



Case study: Simplifying benefits administration with total benefits outsourcing

Situation

Like many employers, a leading energy provider in the US Midwest was struggling with increasing challenges and costs of managing employee benefits. With the average tenure of its employees between 15 and 20 years, retirement planning was top of mind for employees and management alike. Consistent with the overall aging of the global workforce, the number of participants in this company's defined benefit (DB), defined contribution (DC) and retiree health plans would surely be increasing – with no signs of abating – and with it the associated administrative and cost burdens. Mercer had already been a trusted partner, providing consulting advice across multiple benefits programs. With the challenges ahead, we suggested that management explore the advantages of total benefit outsourcing (TBO).

Challenge

Historically, retiree health and pension benefits have been administered in-house by the HR department, and the company's DC plan was administered by an outside firm. The company's HR leadership team was focused on finding ways to improve administrative efficiency and reduce costs, while the finance team was looking for greater cost efficiency in managing retirement programs as well as help in the selection of investment managers. Leadership also wanted to improve employee appreciation of the company's total benefits program by providing employees with a single view of all their benefits, as well as delivering enhanced educational resources and self-service tools.

Action

Mercer's TBO solution provided seamless 401(k), pension and retiree health administration, offering employees a single integrated view of their benefits. A dedicated Mercer team now manages the planning, implementation and day-to-day administration for streamlining processes. Employees received an integrated experience that included a "single sign-on" TBO web portal with access to online tools, calculators and benefits information, complemented by contact-center support to answer any employee inquiries. A customized communications and education program, including targeted mailings and onsite educational meetings, was developed to explain to employees how to use these new resources and make informed benefits decisions. Finally, as part of the TBO approach, every employee received a total compensation statement that included personalized retirement income estimates.

Results

Almost immediately, the administrative burden for the HR staff was reduced, freeing up resources previously devoted to transactional work for more value-added strategic initiatives to support the business. What's more, the solution heightened employees' awareness of their employer's total benefits program, making employees more active managers of their benefits and their future. By shifting to an outsourced model with a single provider, employee self-service and benefits usage improved significantly:

- 11,808 calls were received at the service center
- 90,400 web sessions were conducted
- 75 percent of employees who attended educational workshops said that they would act on the information they received
- 401(k) plan metrics were improved
- Participation increased from 84 percent to over 87 percent
- Average contribution rate increased from 7 percent to almost 9 percent
- Participants have invested over \$20 million in the new "ready-mixed" life-cycle funds representing close to 5 percent of total plan assets
- Hundreds of employees have become more active managers of their retirement by taking advantage of Mercer's retirement savings tools, such as Smart Goal™, Automatic Portfolio Rebalancing, and Retire@Ease™

For this employer, total benefits outsourcing made total sense.

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