Dependent eligibility audits

Keeping eligibility current is a fiduciary duty

A lot can change for employees, and their families, over a decade or two. Penny Plante, manager of Health & Welfare Administration Services at Milliman, recalls a chance conversation with one of her client's employees that really brought home the need to keep dependent eligibility lists current.

"We were helping a client run a health fair," Penny recalls, "and an employee came up to me and said, 'I want to add vision to my coverage.' As I helped him complete the enrollment online, we reviewed each dependent for coverage: a domestic partner and five children. Everything went fine until we got to the domestic partner affidavit question, 'Are you married?' and he answered, 'Yes.'

"I pointed out that he couldn't be married and provide coverage to a domestic partner. As it turned out, he hadn't seen his wife in 10 years; he didn't know where she was living. One of the children, he assumed, was living with his wife and probably had a job of his own. And a second one had passed away two years before. He never reported it because he was afraid he'd be responsible for all of the child's past medical bills if he didn't continue the coverage."

Penny notes that this encounter was a red flag, indicating that employees in general may have significant misunderstandings about which family members are eligible for coverage. In the months since this chance conversation, dependent audits have received more interest from plan sponsors as an important component for managing plan costs.

COMMUNICATION PROGRAM TARGETS BETTER UNDERSTANDING

A recent audit project with long-time client Boise Inc. (Boise) helped quantify the extent of the problem in organizations today. "Boise approached us to perform a dependent verification audit," says Penny, "as a way to manage costs within the plans offered and to ensure that every spouse or child enrolled met its definition for eligibility. Boise thought it might find 3% to 5% (at most 250) of the dependents ineligible."

Penny and her team, including Heidi tenBroek from the Seattle Employee Communications group, worked with Boise's Benefit Services group to craft the messages. To Boise's credit, it has a very specific definition of eligibility that has been communicated to employees over time. The audit communications reinforced that message, repeating the eligibility requirements along with an extensive list of documents that would be accepted as proof of eligibility–and where to obtain them. Employees were warned that, without documentation, their dependents would be removed from coverage.

The results were a bit startling. Boise has approximately 8,000 employees; 75% of these had dependents covered in the health plan. At the close of the audit, 1,013 ineligible dependents were removed from coverage. Most of these were honest mistakes.

"One example was a man with a common-law spouse," Penny recalls. "We spotted this on a tax return because she was listed as an "other" dependent, which flagged the record for additional documentation. Unfortunately, they live in Texas, which is one of the states that doesn't recognize common-law marriages." Boise's requirement for covering a common-law spouse is that the state must recognize such unions.

"This was exactly the right thing to do," comments Boise's Benefit Services supervisor after the audit completion. One of her representatives received a call from an employee to find out why his daughter had been removed from coverage, as she was still under 23 (but not a student, as required). "You let me keep my other daughter on the plan until she was 23 even though she was not a student," he complained. As professionals, we can only shake our heads: Some employees may never understand the definition of a dependent in spite of all our efforts.

COST SAVINGS AMOUNT TO MORE THAN $2 MILLION IN FIRST YEAR

The cost savings were considerable for Boise's self-insured plans. Using Boise's estimate of $3,748 in average claims per dependent–and taking into account that the employee pays a portion of the claims funding through payroll deduction–the company will save $2.8 million in claim costs for 2009.

While denying health insurance may seem hard-hearted to some, Penny points out that it is an ERISA requirement. "A health plan's purpose is to provide insurance for a qualified group of employees and dependents. Companies have a fiduciary responsibility under ERISA to ensure that they are only covering people who are eligible. As healthcare costs continue to skyrocket, it is incumbent upon plan sponsors to explore every avenue to keep costs under control."

Penny notes that the audit "paid for itself in spades" the very first year. After that, ongoing monitoring and enforcement is key to keeping the eligibility as clean as possible. After the system is established, it's easy to provide ongoing verification with little incremental cost or effort.

"A health plan's purpose is to provide insurance for a qualified group of employees and dependents. Companies have a fiduciary responsibility under ERISA to ensure that they are only covering people who are eligible."

6

DC Retirement Readiness Tool

Sponsors see the big picture by tracking individual participants

For every fiduciary, there's one question that's front and center: How are we doing? Though this is a seemingly simple question, it has been a consistent source of concern for sponsors of defined contribution plans.

In the early years of participant-directed defined-contribution (DC) plans, many plan sponsors chose to follow the guidelines set out in section of 404(c) of ERISA—basically providing the required number of investment options and then leaving employees to fend for themselves. However, numerous studies revealed significant problems: Participants weren't deferring enough, and they were relying too heavily on low-returning money market funds and/or taking large undiversified positions in company stock. Plan sponsors turned to their providers for enhanced educational tools, model portfolios, and even participant-level investment advice. All of these tools helped, but none addressed the central issue: whether or not participants were on track to retire successfully. That's why Milliman created its Retirement Readiness Tool—to help fiduciaries measure and improve retirement outcomes in their 401(k) plans. Replacement income is key.

Dawn Epping, a consulting actuary in the Dallas office, recalls that the catalyst for Milliman's solution came in a conversation with her colleague, Doug Conkel. Says Dawn, "Doug came to me with the idea that we needed to be able to give employers and our plan sponsors an idea of the retirement preparedness of their participant base using their real data."

Creating the tool took about a year. Dawn collaborated with her colleagues to find a way to capture the relevant plan information and display it in a meaningful way. As Dawn describes it, "Rather than falling back on the average deferral rate for the group, we wanted to do projections on a person-by-person basis. The real key is the way we use each plan's actual participant data: the actual plan provisions, actual account balances, and actual deferral rates."

The information in the Retirement Readiness Tool is presented as a scatter diagram with projected replacement income—expressed as a percentage of projected compensation—on the vertical axis. Each participant's current age is shown on the horizontal axis. Milliman chose an 80% replacement ratio as the target. Anything above the green line represents a participant who is on track for a successful retirement.

A DYNAMIC TOOL FOR COMPARING SCENARIOS

The beauty of the Retirement Readiness Tool is that it allows the plan sponsor to see at a glance the results for the plan as a whole, for individual participants, and for cohorts segmented by age. Using a series of overlay slides, scenarios can be customized to show the impact of plan changes or participant behavior changes compared with the existing status of the plan. The tool makes it easy to see the difference by using red dots to represent participants' current replacement ratios and blue dots to represent the expected changes. Most frequently, Milliman consultants use the tool to display the benefits of a plan adopting auto-enrollment and auto-increase provisions.

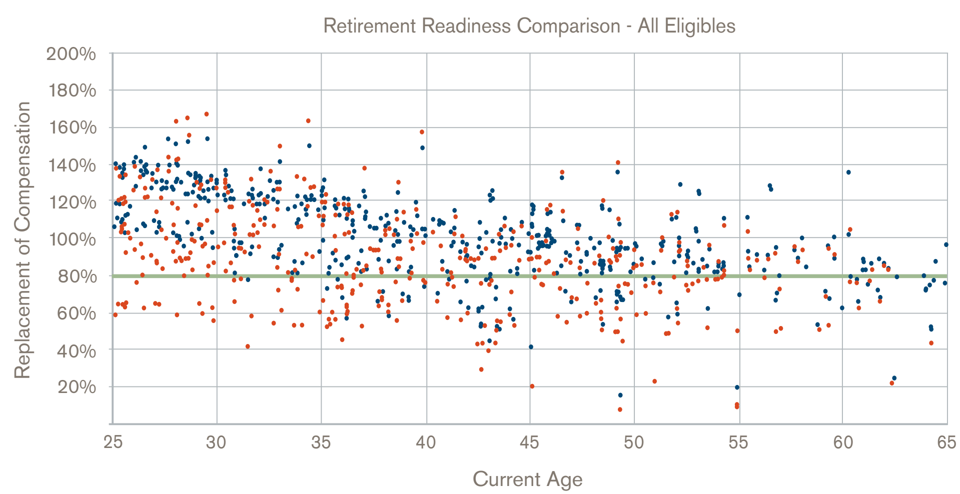
Of course, the program can be customized to compare other scenarios. In one case, an employer wanted to revamp its entire retirement program—changing the match and the profit-sharing component at the same time. Another common scenario is to use the Retirement Readiness Tool to show the impact on participants of freezing an existing defined-benefit (DB) plan.

ACTION STEPS

The Retirement Readiness Tool also gives sponsors the opportunity to target their participant communications with more precision. For example, in cases where participants are below the 80% income replacement benchmark, the employer can contact that group with customized communications urging them to take steps—such as opting in to the auto-enrollment or auto-increase features—to improve their retirement readiness.

KEEPING BENEFITS IN FOCUS

The Retirement Readiness Tool has already proven its worth by providing plan sponsors with the insights and information they need to make better decisions. Dawn notes that HR professionals in particular are finding it useful when discussing costs and benefits. "If a plan is being run from a financial standpoint that focuses on the cost to the employer, this tool allows the HR folks to say, 'Yes, but let's see how the changes you're proposing would affect our participants.' The Retirement Readiness Tool puts equal focus on both costs and benefits; it allows them to see the trade-offs."



By comparing the pattern of orange versus blue dots, the plan sponsor can see at a glance the impact of incorporating auto-enrollment and auto-increase provisions. The green horizontal line indicates the employer benchmark; those that fall above the line are on pace to be ready for retirement, those that fall below it are not.

Did you know?

- Several Milliman consultants have served in leading roles in the actuarial profession, including presidents of the Casualty Actuarial Society, the Society of Actuaries, the American Academy of Actuaries, The Actuarial Foundation, and as board members of those organizations and for the Actuarial Standards Board.

- Milliman's Financial Risk Management practice is fundamentally changing the way people save for retirement by helping clients price and hedge for guarantees that allow people to safely keep their assets in equity markets longer. Globally, it is responsible for the risk management of US$500 billion in hedge programs, covering the full range of investment products.

- Milliman's credit and mortgage risk practice is the leader in helping banks and insurers deal with the mortgage credit crisis.

- Milliman's healthcare actuarial consulting practice is the largest in the United States.

- An EBRI study found that the critical information in most summary plan descriptions (SPDs) is written at a reading level higher than that recommended for technical material. In the study sample, SPD text varied from a 9th-grade reading level to nearly a 16th-grade or college-graduate level.

  Employee Benefit Research Institute, "How Readable Are Summary Plan Descriptions For Health Care Plans?" October 2006.

- U.S. 401(k) plans were instituted in 1978 by an amendment to the Internal Revenue Code. By 1998, the assets in such plans had already reached $1 trillion.

  Jeff Marzinsky, "401(k) plan sponsors: More disclosures to help you meet your fiduciary responsibilities," December 2008.

- Employer-provided healthcare benefits were available to 71% of private industry workers in 2008, while 87% of state and local government employees had access to such benefits.

  U.S. Department of Labor Bureau of Labor Statistics, Program Perspectives on Health Benefits, http://www.bls.gov/opub/perspectives/.

- Chronic disease is responsible for some 70% of all healthcare spending.

  Agency for Healthcare Research and Quality, Health Care Costs Fact Sheet, http://www.ahrq.gov/news/costsfact.htm.

- Major U.S. employee benefit and public assistance programs provided $3 trillion in benefit payments to individuals in 2007. Of that total, 41.9% comprised retirement benefit payments.

  Employee Benefit Research Institute, EBRI Databook on Employee Benefits, http://www.ebri.org/publications/books/index.cfm?fa=%20databook.

- Retirement benefits have accounted for the largest percentage of benefit payments since 1960, at nearly 50%.

  Employee Benefit Research Institute, EBRI Databook on Employee Benefits, http://www.ebri.org/publications/books/index.cfm?fa=%20databook.

- Milliman was ranked #1 in customer satisfaction in 2005, 2006, and 2008 in the Defined Contribution Provider Study conducted by Boston Research Group.

  Boston Research Group Study of Plan Sponsor Satisfaction & Loyalty for Plan Assets $5 Million and Above

- Health savings accounts were offered to 20% of state and local government workers in 2008, while just 8% of private-sector workers had access to them.

  U.S. Department of Labor Bureau of Labor Statistics, Program Perspectives on Health Benefits, http://www.bls.gov/opub/perspectives/.

- Health benefits, which comprised just 8.8% of total benefit spending in 1950, had risen to 42.8% by 2007.

  Employee Benefit Research Institute, EBRI Databook on Employee Benefits, http://www.ebri.org/publications/books/index.cfm?fa=%20databook.

- The new rules issued by the Internal Revenue Service in 2007 governing retirement plans for public education organizations and nonprofit employers represent the first comprehensive 403(b) plan regulations to appear in 43 years.

  Ginny Boggs, "Ready or not: The first new 403(b) regulations in more than 40 years are here," August 2007.

- Approximately 5% of the U.S. population is responsible for about 50% of the country's total healthcare costs.

  Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, "Characteristics of Persons with High Medical Expenditures in the U.S. Civilian Noninstitutionalized Population, 2002," March 2005.

- Maryland enacted the first state workers' compensation law in 1902, but it was declared unconstitutional in 1904. In 1911, Wisconsin passed the first workers' comp law to be held constitutional. By 1929, all but four states had enacted workers' comp laws.

  Social Security Administration, Historical Chronology, http://www.ssa.gov/history/1900.html.

- Fewer than 50% of workers in EBRI's 2008 Retirement Confidence Survey had actually attempted to calculate how much money they would need to save to have a comfortable retirement.

  EBRI Issue Brief: Americans Much More Worried About Retirement, Health Costs a Big Concern, April 2008.

- With 401(k) contributions of $5,000 a year and a 9% annual gross rate of return, participants who pay an additional 1% in administration fees over the lifetime of the plan would see their retirement nest eggs reduced by 26% each, or $530,217.

  Janet Rubenstein and Jeff Marzinsky, "Uncovering 401(k) fees in hiding," *Employee Benefit News*, January 31, 2008.

- EBRI's 2008 Retirement Confidence Survey found that just 18% of workers were very confident about having adequate finances to sustain a comfortable retirement. The drop from 27% in 2007 is the largest single-year decline in the history of the survey.

  EBRI Issue Brief: Americans Much More Worried About Retirement, Health Costs a Big Concern, April 2008.

- The upper Midwest and Northeast had the highest levels of participation in employer-sponsored retirement plans in 2007, with Wisconsin leading at 68%. The lowest participation levels were in the South, West, and Southwest, with Florida's 42% at the low end of the participation scale.

  Employee Benefits Research Institute, EBRI Issue Brief: Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2007, October 2008.

- The California Public Employee Post-Employment Benefits Commission determined in 2007 that the investment returns from a trust set up to prefund other post-employment benefits could eventually pay for as much as 75% of retiree healthcare benefits.

  Public Employee Post-Employment Benefits Commission (California), "Funding Pensions & Retiree Health Care for Public Employees: A Report for the Public Employees Post-Employment Benefits Commission." August 2007, p. 177.

- Retirement plan participation correlates with both employee earnings and education level. According to 2007 statistics, 17.8% of employees in the $15,000-$29,999 salary bracket without high school diplomas took part in retirement plans, compared with 69% of those in the $30,000-$49,999 salary bracket with graduate/professional degrees.

  Employee Benefit Research Institute, EBRI Fast Facts: How Education Affects Retirement Plan Participation, January 13, 2009.

- Seven of the eight largest U.S. health plans are Milliman Care Guidelines clients.

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