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**News Release**

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**EMPLOYEE BENEFIT SPECIALISTS VIE TO BALANCE COST CONTAINMENT AND TALENT  
MANAGEMENT IN 2006; RETIREMENT #1 PRIORITY FOR EMPLOYEES**

***Deloitte Consulting/ISCEBS Survey Warns Employees to Brace for Change***

**New York, January 30, 2006** – The growing tension between controlling costs and providing total rewards programs that attract and retain workforce talent will create significant challenges for employers in 2006 according to the twelfth annual *Top Five Total Rewards Priorities Survey* conducted by Deloitte Consulting LLP's Human Capital practice and the International Society of Certified Employee Benefit Specialists (ISCEBS).

The survey of 422 U.S. employee benefit specialists in the United States found that controlling health care benefit costs ranked as the No.1 overall total rewards concern for the seventh consecutive year, with 91 percent identifying it as a Top Five priority and 55 percent naming it their number one concern. Respondents identified the need to provide total rewards programs that will attract and retain talent, which first emerged as an issue last year, as the second highest rated priority overall at 69 percent, up markedly from 56 percent in 2005. For purposes of this survey, the term "total rewards" is defined as all compensation, benefits, prerequisites and any other direct or indirect payments made to employees.

"We've seen a significant spike over the past year in the amount of attention being paid to escalating health care costs and attracting, managing, and retaining critical talent" explains Tim Phoenix, principal and national leader of Deloitte Consulting's Total Rewards practice.

"Employers are struggling to find that delicate balance between controlling costs while also providing total rewards programs that will motivate and drive workforce performance. This year's survey results provide evidence that this tension is becoming much more acute."

Cost-related concerns were also cited in the remaining top priorities. These included: increasing employee's responsibility for benefits directly and indirectly (63 percent); managing retirement benefit costs (46 percent); and the need to receive appropriate return on investment for reward expenditures, a new entrant to this year's survey (43 percent).

"Organizations are focusing beyond simply making cuts in benefit costs. They are now looking for ways to get the most return on the dollars they invest in their employees through such expenditures as health care, retirement and compensation," explains Rick Storms, CEBS, recently elected ISCEBS president and a senior associate with Mercer Health and Benefits. This means understanding the employee base and designing a program that not only satisfies the needs of the organization, but also gets to the heart of what employees want."

**Planning for Retirement #1 for Employees:** In recent years, the *Top Five Total Rewards Priorities Survey* has asked benefit specialists not only to report their companies' views, but also to rank their personal priorities viewed from their perspectives as employees. In the 2006 survey, more than half of the respondents, 53 percent, cited their ability to afford retirement as the issue most important to them personally. This issue was far ahead of their number two priority, the cost of health care benefits, cited by 20 percent of respondents.

**Brace for Change:** When asked from the perspective of an employer to identify changes made to their organization's total rewards programs within the past 12 months or during the next 12 months, most respondents cited either cost management or attracting, motivating and retaining talent as the reason for making changes.

"The balancing act between the need to offset rising costs while also providing programs that attract, motivate, and retain a productive workforce creates a challenging environment for employers," says Richard Kleinert, CEBS, principal in Deloitte Consulting's Human Capital practice. "Employers need to exercise caution and focus on cost-effective and consumer-oriented benefits packages designed to help employees manage their benefits effectively, rather than simply make benefit reductions and cutbacks. Employees, on the other hand, need to take a more active role in managing their own benefit plan coverage, including understanding the costs involved."

With respect to health and welfare plans, 82 percent of respondents aim to redesign some or all of these types of programs, with cost reduction cited as the motivating factor (73 percent), followed by improving employee attraction, motivation, and retention (28 percent). Of those respondents making changes:

- 90 percent intend to change the medical plans of active employees
- 36 percent expect to change retiree medical plans
- 77 percent expect to increase active employees' share of costs
- 68 percent plan to increase the use of consumerism by active employees.

Seventy-two percent of employers are redesigning their compensation plans, with the primary focus on variable cash, as cited by 53 percent. More than half (55 percent) of respondents are aiming to improve employee attraction/motivation/retention, followed by 41 percent seeking better cost management. Respondents identified several areas for compensation changes, including:

- Non-qualified compensation plans (38 percent)
- Base cash (36 percent), equity (34 percent)
- Sales compensation plans (32 percent)
- Employee stock purchase plans (16 percent).

Retirement plans are another area where employers are making changes. More than half of the respondents (51 percent) have recently redesigned their retirement programs or plan to do so. These benefit professionals split almost evenly between those whose number one priority is reducing costs (39 percent) and those whose goal is improving employee attraction, motivation, and retention (34 percent).

The survey of the International Society of Certified Employee Benefit Specialists (ISCEBS) members, as well as Deloitte Consulting LLP clients and contacts, was conducted electronically during November and December, 2005.

**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](http://www.iscebs.org).

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