

DRIVING PERFORMANCE

HUMAN CAPITAL

Online Benefits Offer Sound Advice

BY JENNIFER HAWTHORNE

THE PAYBACK FOR ONLINE BENEFITS IS OBVIOUS: IT CAN SIGNIFICANTLY reduce the cost of running a human resource department by allowing employees to manage their benefits from the convenience of their desktop. According to the "2002 Employee Benefits Trend Survey" by MetLife, this year 44 percent of employers used the Internet for benefits enrollment, up from 15 percent last year.

At companies with more than 5,000 employees, the rate of usage jumps to 71 percent. Many issues contribute to the rise of online-benefits administration, one of which is the common practice of telecommuting. According to the survey, telecommuting is up 3 percent nationally in 2002 and is expected to climb an additional 32 percent by 2005. The ideal and essential way for offsite employees to access benefits information from a remote location is through a Web-based solution.

As these statistics show, employers reap rewards from online-benefits administration in straightforward ways, including reduced human resources costs, outsourcing of staff functions, and increased employee self service. However, many companies only outsource pieces of their benefits

administration functions, rather than the entire process. CitiStreet, a global benefits outsourcing provider jointly owned by Citigroup and State Street Corp., for example, finds that most of its requests for proposals encompass one or two components of HR.

Even partial acceptance of this administration change has prompted the category to expand. In the next three to five years, industry pundits believe all human resource functions will be delivered online,

but in the immediate future, expect to see new features rolled out, including the advent of online financial planning and increased portability.

MetLife Advises

"The dot-com bubble burst, but it did not take away the Internet as a credible place for employees to go for research, to make decisions, or to transact," says Sachin Shah, MetLife's vice president for institu-

tional business.

MetLife has been committed to online benefits administration since 1999, well before most companies made the switch. The company conducts research every 18 months to identify industry trends, particularly what employers are doing or planning to do online, says Shah.

In its recent survey, it found that 34 percent

of its respondents use the Internet for financial planning, which has become a trend with more companies feeling comfortable offering this service on a voluntary basis online.

The survey also found that employees—more so than 18 months ago—do not have the confidence in the advice of the employer and wish to seek outside advice, which sparked a pilot project called MetLife Advice.

"The offering allows employees the ability to go online, fill out a basic information form, and get in touch with a financial planner. We know and believe strongly that a financial plan in and of itself is not good. No Web site can do it for you," says Shah.

The company fused the Web with a human touch, giving the employee the ability

to execute the changes. MetLife identified another growing trend, this time concerning the portability of benefits. "By the time someone is 34, they are likely to have had eight or nine jobs," says Shah.

As of today, 401(k) benefits exemplify a portable benefit, but Shah believes that in the next three to five years, the market will develop to the point that life insurance, disability, and other such benefits will be portable as well.

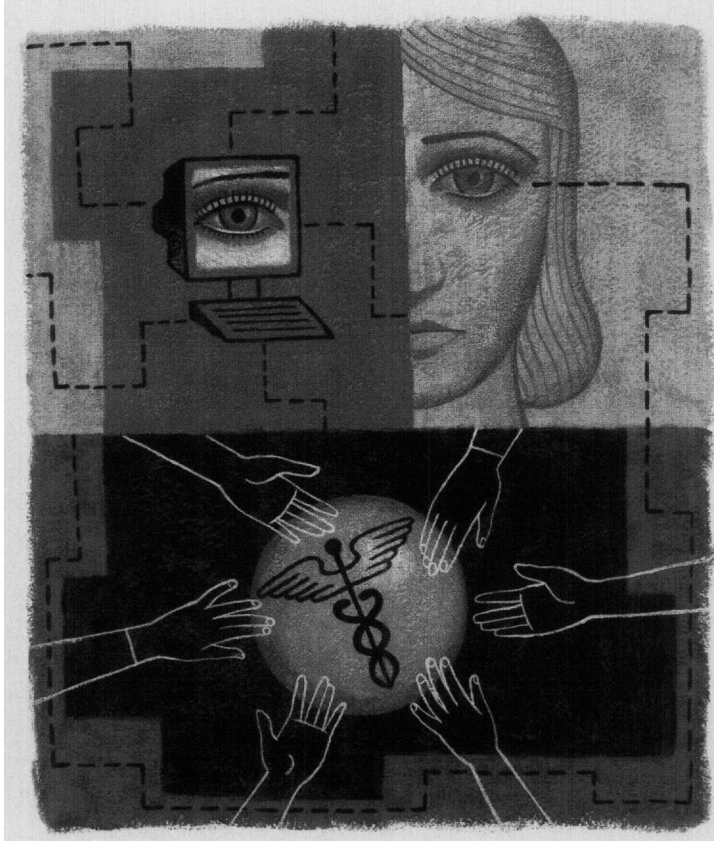


ILLUSTRATION FOR IW BY JAMES STEINBERG/ISFOT

"It's possible because of online access," comments Shah. "Once the employee leaves, how do you keep in touch? The Internet. Why offer portability if it won't be a great service experience. With the Internet, it will be."

MetLife utilizes IBM's WebSphere Application Server, WebSphere Application Developer, Sun Microsystems for UNIX hardware and software, and Vignette content management solutions for its current online benefits administration.

"[We can] give employees an aggregated or holistic view of all of their benefits online, while reducing costs and improving service delivery to their employer. We will see employers offer more portable benefits options that workers can manage and take with them, even after they move on to a new job. The Internet will keep workers connected to their portfolios," predicts Shah.

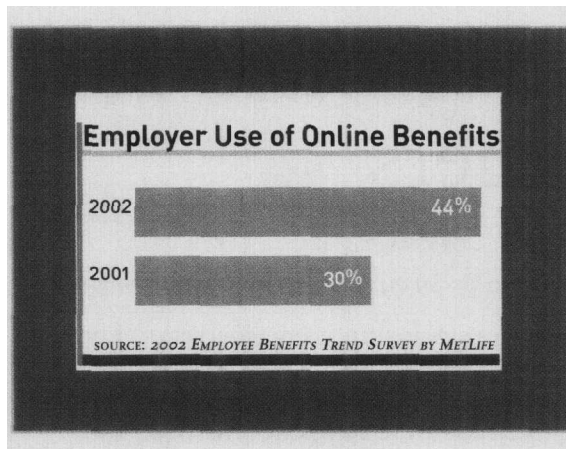
With detailed research to dictate the way it should move concerning online benefits, MetLife has utilized business technology to its fullest potential. It currently has 700 customers on its MyBenefits program, which reaches about 5.3 million employees. Those numbers are up from 55 customers in 2001. Between 10 and 20 percent of MetLife's customers that did not have the online functionality, requested it directly. By next year, it hopes to offer all of its new and existing customers a full suite of online options.

"We've been able to improve our business and the experience our employer customers are having," explains Shah.

CitiStreet Provides

CitiStreet works with more than 8.4 million participants and administers approximately \$180 billion in assets in the United States, mostly for Fortune 500 client companies. It also serves roughly 800,000 participants and administers about \$2.5 billion in assets outside the U.S.

Andy Marsh, CitiStreet's CIO, is responsible for information technology at



CitiStreet's TBO division. Across its client base in 2002, according to Marsh, CitiStreet has seen a 40 percent increase in Web usage over the last year. "Many of our clients, especially the larger ones, are rolling out HR portals," says Marsh. CitiStreet uses tech-

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nology from BEA Systems and Asparity, but relies largely on ILOG technology to run its complex benefit plans. ILOG's business rule management systems (BRMS) streamline the management, calculation, and administration of benefits.

Marsh has specifically seen an increased desire for financial-services advice. In this capacity, his company uses a technology from Financial Engines, a provider of advice technology and services, that allows it to provide a Web-based tool for its employees to manage their 401(k) benefits. This financial advisement program allows employees to aggregate all financial data they enter, including projected retirement information, existing banking accounts, and other financial assets, via the Web.

"[We provide CitiStreet with] real-time investment advice over the Web that takes into account an array of complexities encountered in real-world portfolio optimization that is often overlooked," says Jason Scott, vice president of financial research at Financial Engines. Marsh also notes that the company has a fully staffed call center for financial advice. "Again, we don't want to leave anyone out," he says. "We still have a retiree population and those without PCs who still require a call center to look at their pension benefits. They want to make certain that there is a human being to talk to."

Financial Engines' Scott agrees that even though financial planning may move online, certain demographics still require alternate information contacts, which is why the technology provider offers three areas of service: a forecast to the individual, advice, and a monitoring service via online, call center, and face-to-face communication.

Online-benefits administration technology continues to evolve and expand. Technology companies have listened to the needs of enterprises, and will continue to address self-service benefits administration in ways that will let organizations deliver those benefits more quickly and efficiently. **IW**

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