



***Employee Benefits & Insurance
The Economy
Future National Policy
Major Issues***

Presented by Keith E. Forrest, CLU, ChFC

October 2, 2008



How big is our industry?

Private Sector Employee Benefits Industry (Employer-paid)

Current wage & salary income: \$5.3 trillion (Q4 '07)

	% of W.S.I.	\$ - Billions	% - GDP
All Benefits	41.5%	\$2,240	16%
Life, STD & LTD	.75%	\$40*	0.3%
Health	10%	\$540*	3.8%

*Estimated annual **employer-paid**, industry-wide premiums

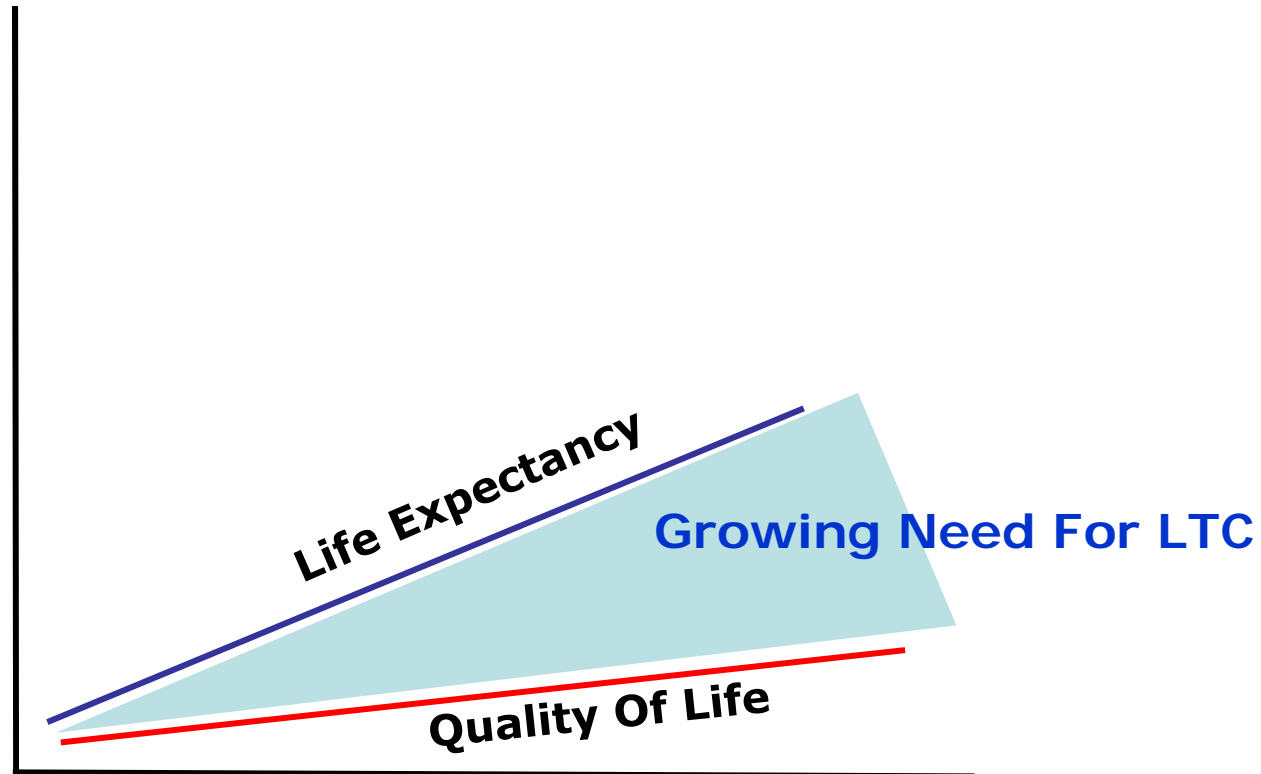
Sources: Bureau of Economic Analysis: National Income and Product Account tables. Bureau of Labor Statistics: Employer Costs for Employee Compensation, December 2007.

Wages & Benefits per Hour – 4Q '07

<u>Private Sector</u>		<u>Yr/Yr</u>
Total Compensation	\$26.42	+2.9%
•Wages & Salaries	\$18.67	+3.1%
•All Benefits	\$ 7.75	+2.4%
<hr/>		
Paid Leave	\$ 1.79	+1.7%
Supplemental Pay	\$.79	+5.3%
Insurance		
•Health	\$ 1.87	+4.5%
•Life, STD, LTD	\$.14	+7.7%*
Retirement & Savings		
•Defined Benefit	\$.43	-8.5%
•Defined Contribution	\$.52	+10.6%
Legally-Required Benefits	\$ 2.21	+1.0%

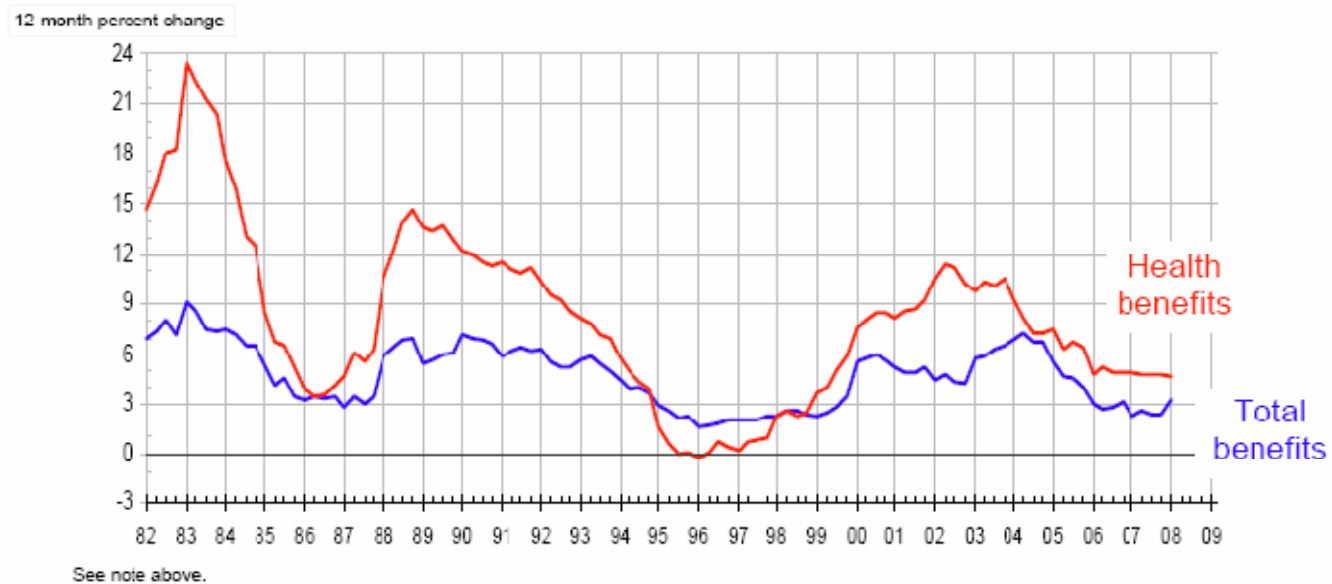
Source: Bureau of Labor Statistics: Employer Costs for Employee Compensation, December 2007.

Conceptual Need For Long Term Care



Correlation of ER-Paid Health Insurance Premiums & Total Benefits

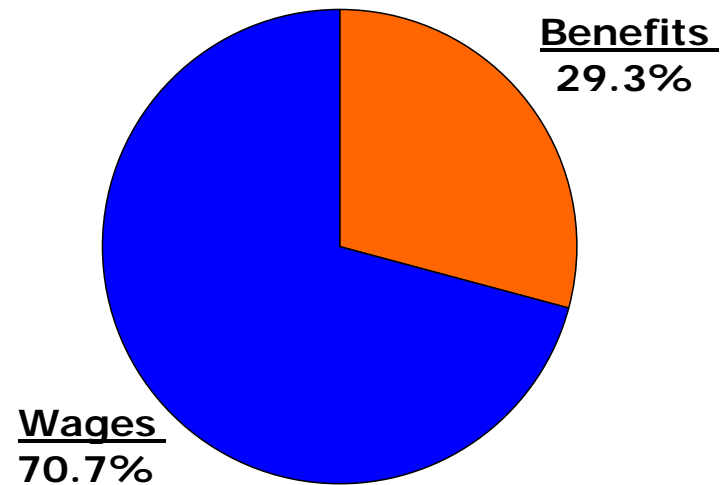
Employment Cost Index, private industry, 12-month percent change,
Total benefits and health benefits



SOURCE: Bureau of Labor Statistics, National Compensation Survey
<http://www.bls.gov/ect/sp/ehealth.pdf> NCSinfo@bls.gov 202.691.6199 April 30, 2008

Employee Benefits as a Percentage of Total Compensation

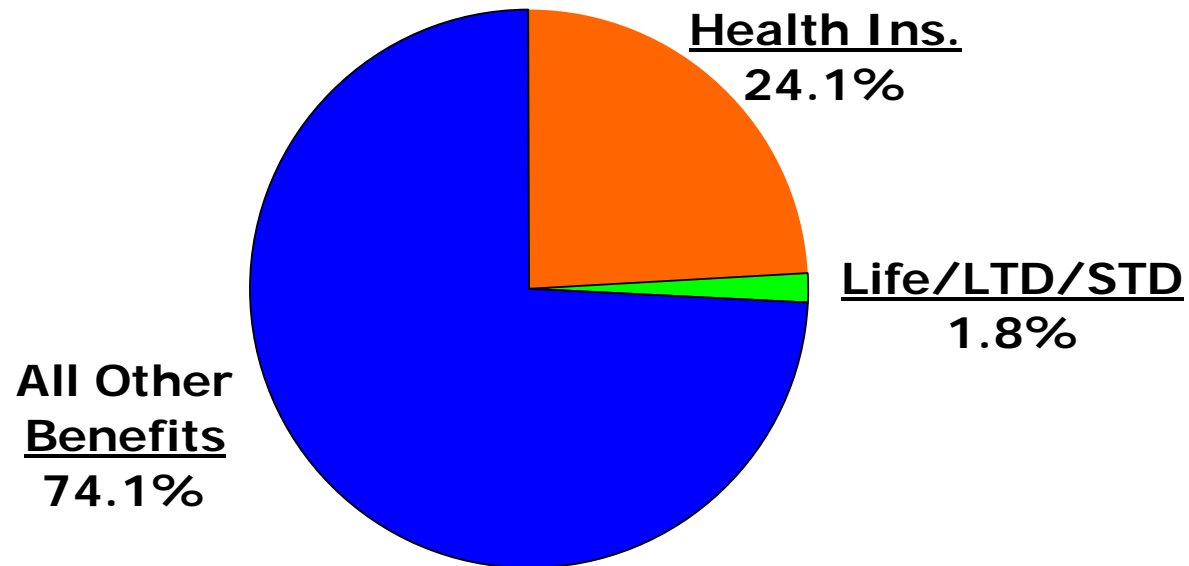
U.S. Private Sector: December 2007



Source: Bureau of Labor Statistics: Employer Costs for Employee Compensation – December 2007.

Distribution of ER-Paid Benefits

U.S. Private Sector: December 2007



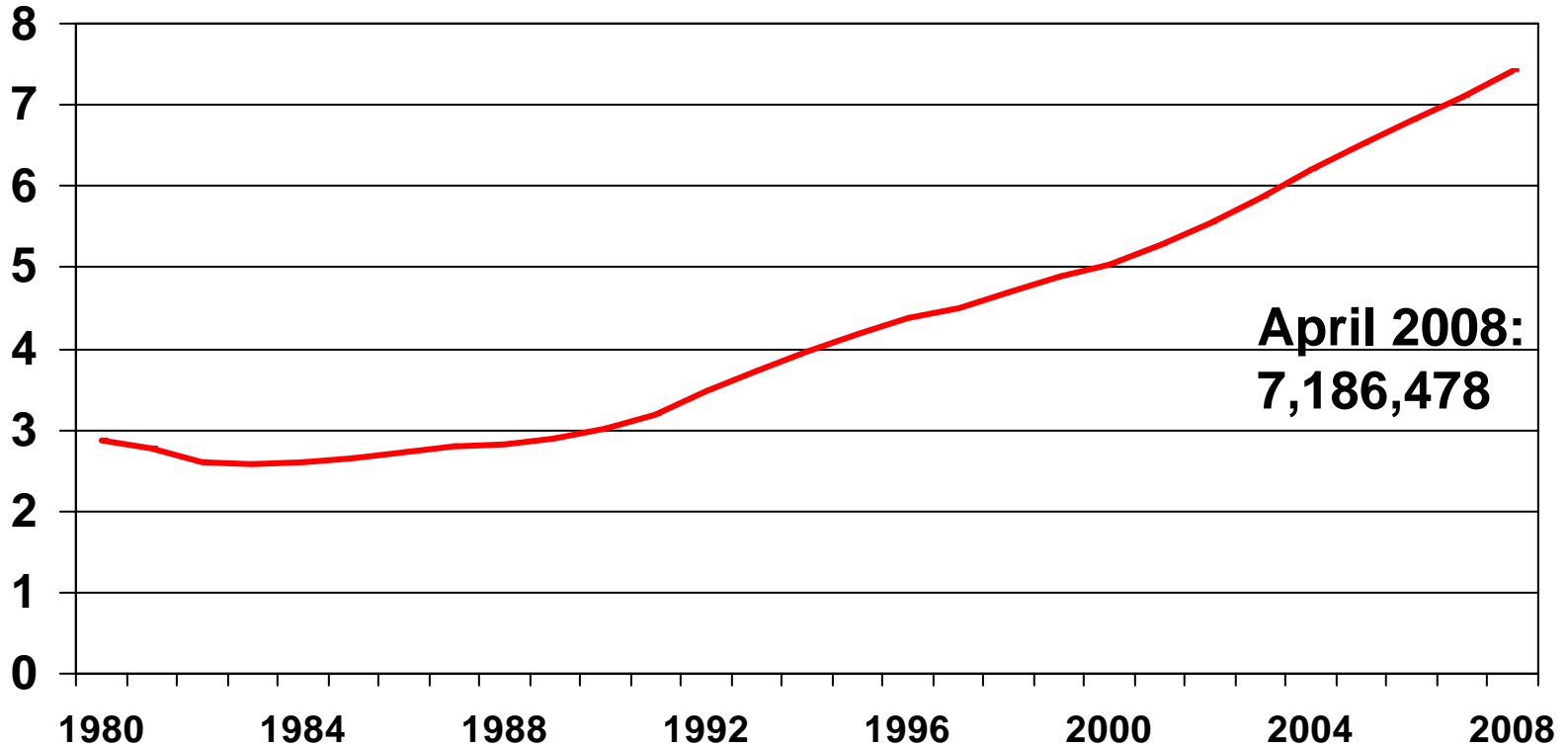
Source: Bureau of Labor Statistics: Employer Costs for Employee Compensation – December 2007.

Long-Term Themes

1. U.S. global market share of GDP: Trending 
2. Public sector share of U.S. GDP: Trending 
3. U.S. federal taxes/GDP: Higher & more progressive!
4. Globalization: Ongoing! (Protectionism: small risk)
5. Inflation: Generally modest (X-Commodities) *
6. Defined contribution world: To continue! (*)
7. U.S. labor force growth: Slowing toward 0%
 - Immigration: Key swing factor
 - Downward pressure on unemployment rate
8. Life expectancies continue to increase!
9. American working careers: Lengthening!
10. Health Care & Senior Entitlement reform: Essential!

Social Security: Disabled Workers

Millions



Source: Statistical Reports, Social Security Disability Insurance Program

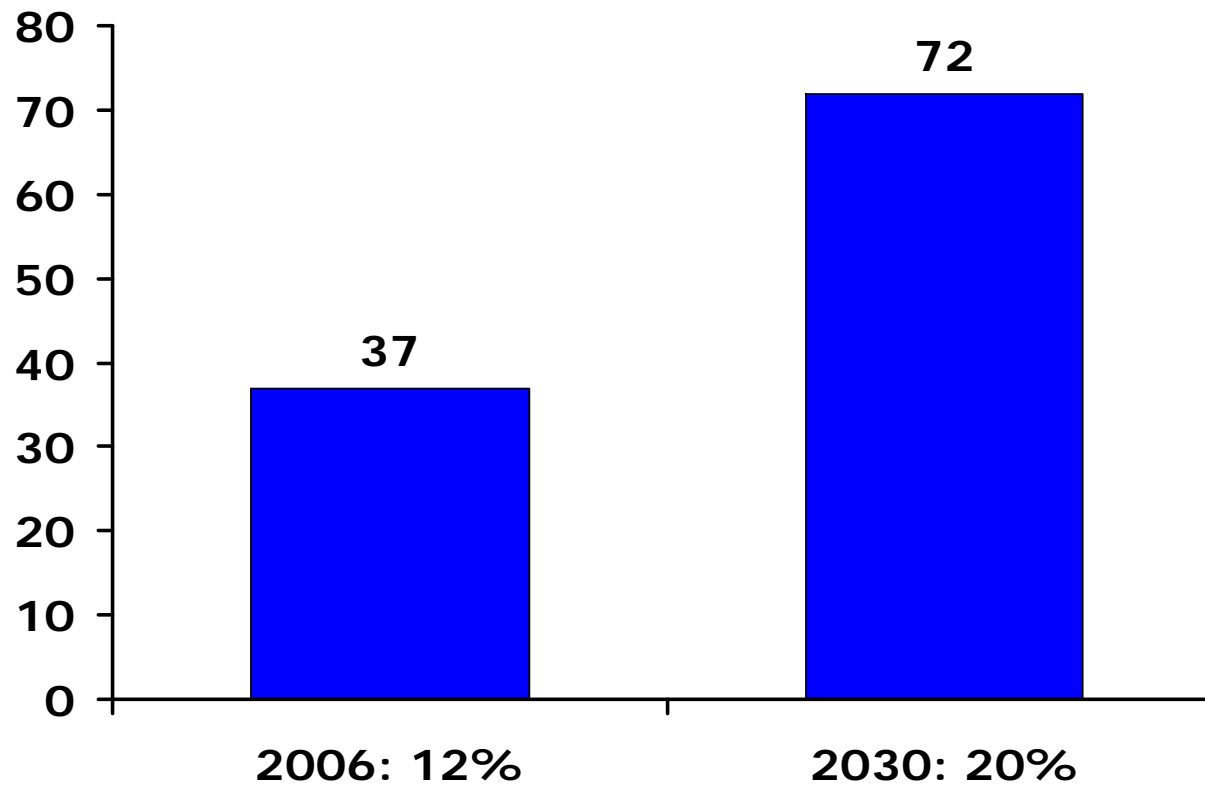
DI Trust Fund: F.Y. 2007 (\$-Bil.)

Tax Receipts:	\$ 94.3
<u>+ Investment Income:</u>	<u>10.7**</u>
= Revenue:	\$105.0
Less Benefit Payments:	\$ 97.8
= Reported Difference:	\$ 7.2
(Exclude Investment Income)	\$- 3.5**

**** No real assets in Trust Fund**

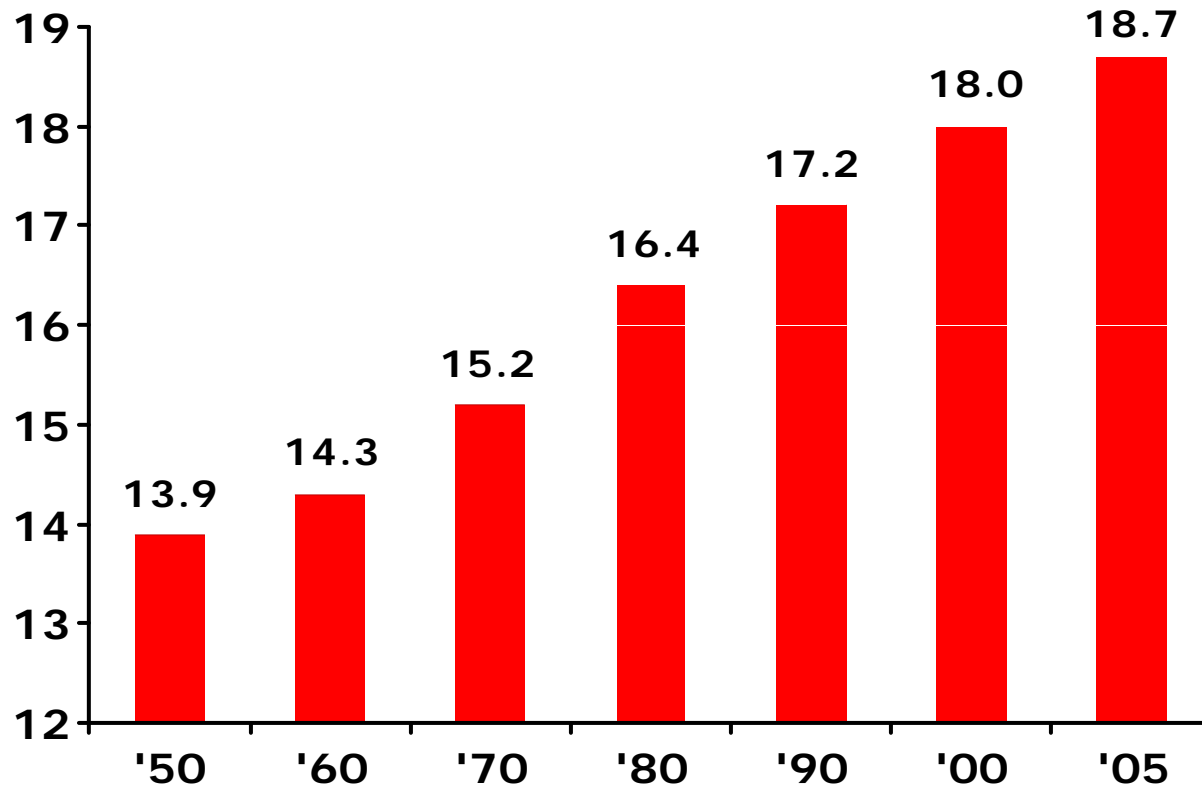
Source: Bureau of Public Debt

U.S. Population: Age 65 & Older (Millions)



Source: US Census Bureau

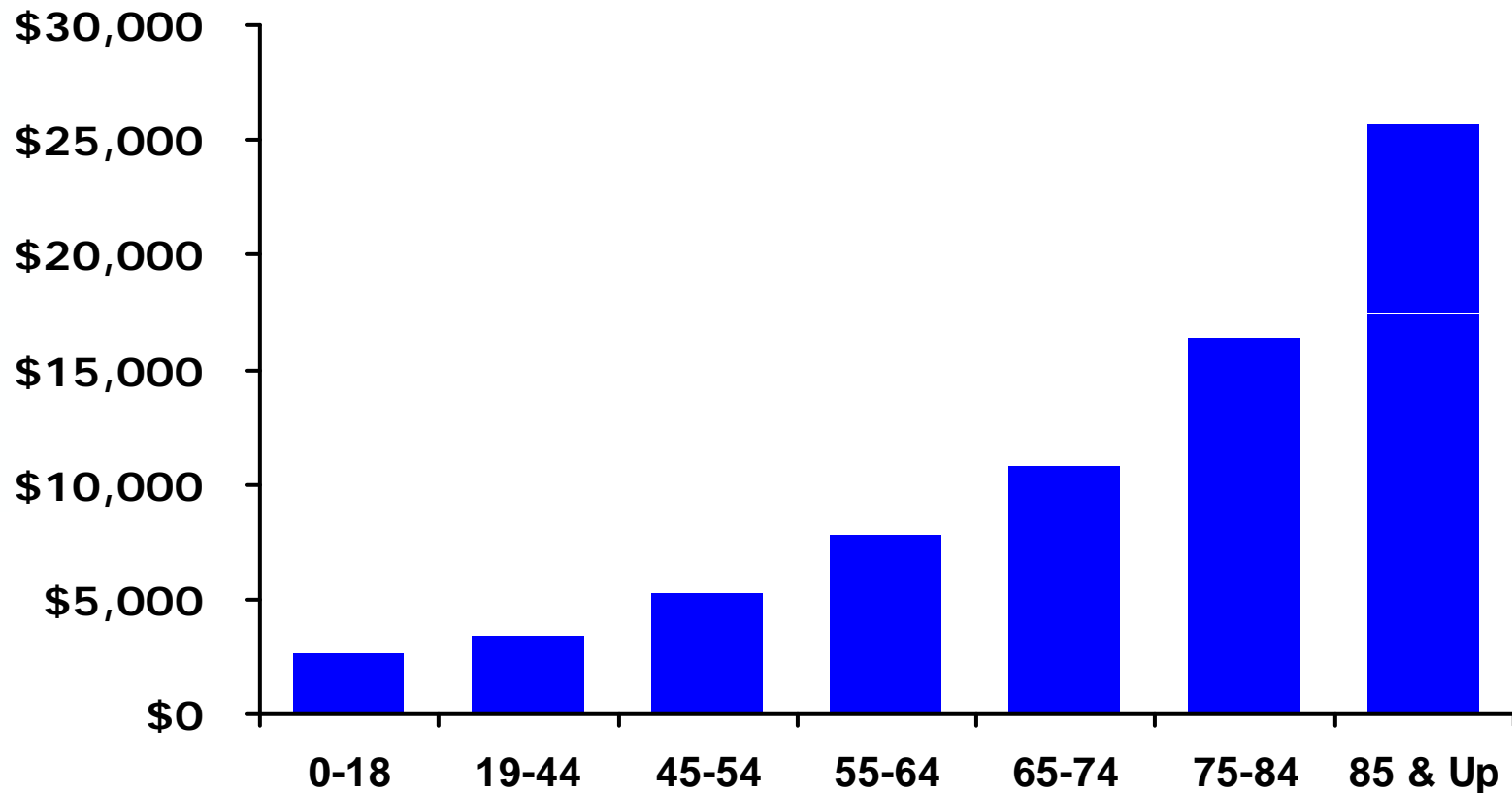
U.S. Life Expectancy at 65 (Years)



Source: CDC – National Center for Health Statistics, Fast Stats re Life Expectancy, 2008

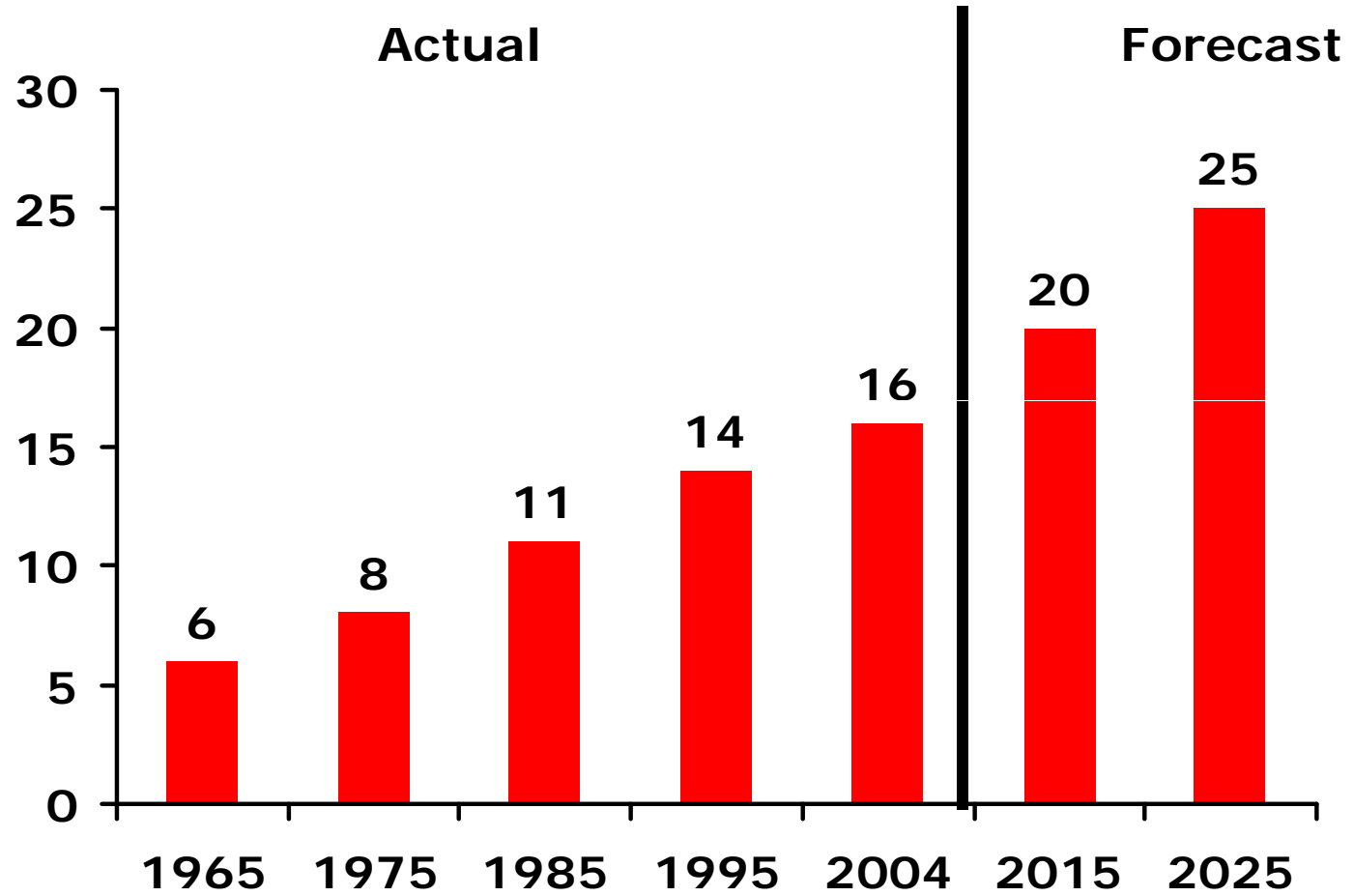
Health Care Outlays per Capita: 2004

(By Age Grouping)



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

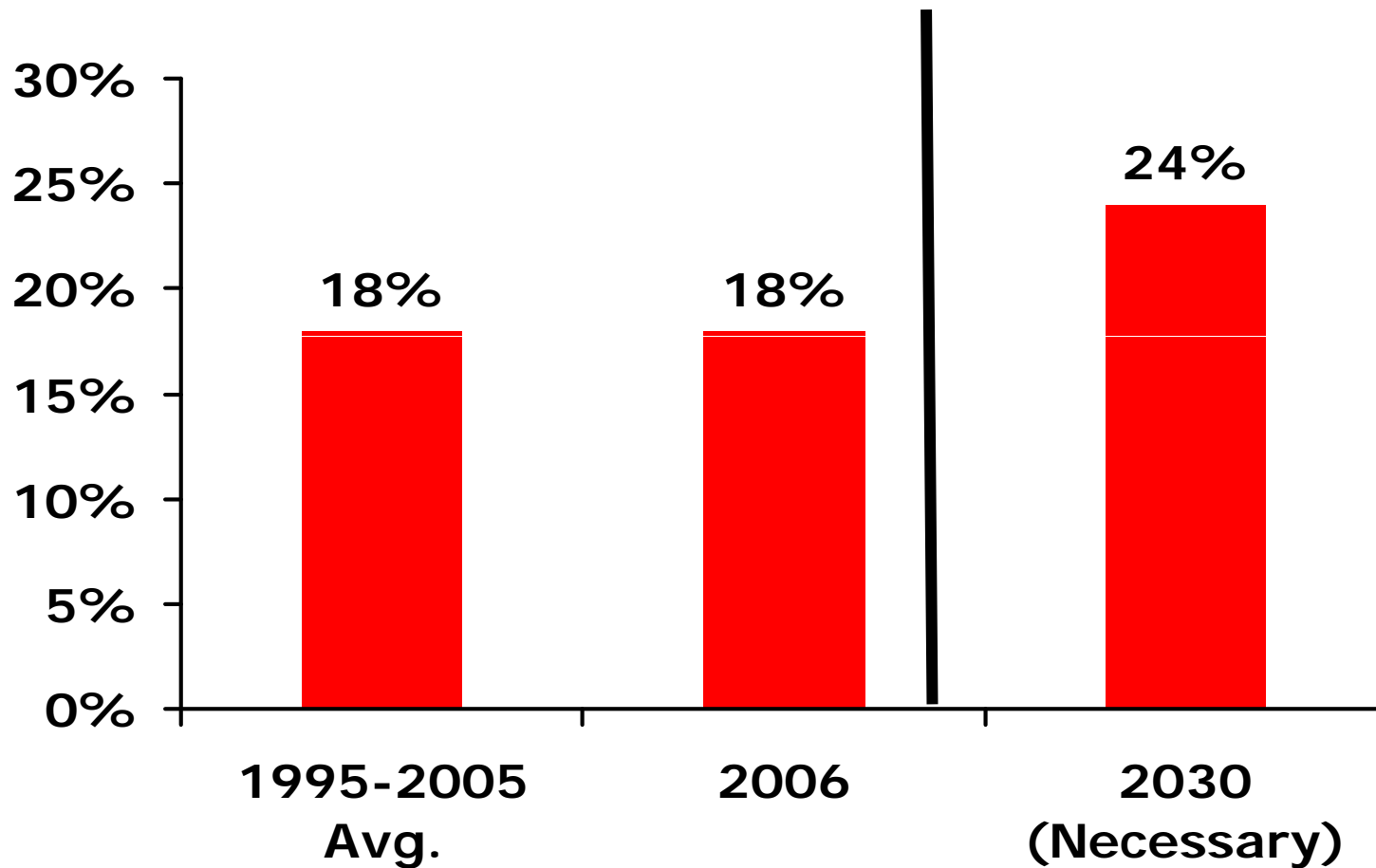
Health Care as a Percentage of GDP



Source: Congressional Budget Office

Federal Revenues as a Percent of GDP

(No Change to Current Social Security & Medicare)



Source: Speech by Federal Reserve Board Chairman Ben Bernanke

Items of Note

1.

GASB & 2008 (To Impact State & Local Government Benefits)

2.

Health Care Reform

- Cost: #1, Coverage: #2
- Rationing: Price and/or Volume
- Income Deflation
- Upside: Includes Layoffs

3.

Social Security Reform

- Outlays
 - Raising eligibility age
 - Trimming C.O.L.A.
 - Adjust benefit formula
 - Means test
 - Privatizing? Not likely. Side savings accounts?
- Revenues
 - Lift maximum taxable wage base
 - Payroll tax rate
 - New revenue sources (?)

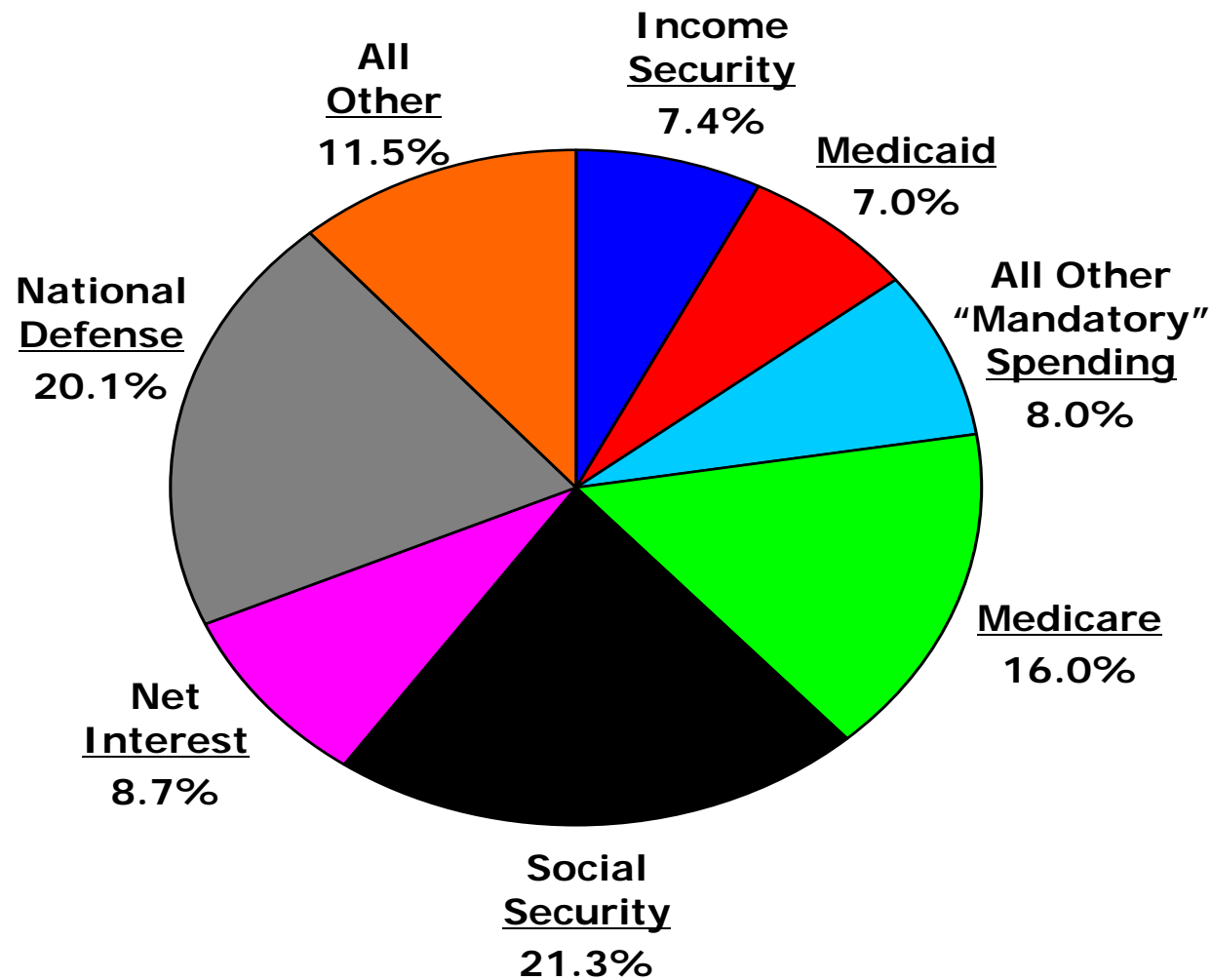
4.

Politics & 2008-2010 Elections

- Public looking for some re-absorption of risk shifted to workers and citizens over last 25 years (either by business or government)?
- **Big Issue:** How much government does America want? Affects the concepts of RISK & INSURANCE!

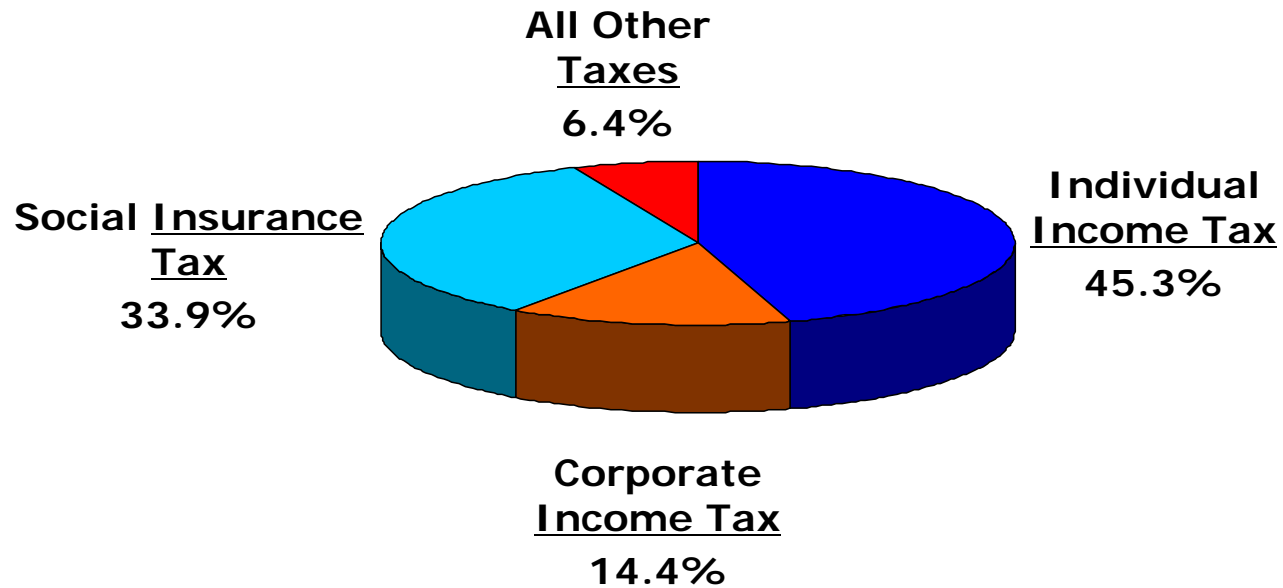
Distribution of Federal Outlays: Fiscal Year 2007

\$2.730 Trillion



Distribution of Federal Revenues: Fiscal Year 2007

\$2.568 Trillion



Source: US Congressional Budget Office

Q & A