Inform Your Future Benefit Decisions
We analyzed the compensation and benefits offerings at approximately 400 companies where Goldman Sachs Ayco provides financial counseling to uncover trends around:

- How companies are helping employees battle inflation
- Voluntary and ancillary benefits offerings
- Updates to paid leave policies
- Non-qualified deferral plan design

Company benefit and compensation plans in the spotlight

To attract and retain talent in a tight labor market while helping employees address ever-climbing healthcare and other costs, U.S. employers are pursuing innovative ways to improve their comprehensive employee benefit plans with additional wellness benefits. And HR leaders on the frontlines are crafting holistic benefits packages that meet diverse workforces where they are.

The focus many employees have today on benefits is a clear shift we observed during the pandemic. Employees depend on and expect more of their employers, especially when it comes to benefits. In turn, benefit offerings are evolving to keep up.

* Data and information is based on a review of benefit and compensation offerings at 400 of Goldman Sachs Ayco’s corporate partners, as of April 2023. Information is supplied by corporate partners as part of their relationship with Goldman Sachs Ayco to offer financial planning.
Inflation-driven cost control

Employers are focused on not burdening employees whose finances are already being stressed by inflation—including by reining in increasing healthcare costs. The two broad strategies we’ve seen companies deploy are controlling costs and adding cost-saving benefits.

Initiatives companies are implementing to control costs

- **Shopping across medical plan carriers in hopes of finding better rates.** Changes to medical plan carriers isn’t something we see often. This year, close to 10% of our corporate partners switched

- **Absorbing premium increases rather than passing them on to employees.** Almost 40% of our corporate partners absorbed increases. Just under 5% were even able to offer lower medical premiums than in 2022

- **Increasing HSA contributions and reducing or eliminating the requirement to complete wellness activities to earn them.** Almost 5% of our corporate partners increased contributions as a way of offsetting increases to medical premiums

| 7.4% | A recent Segal report projects a 7.4% increase in average health benefit cost per employee for 2023.* |

2023 employee contributions to medical premium

- 55% Increase
- 40% No Change
- 5% Decrease

Benefits companies are adding to help employees control costs

- Supplemental specialty medical programs, including cancer diagnosis/treatment, degenerative disease management, musculoskeletal support and diabetes treatment
- Expanded resources, like telemedicine, nurse advice lines, price transparency tools, digital navigation tools and advocacy service to help employees find the right provider based on quality and cost
- Financial wellness resources to help educate employees on rising costs and provide resources and tips for minimizing expenses

Healthcare costs

Many of our corporate partners currently offer a combination of traditional health plans and HDHPs to provide flexibility and planning options when it comes to covering the cost of healthcare. Offering multiple plan types allows employees to select the plan that provides the right amount of coverage at the right cost based on their personal and family situation.

Types of healthcare plans offered

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>HDHP</td>
<td>93%</td>
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<tr>
<td>PPO</td>
<td>79%</td>
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<tr>
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<td>15%</td>
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<td>6%</td>
</tr>
<tr>
<td>HMO</td>
<td>28%</td>
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Based on 400 corporate partners as of April 2023.

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2023 employer HSA contributions

HSAs are a useful tool for employers seeking new ways to help shoulder healthcare expenses—but not all employees understand how to use them. According to a 2020 survey, 40% of employees report feeling less than confident in understanding their HSA account.*

How companies are working to improve HSA usage and understanding

- Almost 25% of our corporate partners include a company match and/or additional dollars for completing certain wellness activities and health screenings, rather than just a fixed company contribution.† Matching contributions help encourage employees to allocate a portion of their own savings toward future healthcare needs. Preventive healthcare can potentially reduce healthcare premiums, which incentivizes employers to offer—and employees to take advantage of—wellness-focused HSA contributions.

- This year we saw almost 5% of companies increasing their contributions to employee HSAs as a way to offset increases to medical premiums.

- Companies are allocating resources to educate employees on HSA fundamentals and benefits, including the triple tax advantage. Our advisors focus on HSAs with many clients, especially during annual enrollment season.

How employers contribute to HSAs


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How companies are using voluntary and ancillary benefits to bolster total compensation packages

Overview

- Voluntary benefits have steadily grown in popularity over the last decade
- The majority of our corporate partners now offer some mix of group-priced benefits
- Employees increasingly expect these offerings as key components of a competitive benefit package

2023 Voluntary Benefit Offerings

The pandemic, war for talent and escalating inflation continue to increase demand for these benefits to help employees protect against the unexpected, reduce expenses and promote overall wellbeing. As a result, we’ve seen substantial growth in several of these benefits from 2020 to 2023:

- Child and elder care assistance (177% growth)
- Pet insurance (120% growth)
- Critical illness (120% growth)
- Hospital indemnity (152% growth)

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Lifestyle Spending Accounts (LSAs): An emerging benefit trend

While less than 5%* of our corporate partners currently offer an LSA, they are a unique benefit receiving considerable interest from employers. In our experience working with corporate partners, we’ve heard from HR leaders struggling to manage a multitude of different vendor relationships. LSAs can help streamline vendor management, while at the same time providing employees financial support for their needs.

LSAs—also known as lifestyle benefit programs or wellness spending accounts—are after-tax accounts funded exclusively by the employer.

Examples from our corporate partners:

- **An $800 reimbursement account** that can be used for over 50 expenses—including gym memberships, student loan repayment, ID theft protection, tax prep and care for loved ones or pets

- **$2,000 annually directed toward certain voluntary benefit plans**, like premiums for group life, supplemental health or property and casualty insurance, and group legal coverage

- **$2,000 annually** that can be used for wellness-specific items, such as gym memberships, nutrition and weight management programs, and mental and behavioral health support

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Mental health: An essential benefit

Mental health support is the most prevalent ancillary benefit offered by our corporate partners, with over 95% offering mental health assistance to employees in the form of an Employee Assistance Program (EAP) and/or independent mental health applications and resources.

During annual enrollment for 2023 benefits, we saw companies featuring mental health benefits to a much larger extent than ever before in their benefit guides. And it comes as no surprise. Issues with burnout, work-life balance, personal finance and physical health are common in today’s society, and employees are looking to their employers for support.

Investing in mental health benefits shows employees that their employers look after their whole—not just their work—lives. These programs can also help improve employee productivity, reduce use of sick time and decrease health insurance costs.

81% of employees agree that employers have a responsibility to help them manage their mental health.*

EAPs at a glance

EAPs are typically available 24/7 and offer:

- Free and confidential counseling
- Information and education
- Referrals and follow-up services for both personal and/or work-related problems

Many EAPs have expanded services in recent years to address growing needs—they now provide support for mental, physical and financial wellness. Some even provide resources for child care, legal guidance and debt management services.

The most common EAP mental health providers among our corporate partners†

- ComPsych
- Magellan
- Optum
- Spring Health

Digital mental health resources

A new trend we’re seeing in mental health benefits is providing app–based support, focused workshops and resource groups. Digital mental health tools can help provide employees a timely connection to mental health coaches when they need it, rather than waiting for an in-person appointment. Virtual mental health providers—like Talkspace, Headspace, Calm and meQuilibrium—are being offered more frequently for on-demand mental health and well-being assistance.†

While offering mental health benefits is critical, employers must also ensure their company culture both makes employees feel comfortable admitting they need help and gives them accommodations to use these benefits. At this time, many employers offer paid time off for parental leave, but very few offer leave for mental health.


† Third-party providers referenced do not have a formal relationship with Goldman Sachs Ayco. The services they offer have not been independently vetted and their inclusion does not constitute an endorsement or recommendation. Providers are referenced for informational purposes only, based on observations of providers used by Goldman Sachs Ayco corporate partners.
Caregiving and family planning benefits: No longer a “nice to have”

The need for family planning and caregiver benefits has grown substantially in recent years.

Prevalence of these benefits at our corporate partners

Child- and elder-care assistance benefits
These are the top-growing programs (up 177%) at our corporate partners in the last three years. 55% now offer help with finding reliable, trustworthy care and/or access to subsidized backup or emergency care. These benefits include sitters, nannies, tutors, elder-care resources and college coaching.

Inclusive family building support
Providing access to fertility, adoption and surrogacy benefits is quickly becoming the norm.

Fertility benefits
Companies have increased the amount of coverage provided under existing medical plans and/or added dedicated fertility benefits. To increase inclusivity, some companies have expanded eligibility and eliminated some requirements such as proof of infertility.

Adoption/surrogacy benefits
Over 60% of corporate partners currently offer adoption and surrogacy reimbursements, with the most common amount being $10k. We’ve also seen companies start to offer a combined lifetime maximum extending to adoption, surrogacy and infertility coverage. This maximum typically ranges from $20k–$50k, but some provide as much as $75k.

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Paid leave policies: Helping employees take the time they need

Paid leave policies have been top of mind in recent months, as more and more companies are turning to paid time off (PTO) to address both mental health and caregiver needs. This includes caregiver and parental leave, and even sabbaticals for more tenured employees.

PTO in action*

Accrual

- 50% of our corporate partners provide PTO based on years of service
- Most commonly 15–20 PTO days at the start of service with 5 days added after 5 years
- 15% of our corporate partners have shifted to a PTO bank system which combines various types of leave into one pool of paid time off

Holidays

- Most of our corporate partners offer an average of 8 paid holidays per year
- Some also offer floating holidays to be taken at the employee’s discretion/choosing
- 1–2 floating holidays per year is the most common, with some offering up to 6

PTO trends we’re seeing:

- PTO purchase programs
- PTO conversion programs
- Unlimited PTO

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PTO conversion programs

Some companies are now allowing employees to convert vacation time to:

- Cash
- 401(k) or HSA contributions
- Student loan payments
- Charitable contributions (including donating days to other employees)

According to a 2021 EBRI workplace wellness study, 25% of employees said a PTO conversion plan would be the most valuable improvement to their employer’s benefits program.*

Unlimited PTO

Over 10% of our corporate partners now offer unlimited PTO. Of these, most offer the benefit to all employees, but some exclusively offer unlimited PTO to certain employee levels.

Most employers have found that employees tend to take less time off under an unlimited PTO program, especially because there’s no “use it or lose it” mentality. While this option does provide increased flexibility, it could also lead to poor work-life balance.

For employers, unlimited PTO can be a cost-saving initiative, as accrued time is no longer a carried expense that would need to be paid out on termination.

PTO purchase programs

PTO purchase programs allow employees to buy and sell their vacation days for compensation. This is currently offered by 23% of our corporate partners and the most common amount is up to five days (40 hours).

Employer considerations for PTO conversions—A focus on work-life balance

When employers allow for PTO conversions into another benefit or unlimited PTO, they should consider the potential loss of work-life balance. Employees should be encouraged to utilize a portion of their allotted vacation time to prevent stress and loss of productivity due to emotional burn out.

Potential methods

- Limit the number of hours that can be converted each year. Most of the companies we see set the limit at 40 hours
- Require a certain number of PTO days be used each year. One of our corporate partners requires employees to take at least 10 PTO days annually

* https://www.ebri.org/docs/default-source/webinars/wws2021webinar.pdf?sfvrsn=7d8d3b2f_2
Caregiver and other types of leave

Historically, maternity leave has been the traditional caregiving leave program. Today, we’re seeing a growing number of companies expand the scope of caregiving leave to differentiate themselves in the market and heighten their appeal to both prospective and existing employees.

Parental leave

- PTO to take care of a new child is a must for today’s workforce
- Companies recognize that every family unit is different and must ensure their policies are inclusive and gender neutral
- Parental leave now often extends to:
  - Birth parents
  - Adoptive, surrogate or foster parents
  - Spouses of parents
- Most common leave period is 12 weeks—although some companies offer as many as 20–24 weeks
- Some companies may offer parental leave in addition to any maternity time the company already provides

Caregiving leave

- Critical for employees who balance their job and family while caring for a loved one, such as a parent or elder relative—or even themselves
- The pandemic saw companies broadly expand their caregiving leave policies, recognizing employees shouldn’t have to choose between financial stability and caring for a sick or injured loved one
- We most commonly see six weeks of caregiver leave offered by our corporate partners, with the highest amount at 15 weeks

Sabbatical leave

- Offered by companies recognizing that employees may benefit from time away to recharge and explore new personal or professional opportunities
- Whether fully paid, partially paid or unpaid, the employee’s position is there when they return
- Typically 4–8 weeks that can be taken after being at the company for a certain amount of time, usually 5–10 years
- Offered by 15% of our corporate partners, 50% of which are in the tech industry

Bereavement leave

- Many companies offer 1–10 bereavement days
- Eligibility is often based on the employee’s relationship to the deceased and if the employee is full- or part-time
- This past year, several of our corporate partners expanded their bereavement leave to extend to parents in the case of pregnancy loss

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Non-qualified deferral plan trends

In recent years, more companies are considering adding non-qualified deferral plans as an executive recruiting and retention tool. Non-qualified deferral plans help eligible employees combat rising tax rates, including state taxes like the millionaires’ tax in Massachusetts—and potentially other states to come.

While 89% of our Fortune 100 corporate partners (74% overall) offer non-qualified deferral plans, the benefit’s prevalence varies by industry. For example, only 54% of tech companies offer a plan, compared to 90% of pharmaceutical and general industrial companies.*

Eligibility may be expanding

- 64% of our corporate partners limit eligibility to senior management, including director-and vice president-level and above
- We’ve increasingly seen companies offering these plans to a wider group of employees
- 35% now base eligibility on IRC compensation level (up from less than 25% a few years ago)

Enrollment

Typically, enrollment takes place in the fall, with active elections required each year.

- 83% of our corporate partners require enrollment each year. Implementing evergreen elections that roll over each year is worth considering. This method can help employees ensure they don’t miss out on deferrals and potential employer matches
- 17% of companies offer mid-year enrollment for bonus deferrals

Common updates companies are making to non-qualified deferral plans

Expanding existing plans by increasing salary and bonus deferral limits

Adding the option to defer certain long-term incentive awards

* In this analysis there are 56 corporate partners in Fortune 100, 63 in the tech industry and 37 in the pharmaceutical and general industrial industries.
The deferral landscape

Most companies offer “first-dollar plans”—deferrals start at the beginning of the year. This can impact qualified plan benefits—it is a critical planning consideration for executives.

Close to 50% of our corporate partners offer a company contribution on compensation in excess of IRC limits

- 71% offer the same match as the 401(k) plan
- Long-term incentive awards are typically not matched

Over 90% of our corporate partners provide a first-dollar plan

- Less than 10% provide “excess-only” plans where deferrals begin once a certain IRC limit is reached
- Less than 10% offer employees the ability to choose when deferrals begin
- 65% allow base salary and bonus deferrals
- 25% allow deferral of salary, bonus and long-term incentive awards
- 9% allow for salary-only or bonus-only deferrals

Investment options

Investment options differ by employer but are often similar to the company’s qualified 401(k) plan.*

- Over 75% of our corporate partners offer the same investment options as their 401(k), with such minor exclusions as brokerage window, stable value fund and company stock fund
- 34% include company stock as an option, which can provide an additional opportunity for meeting share ownership requirements
- 13% offer only a fixed rate investment

Timing Elections

- 84% allow a retirement/separation election
- 68% allow an in-service/specifed date election
- 20% allow a specified date after separation election
- 4% allow a specified number of years after deferral election

Form of Payment

- 96% offer both lump sum and installment payment options
- 93% offer the ability to elect 10+ annual installments at retirement

Early Termination Payments

- A growing number of companies are adding a separate distribution election for unexpected events, including a change of control, disability and other early terminations
- 42% of companies accelerate payments if an employee terminates prior to their elected payout

Distribution options

Over 90% of our corporate partners allow employees to elect both the timing and form of distribution, which offers employees the opportunity to allocate funds toward different goals.

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