

State of Delaware

2023 Benefits Modernization Survey

May 2023



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Project overview

Survey design and participation



7,902
respondents

All benefits-eligible State of Delaware employees were invited to participate in the online survey, administered from **February 1 – 17, 2023**



24%
overall
response rate
(33% excluding
School Districts)

24% is a statistically reliable sample of the State of Delaware associate population. WTW's average response rate is around 50%.



↑7/8↓

Using conjoint analysis, a total of 7 enhancements and 8 reductions to the current 8 benefit offerings were tested



18

Traditional (non-conjoint) survey questions were included to collect additional insights



4,295
comment
responses

54% of all respondents provided a written suggestion for how the State of Delaware's programs could better meet their needs

Eight rewards were selected to test perceived value

Rewards were selected by State of Delaware core project team with guidance from WTW

Reward Element	Changes Tested			Changes Tested	
Health Plan Payroll Contributions	+20%	+10%		--	
Healthcare Out-of-Pocket Costs	+10%	+5%		--	
Retiree Health Benefits Eligibility Options	More years of service required	-50% spousal subsidy	Age 60 for retiree healthcare	--	
Deferred Comp	--			+1% match	+3% match
Professional Development Budget	--			+\$2,000	
Education / Tuition Assistance	--			+ \$2,500	+ \$5,250
Lifestyle Spending Account	--			+1,000	
Base Pay Merit Increase	-50%			+50%	

Trade-offs were tested using conjoint analysis, which is a surveying method used for many years in marketing to capture subjective preferences by asking employees to make trade-offs among program features as opposed to assessing the features individually. It is a more reliable forecast of behavior than traditional survey methods.

Note: The full-text of the rewards matrix can be found in the appendix.

Executive summary

Executive Summary

- **Benefits are an important reason employees continue working at the State of Delaware**, driven by the pension plan which is ranked as the most important reason to continue working for the state. ***NOTE: Neither this survey nor any other SEBC action has suggested any changes to the state pension plan.***
- **Perceptions of the value of current rewards are well below the US National norm**, and are lower for those under 35
 - This may be driven by poor perceptions of the competitiveness of base pay, deferred compensation and career development
 - While there remains strong support for the competitiveness of health insurance, vacation, flexibility and access to retiree health benefits, they are not enough to lift overall perceived value of the benefits program
- Despite strong support for the competitiveness of health insurance, **respondents are very sensitive to potential reductions (i.e., increased contributions or out-of-pocket costs)**
 - Premiums (e.g., employee deductions via payroll) appear to be more important to respondents than out-of-pocket costs and there is a preference for small, consistent increases vs. larger increases every few years
- **Increases to base pay and additions to deferred compensation lead to the largest increases in overall perceived value** (and even higher for those under 35 years old) and respondents indicate that matching would lead them to increase or begin their own deferred compensation contributions
- Access to retiree health care is the 4th most important reason to continue to work for the State. **Increasing eligibility to 60 years old has the least impact on perceived value and greatest potential for cost savings** of changes tested to retiree health care
- **NOTE: This is a report of survey findings and is not meant to be a recommendation for plan design or program changes**

Key Findings

Overall



- Overall Perceived Value (PV) of 68.1 out of 100 is below the US Norm, and is lower for those under 35 and with less than 4 years of tenure
- 9 out of 10 say benefits are very important for retention and while most overall say they understand benefits, it is lower for younger respondents

Compensation



- Increases to merit, while costly, have the second strongest positive impact on PV
However, reductions in merit save significantly while only having relatively moderate reductions in PV
- The large majority (73%) rate base pay below average

Vacation



Almost half rate vacation/holiday as above average and more PTO is by far the most preferred form of recognition

Healthcare & Wellness



- Increases in healthcare premiums and out of pocket costs have the largest negative impacts on PV, significantly more so than reductions in merit which saves more money
- 61% currently rate healthcare as above average, well above norms
- Across every age, many more prefer to pay more in premium and less at the point of care and strongly prefer smaller annual premium increases to larger increases every 3-4 years
- Just under a third rate wellness and condition management programs above average and very few (14%) rate it below
- A 10% reduction in health plan premium is the most preferred wellness incentive
- People are looking for more time for wellness activities during the workday

Retirement & Deferred Compensation



- The highest rated reason to continue working for the State is the pension plan and 40% rate it above average (18% rate it below)
- Few feel confident in their retirement savings; especially low for under 35 and black/Hispanic/2 or more races
- Adding a 3% match has a very significant increase in PV (+16.7) and a moderate increase in costs; even a 1% match has a strong impact on PV
- Few feel deferred compensation is competitive as only 12% rate it above average and 38% rate it below

Retiree Healthcare



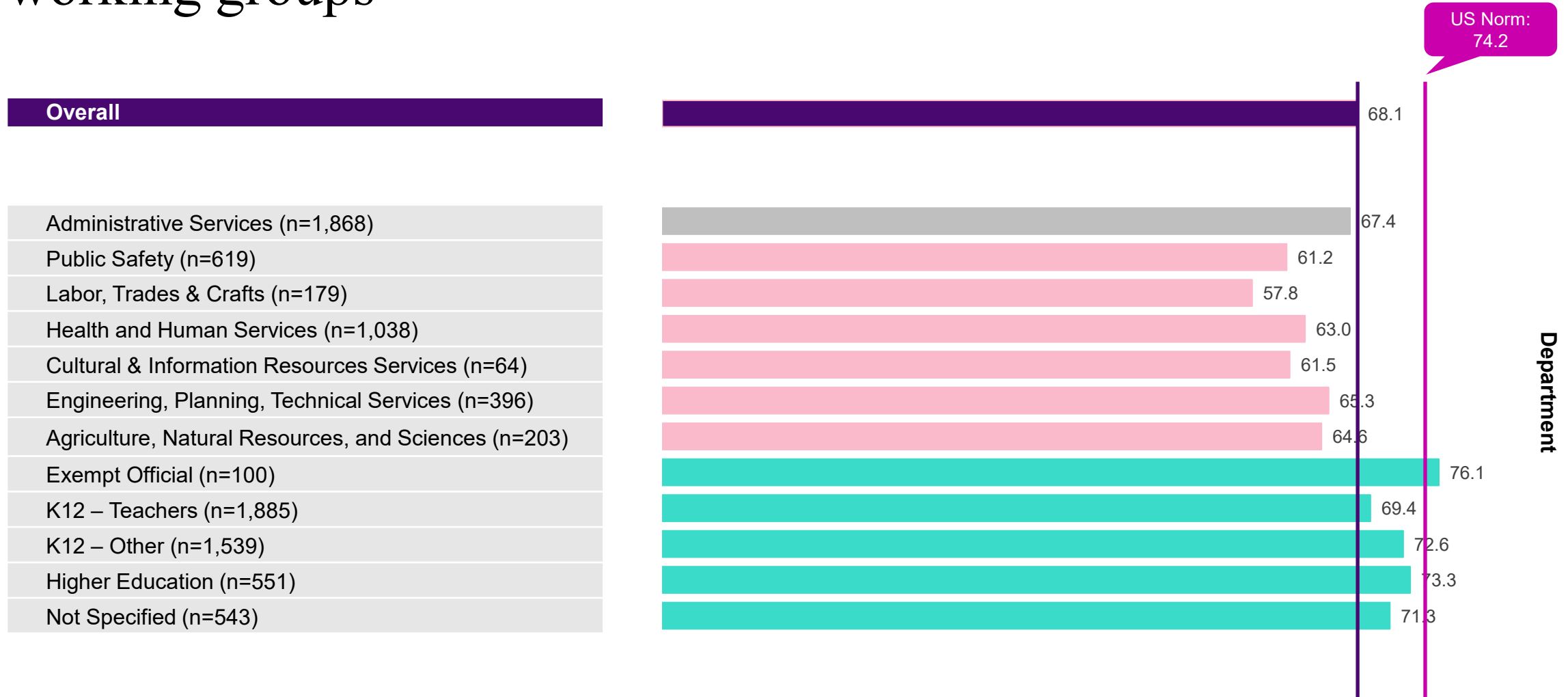
- Increasing the eligibility for retiree healthcare to 60 years old has both the largest potential for short-term savings* and the smallest reduction in PV among the retiree healthcare changes tested. It is also ranked highest in the direct question asking for preference, with a third ranking it the most preferred option
- Overall, 43% rate access to retiree healthcare as above average

Professional Development



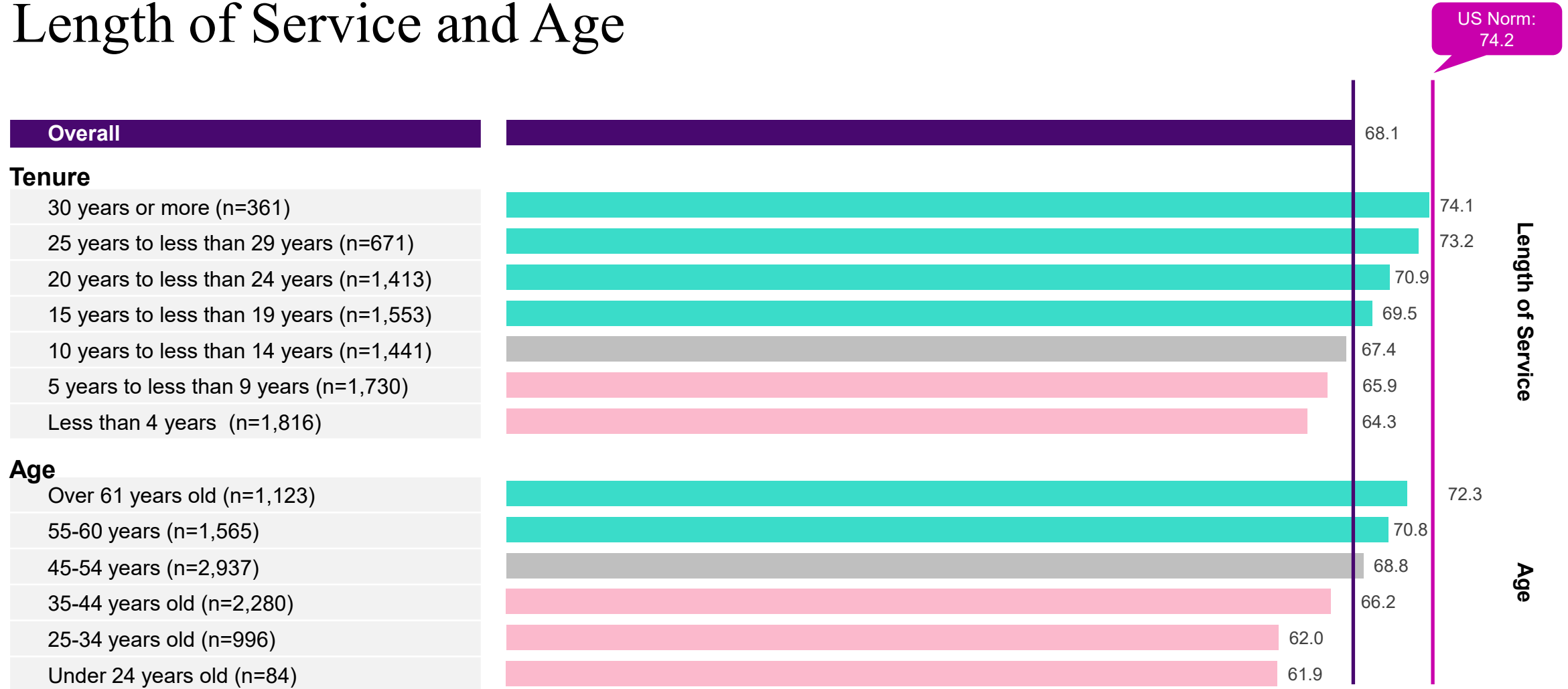
- Education/Tuition reimbursement at \$5,250 has a similar impact on PV as a 1% Deferred Compensation match, but costs more. Smaller reimbursement of \$2,500 or a \$2,000 professional development budget lead to some of the smallest increases in PV, and just over a third rate career development below average and only 15% rate it above

Baseline perceived value (PV) of current total rewards across working groups



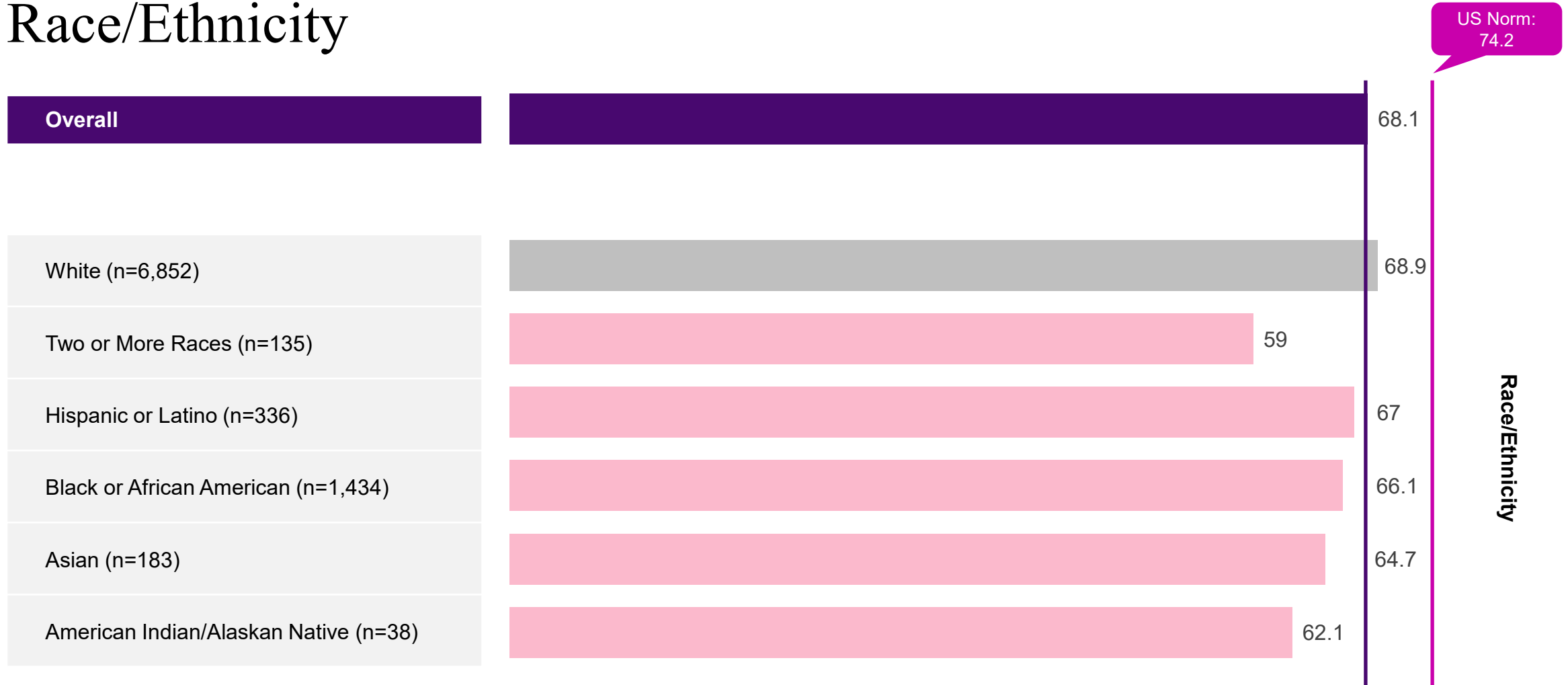
Note: WTW's norms refer to average Perceived Value scores across all recent clients conducting a similar study in the United States.

Baseline perceived value (PV) of current total rewards across Length of Service and Age



Note: WTW's norms refer to average Perceived Value scores across all recent clients conducting a similar study in the United States.

Baseline perceived value (PV) of current total rewards across Race/Ethnicity



Note: WTW's norms refer to average Perceived Value scores across all recent clients conducting a similar study in the United States.

Trade-off analysis

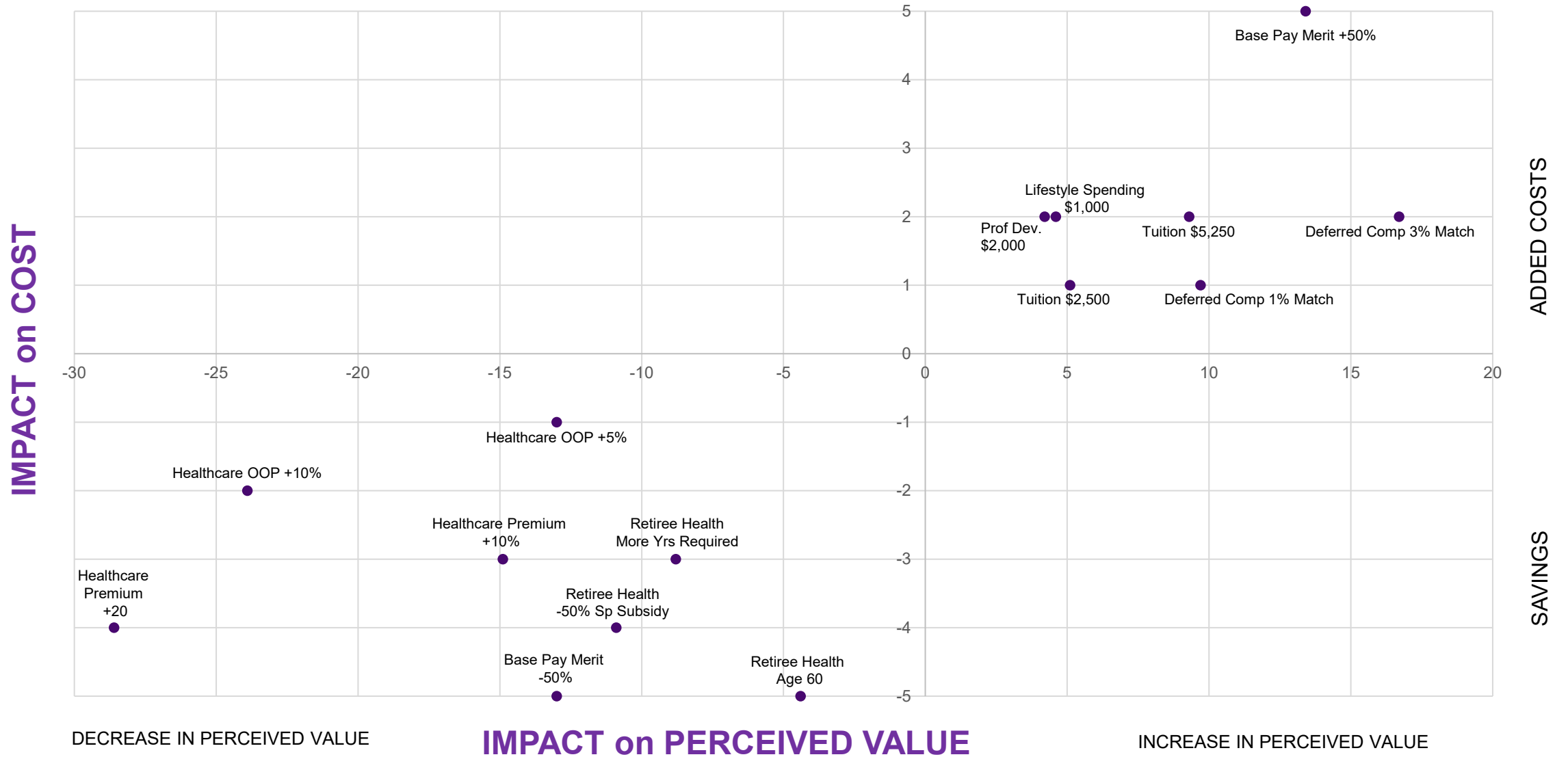
Isolated Impact of Reward Changes

Adding a Deferred Compensation match is seen as highly valuable and is a relatively efficient enhancement given the costs. Respondents are highly sensitive to healthcare reductions. Increasing the age requirement to 60 for retiree health eligibility may be an efficient way to reduce costs.

Design Alternative	Baseline Perceived Value	Change in PV	Savings/Cost
	68.1		
Deferred Comp (Level 3): +3% match		16.7	2*
Base Pay Merit Increase (Level 3): +50%		13.4	5
Deferred Comp (Level 2): +1% match		9.7	1*
Education / Tuition Assistance (Level 3): + \$5,250		9.3	2
Education / Tuition Assistance (Level 2): + \$2,500		5.1	1
Lifestyle Spending Account (Level 2): + \$1,000		4.6	2
Professional Development Budget (Level 2): +\$2,000		4.2	2
Retiree Health Benefits Eligibility Options (Level 4): Age 60 for retiree healthcare	-4.4		-5*
Retiree Health Benefits Eligibility Options (Level 2): More years of service required	-8.8		-3
Retiree Health Benefits Eligibility Options (Level 3): -50% spousal subsidy	-10.9		-4*
Healthcare Out-of-Pocket (Level 2): +5%	-13		-1
Base Pay Merit Increase (Level 1): -50%	-13		-5
Healthcare Premiums (Level 2): +10%	-14.9		-3
Healthcare Out-of-Pocket (Level 1): +10%	-23.9		-2
Healthcare Premiums (Level 1): +20%	-28.6		-4

* More efficient changes

Perceived Value by Cost Implication



Isolated Impact of Reward Changes: Under 35 Years Old

The order of changes in PV is the same for younger respondents, but those under 35 years old are more sensitive to enhancements in Deferred Compensation match and base pay

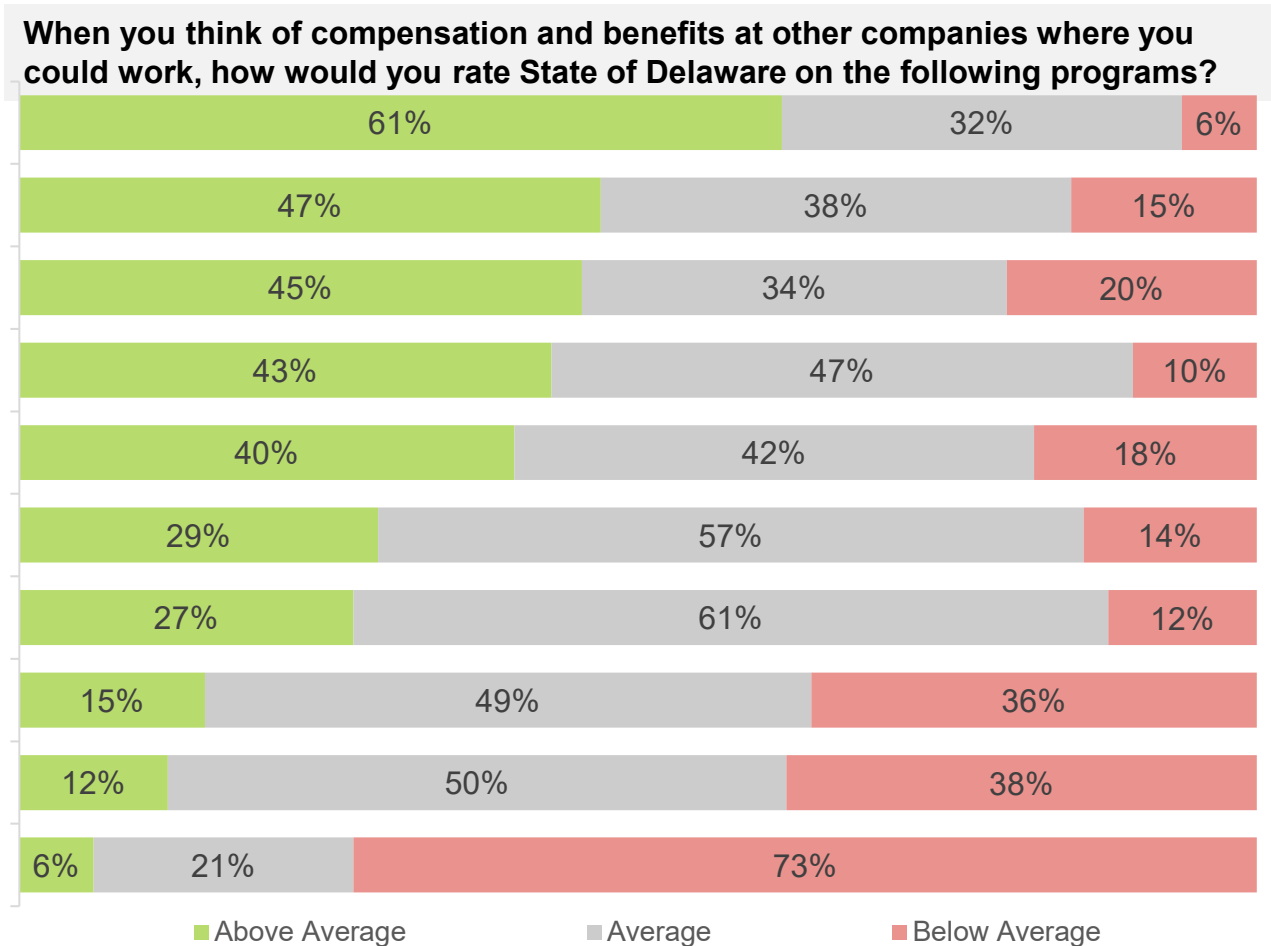
Under 35 Perceived Value

Design Alternative	Baseline Perceived Value	Overall Change in PV	Under 35 Change in PV
	68.1		62.0
Deferred Comp (Level 3): +3% match		16.7	19.2
Base Pay Merit Increase (Level 3): +50%		13.4	15.4
Deferred Comp (Level 2): +1% match		9.7	11.1
Education / Tuition Assistance (Level 3): + \$5,250		9.3	10.6
Education / Tuition Assistance (Level 2): + \$2,500		5.1	5.8
Lifestyle Spending Account (Level 2): + \$1,000		4.6	5.1
Professional Development Budget (Level 2): +\$2,000		4.2	4.7
Retiree Health Benefits Eligibility Options (Level 4): Age 60 for retiree healthcare	-4.4		-5.0
Retiree Health Benefits Eligibility Options (Level 2): More years of service required	-8.8		-9.3
Retiree Health Benefits Eligibility Options (Level 3): -50% spousal subsidy	-10.9		-10.4
Healthcare Out-of-Pocket (Level 2): +5%	-13		-13.5
Base Pay Merit Increase (Level 1): -50%	-13		-13.7
Healthcare Premiums (Level 2): +10%	-14.9		-15.2
Healthcare Out-of-Pocket (Level 1): +10%	-23.9		-24.3
Healthcare Premiums (Level 1): +20%	-28.6		-28.6

Non-conjoint items

Market Competitiveness

While Health insurance is seen as above average by a large proportion of respondents, Career Development, Deferred Compensation and Base Pay have many rating below average

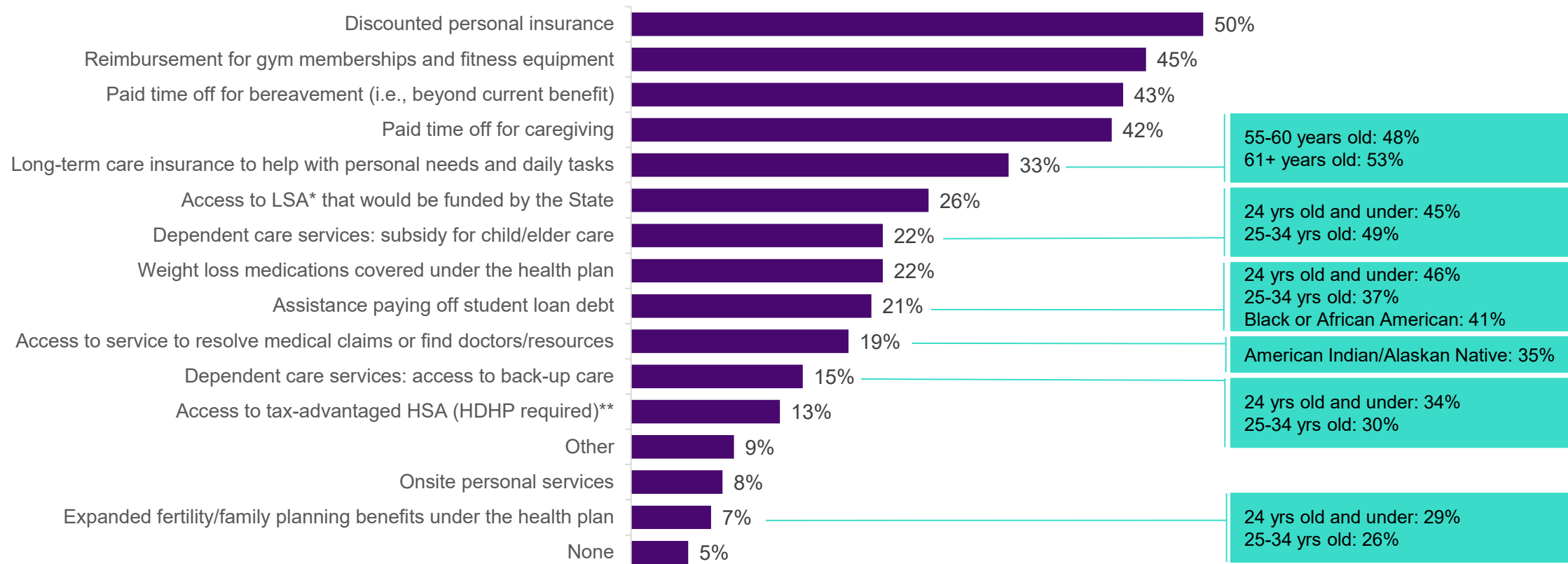


Note: Totals may not sum to 100%, due to rounding.

Benefits: Potential Programs

Programs supporting discounted personal insurance and reimbursement for gym memberships and fitness equipment are most likely to be used, if offered

Which of the following benefits would you be most likely to enroll in or use if the State of Delaware were to add them to your current benefits options? Please select up to five (5) options:



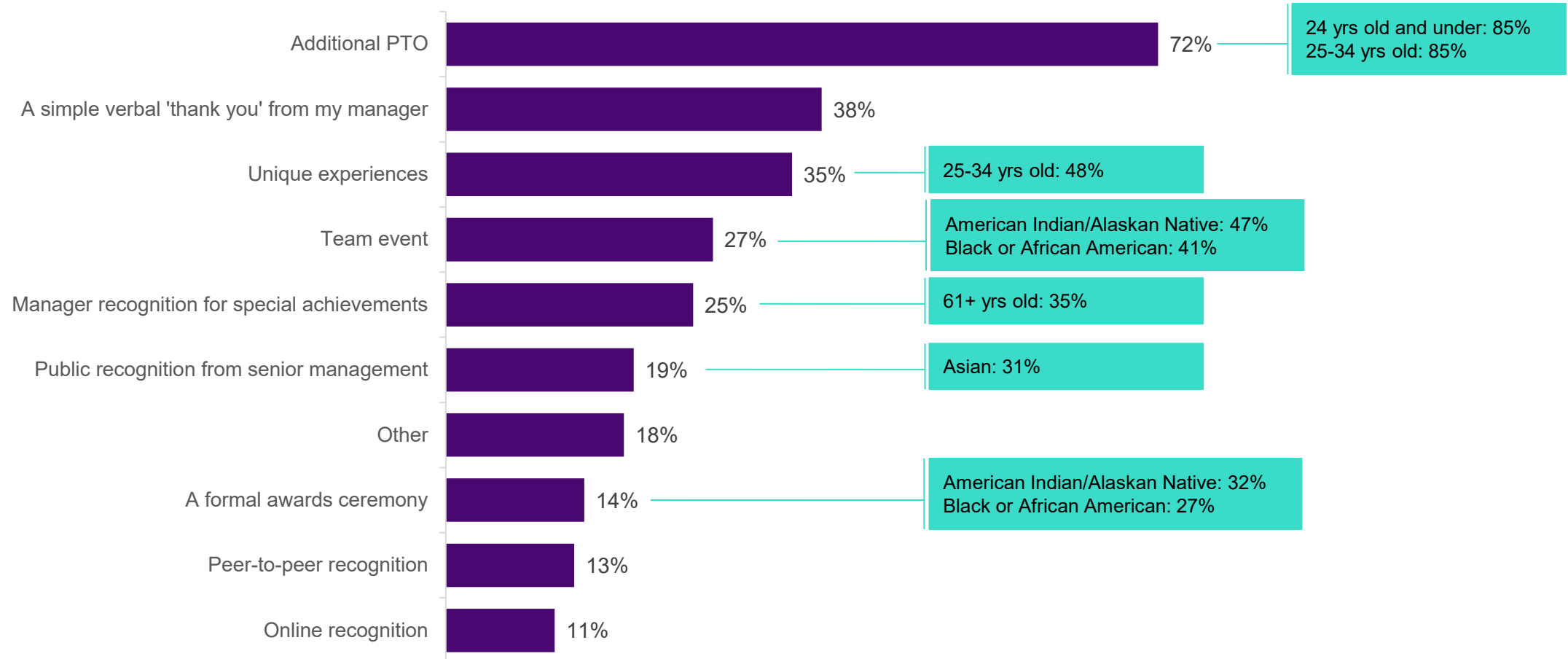
*LSA = lifestyle spending account

**HSA = health savings account; HDHP = high deductible health plan

Recognition

Additional PTO is the preferred form of recognition, with a simple “thank you” from managers ranking second

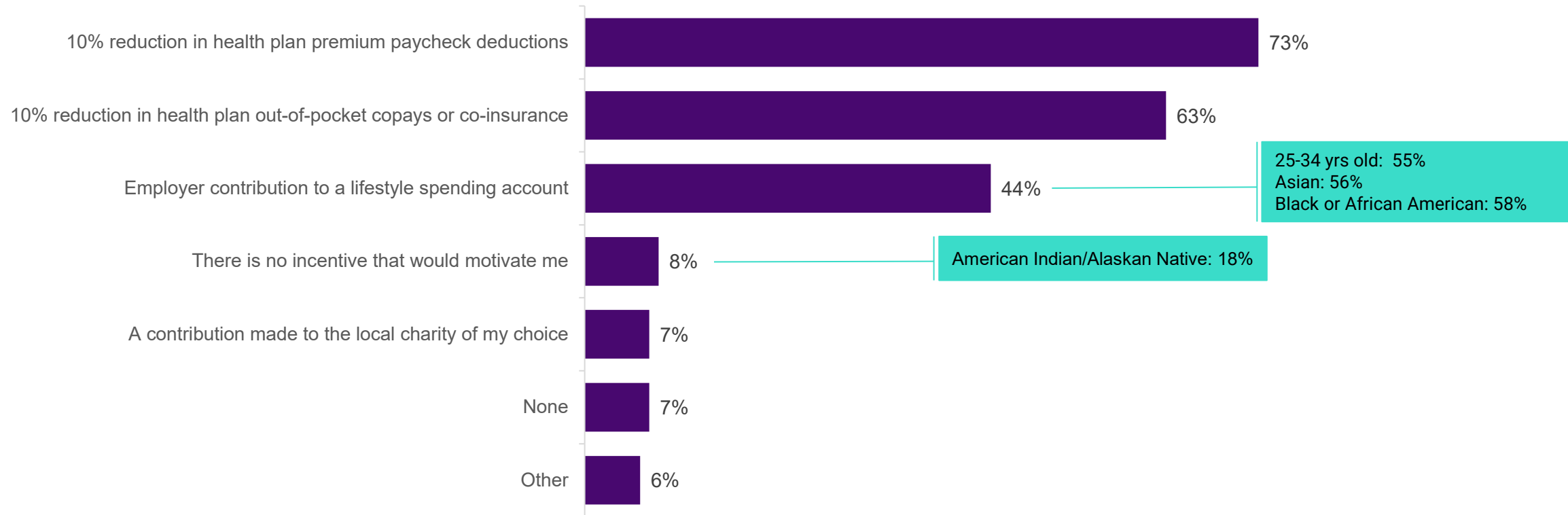
From the list below, select the forms of recognition that you most prefer. Please select up to four (4) options.



Wellness Incentive

The greatest incentives are reductions in healthcare premiums and out-of-pocket costs

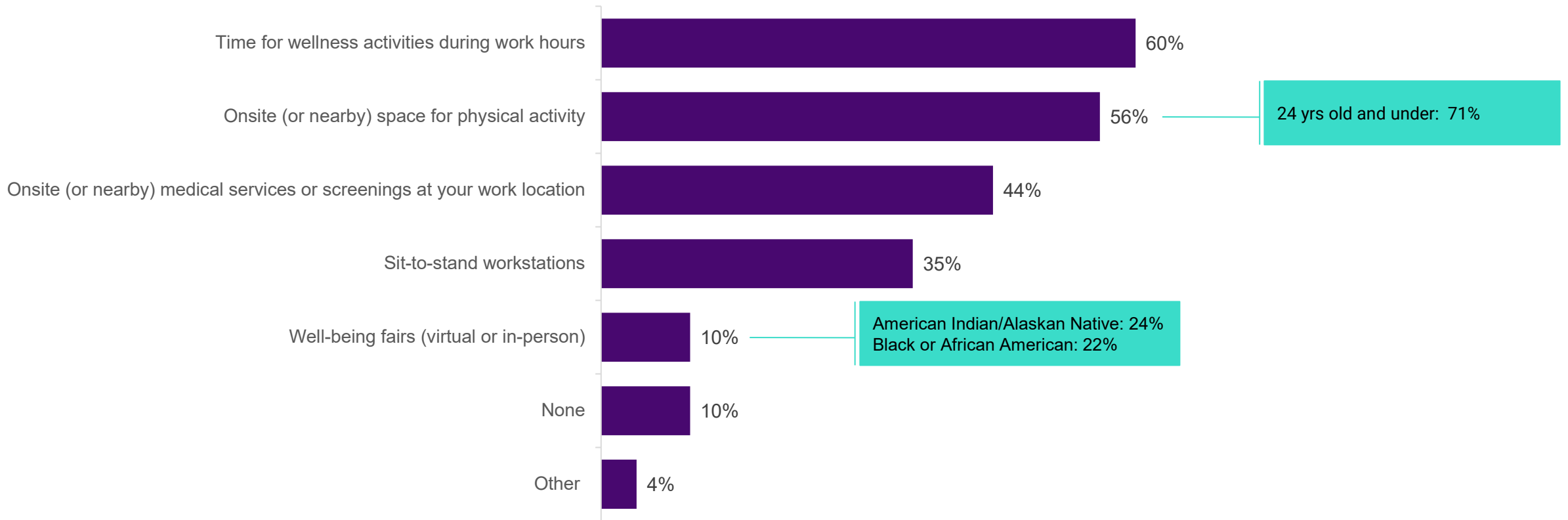
From the list below, please select the incentive that would most motivate you to participate in a wellness/condition care management program offered through the State of Delaware health plan (not including gym membership discounts). Please select up to three (3) options:



Well-being Support

Programs providing time for wellness activities during work hours are most likely to be used, if offered

Which of the following health and well-being offerings would you be most likely to participate in, regardless of whether you participate in the State of Delaware's health plan? Please select up to three (3) options.



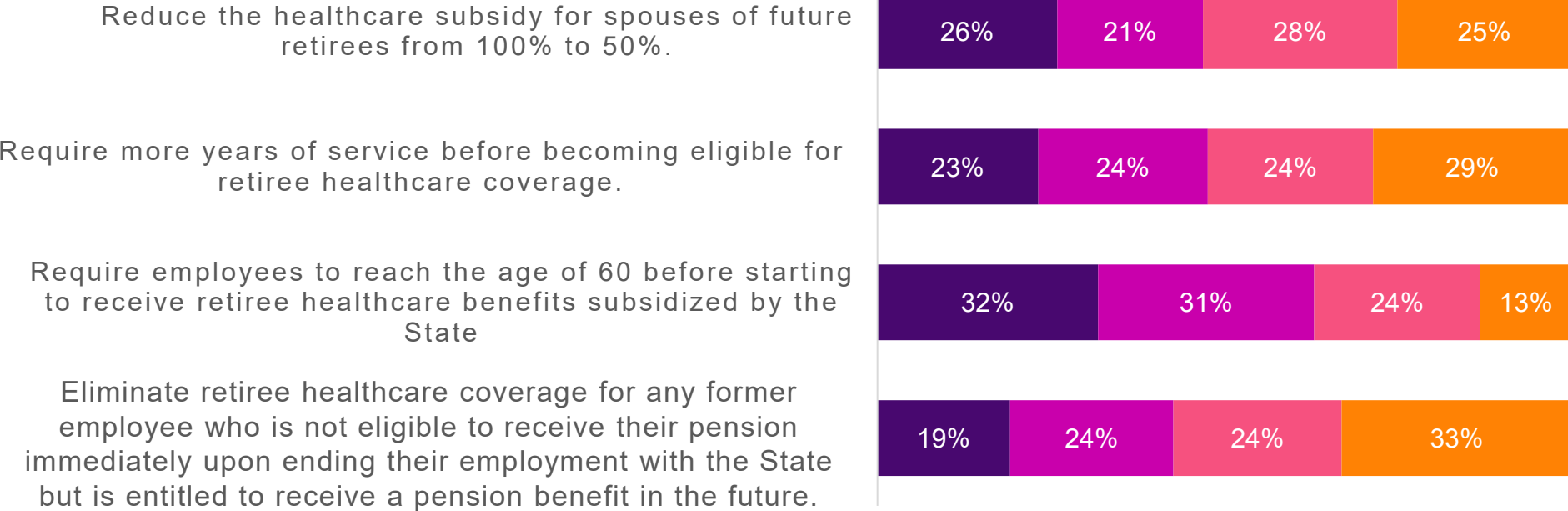
Retiree Healthcare

Similar to trade-off findings, the option requiring employees reach the age of 60 before starting to receive retiree healthcare benefits subsidized by the State is the most preferred option

Please rank the options below in order of your most to least preferred by placing a numeric value 1 (most preferred) - 4 (least preferred) in the corresponding box:

Percentage Ranked

■ Rank 1 ■ Rank 2 ■ Rank 3 ■ Rank 4

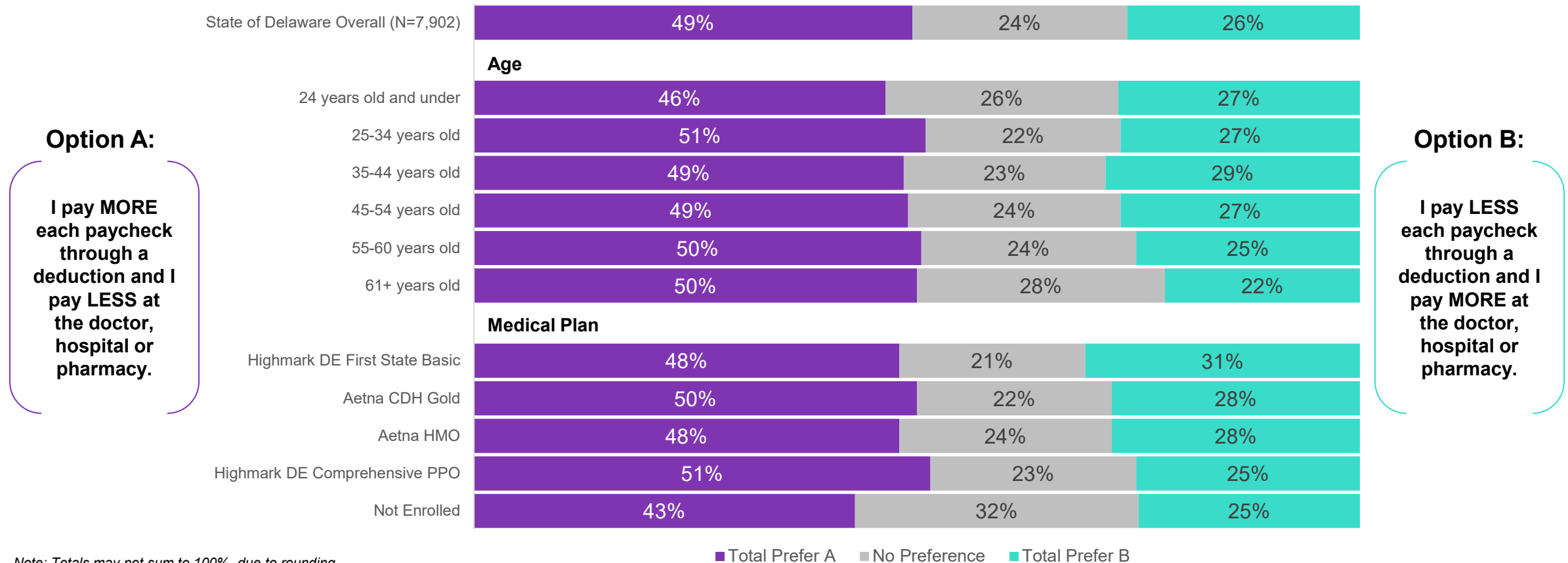


Note: Totals may not sum to 100%, due to rounding.

Healthcare Coverage

Generally, there is a preference for a higher paycheck deduction

When thinking about healthcare coverage for you and your family, which option would you prefer?



Note: Totals may not sum to 100%, due to rounding.

Overall Benefits

Benefits are reinforced as a significant driver of retention

24 My benefits package is an important reason I continue my employment with the State of Delaware.

Total Favorable | Neither | Total Unfavorable



25 The work arrangements at the State of Delaware are flexible enough to meet my needs.

Total Favorable | Neither | Total Unfavorable



17 The State of Delaware makes adequate use of recognition and rewards other than money to encourage good performance.

Total Favorable | Neither | Total Unfavorable

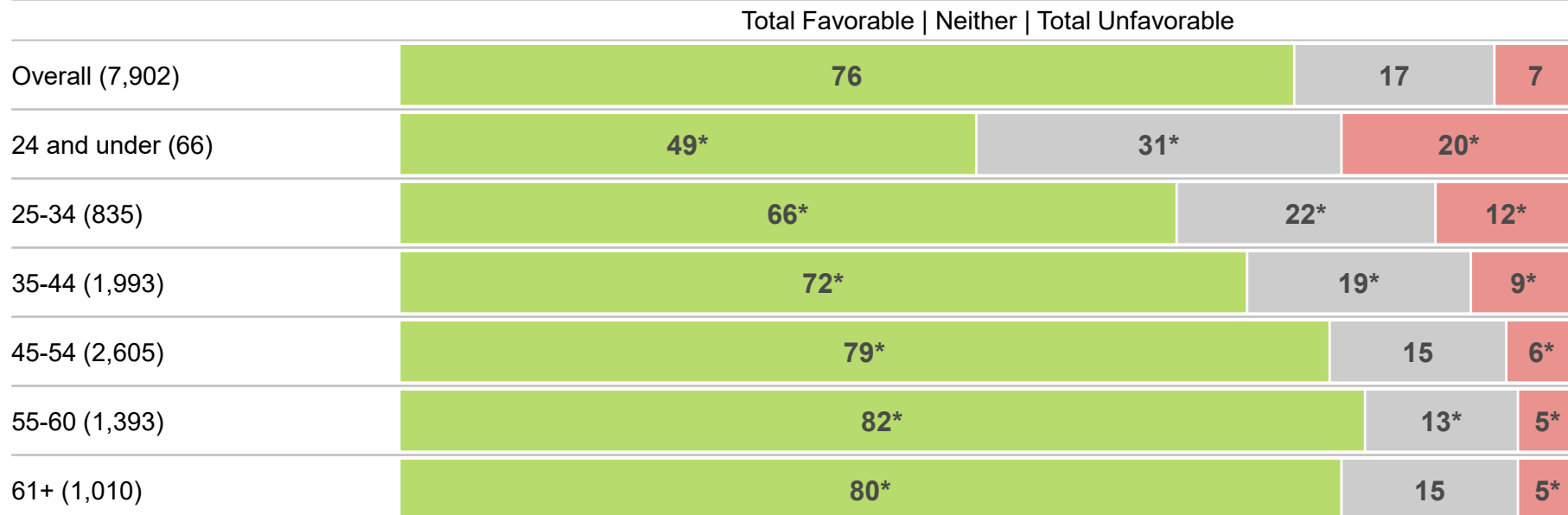


Note: Totals may not sum to 100%, due to rounding.

Understanding Benefits

Most feel they have a strong understanding of benefits but there are opportunities for improvements with younger workers

27 I have a good understanding of the benefits available to me and how they work.

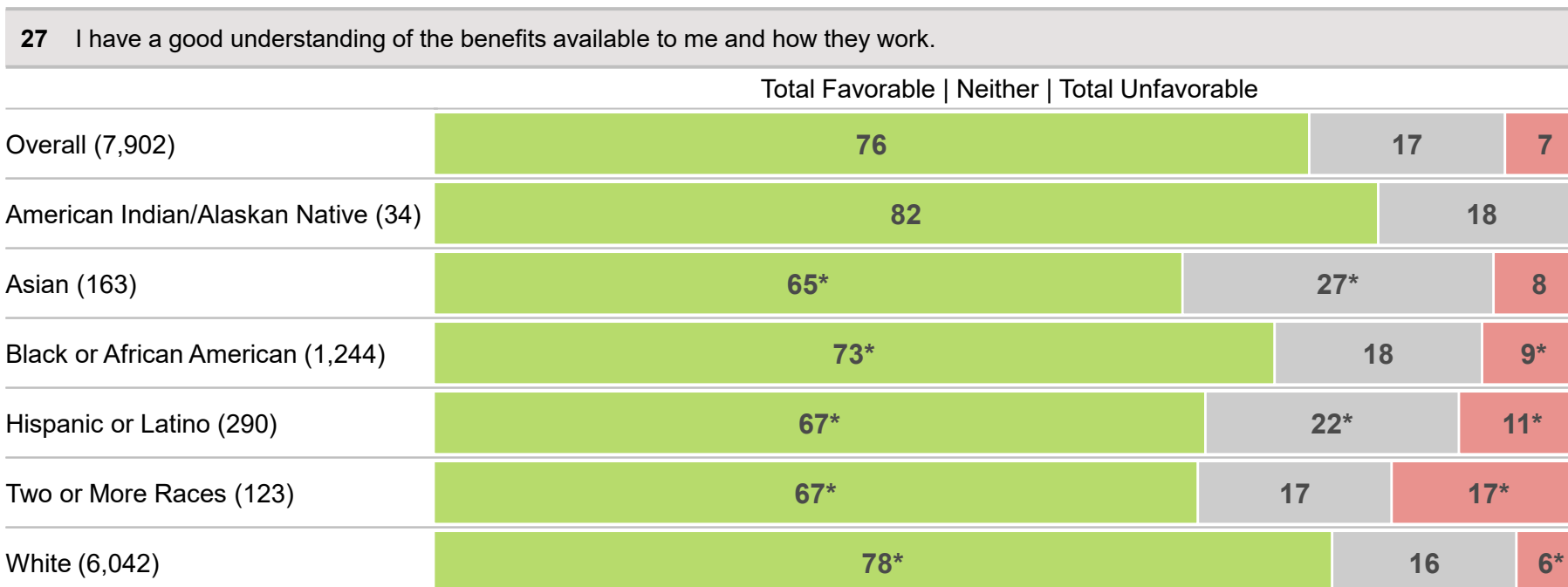


* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Understanding Benefits

Some ethnic groups have significantly lower confidence in their understanding of benefits



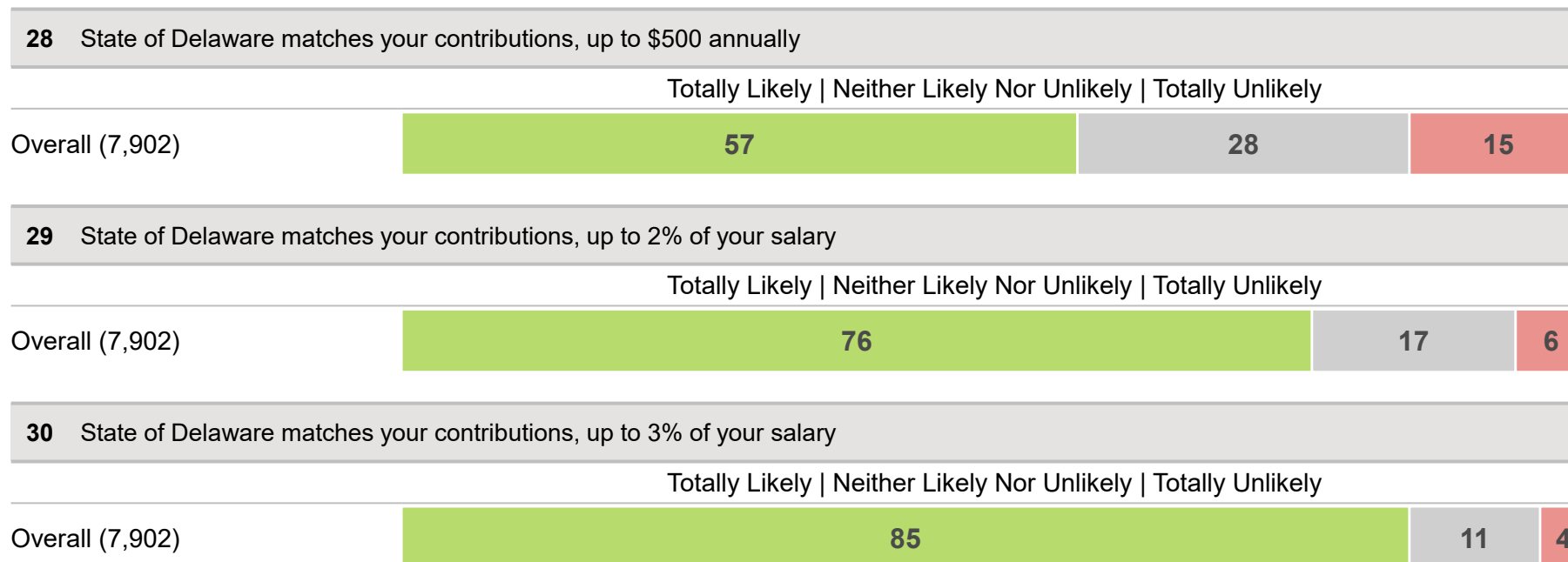
* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Retirement Savings

There is strong interest in contributing to the 457(b)/403(b) with matching contributions, especially 2% of salary or more

How likely would you be to increase your contributions (or begin contributions) to the 457(b) or 403(b) retirement savings plans in the following scenarios?

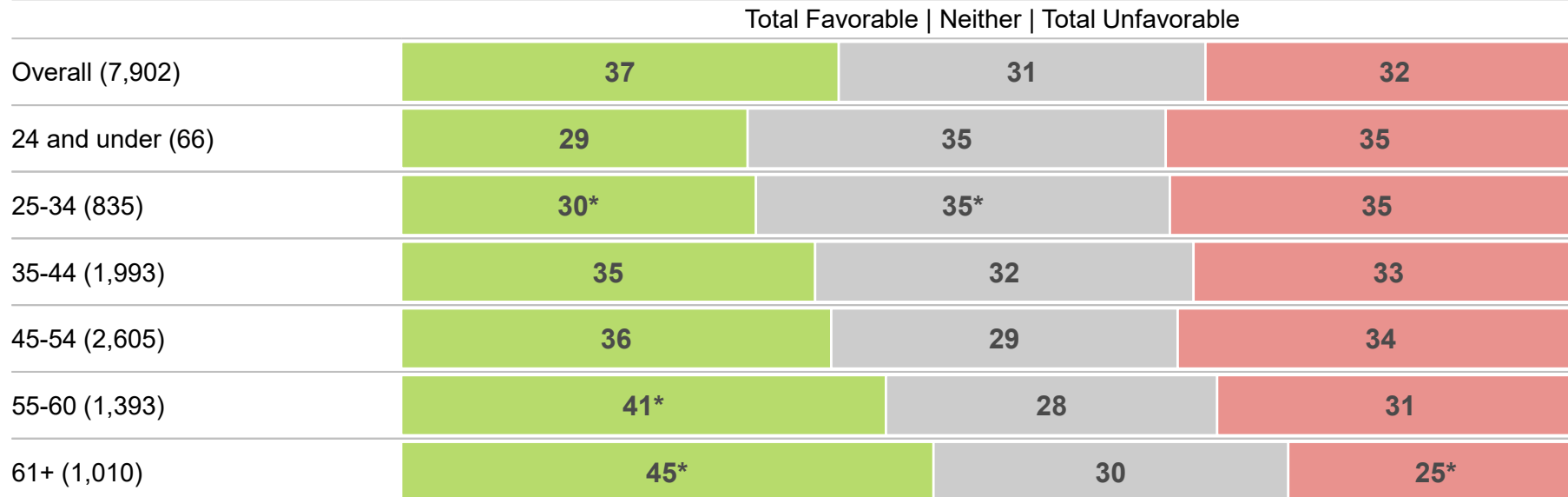


Note: Totals may not sum to 100%, due to rounding.

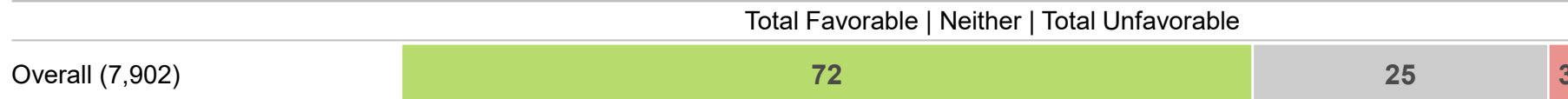
Retirement Savings

While confidence increases with age, not even half of those closest to retirement feel they are on track. Employees appear very open to more help in saving, including auto-enrollment

31 I am confident that I am on track to meet my financial retirement goals.



32 The State should make it simpler and easier for employees to participate in the 457(b) or 403(b) retirement savings plans by creating an automated enrollment process that helps interested employees to quickly and effortlessly begin saving & investing money for retirement.

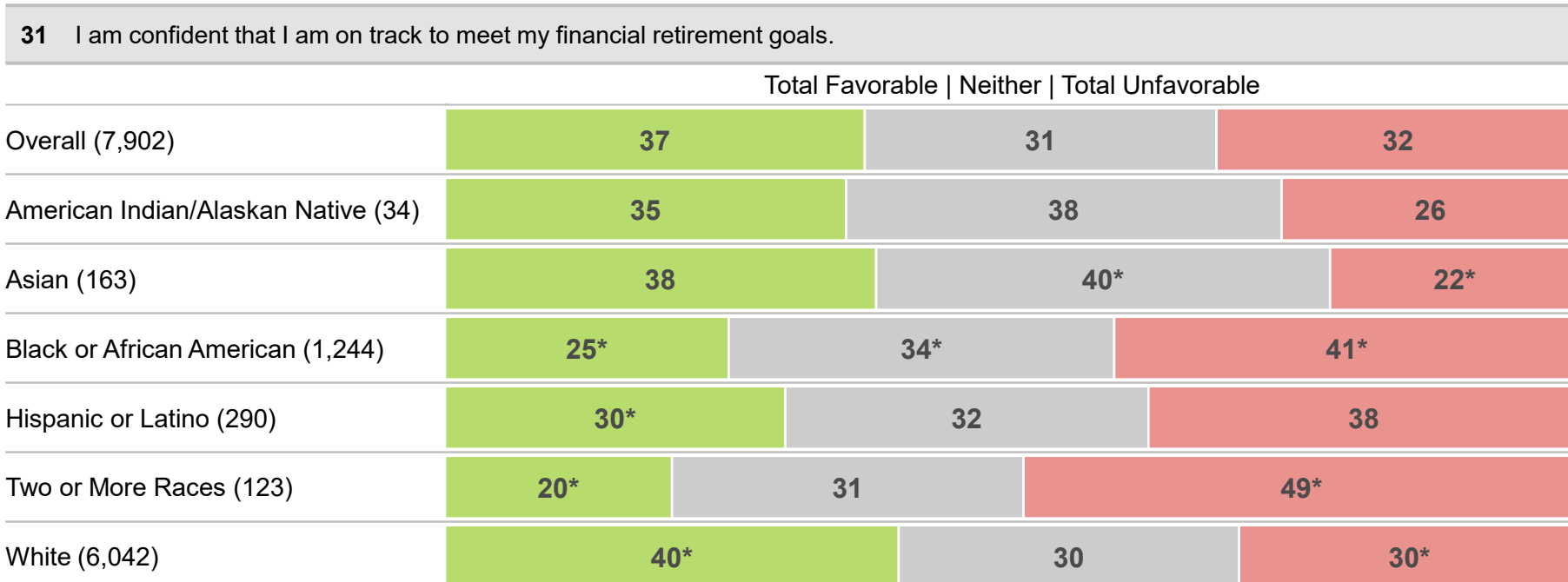


* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Retirement Savings

Some ethnic groups have significantly lower confidence in their ability to meet their financial goals in retirement



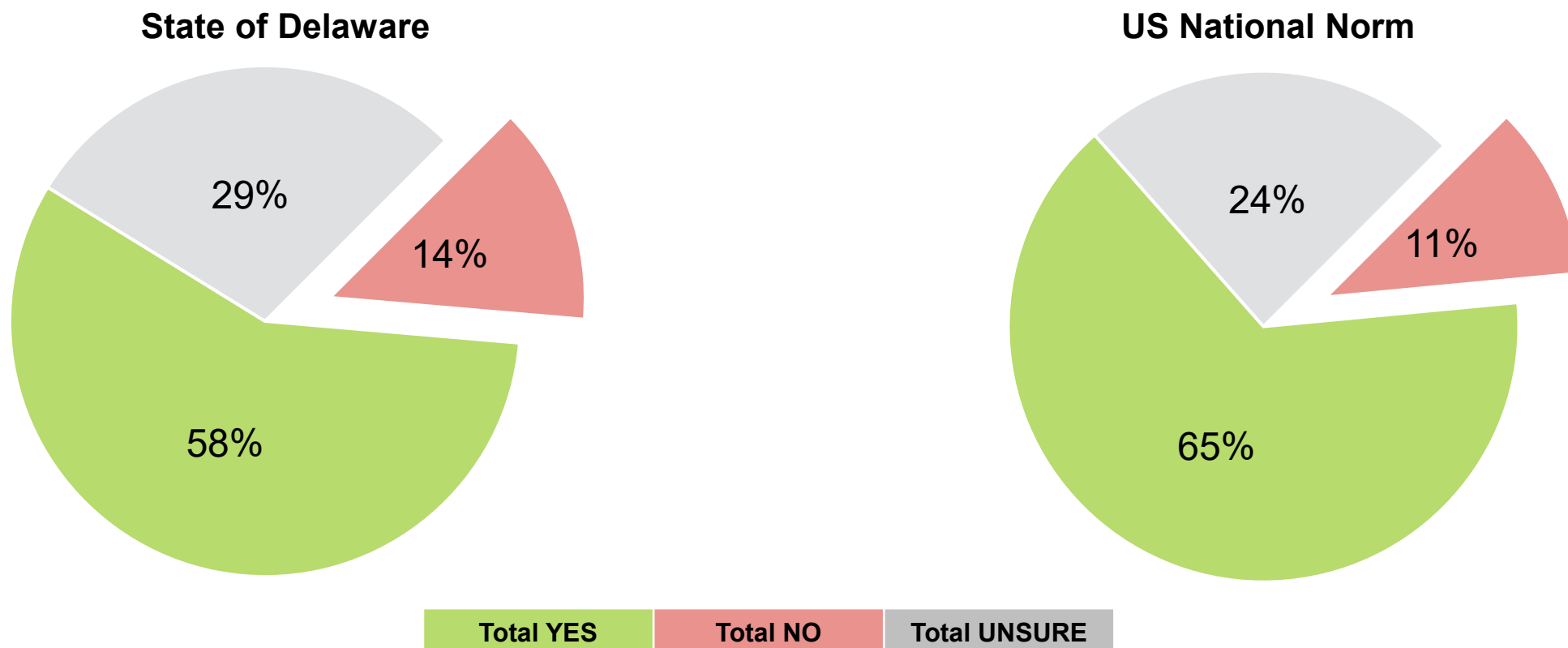
* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Intent to Stay

The State of Delaware is lower than the US Norm for indicating intent to stay

I would prefer to remain with the State of Delaware even if a comparable job were available in another organization.



Note: Totals may not sum to 100%, due to rounding.

Intent to Stay

Intent to stay increases with age

26 I would prefer to remain with the State of Delaware even if a comparable job were available in another organization.

Total YES | UNSURE | Total NO

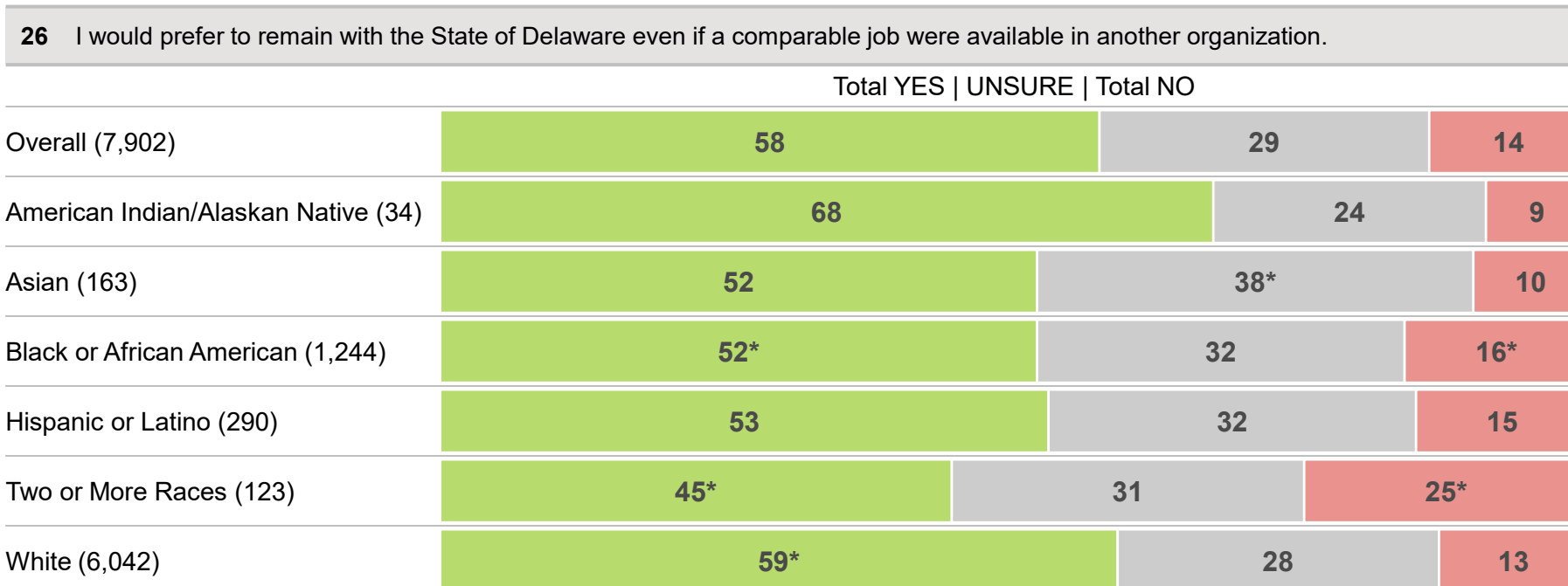
	YES	UNSURE	NO
Overall (7,902)	58	29	14
24 and under (66)	46	26	28*
25-34 (835)	49*	32	19*
35-44 (1,993)	55*	30	15
45-54 (2,605)	59	29	12
55-60 (1,393)	61*	27	12*
61+ (1,010)	62*	27	11*

* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Intent to Stay

Intent to stay is lower for Black/African American, Asian, Hispanic/Latino, and those who indicate two or more races



* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Intent to Stay

Intent to stay varies significantly across working groups

26 I would prefer to remain with the State of Delaware even if a comparable job were available in another organization.			
	Total Favorable	Neither	Total Unfavorable
Overall (7,902)	58	29	14
Administrative Services (1,701)	56	31	13
Public Safety (530)	42*	32	25*
Labor, Trades & Crafts (158)	53	29	18
Health and Human Services (933)	51*	30	18*
Cultural & Information Resources Services (61)	48	30	22
Engineering, Planning, Technical Services (361)	52*	28	20*
Agriculture, Natural Resources, and Sciences (189)	44*	36*	21*
Exempt Official (93)	62	30	8
K12 - Teachers (1,588)	58	30	12
K12 - Other (1,284)	72*	22*	6*
Higher Education (511)	60	29	10*
Not Specified (493)	62	25	13

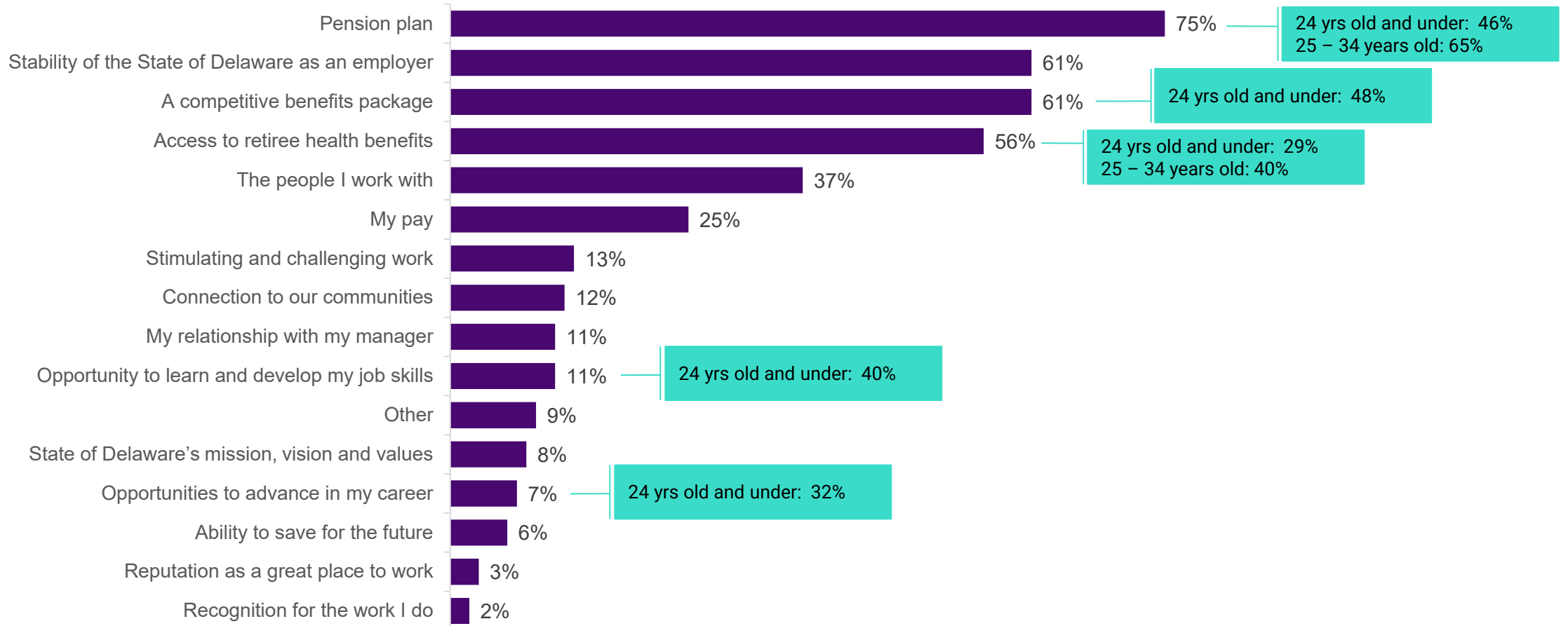
* Favorable (Statistically Significant) * Unfavorable (Statistically Significant)

Note: Totals may not sum to 100%, due to rounding.

Retention

The pension plan, stability and competitive benefits are the top reasons employees continue to work for the State

From the list below, please select the reason(s) you continue to work for the State of Delaware. Please select up to five (5) options:



Spotlight: 25-34 year-olds

- **Perceived Value:** 25-34 year-olds have a lower perceived value of their current total rewards (62.0 vs. 68.1 for the State overall)
- **Retention**
 - 25-34 year-olds are less likely to say they prefer to remain with the State of Delaware (49% vs. 58% overall)
 - Consistent with the State of Delaware overall, 25-34 year-old employees indicate that the pension plan, stability and competitive benefits are the top reasons they continue to work for the State
 - Fewer 25-34 year-olds indicate access to retiree health benefits is a top reason they continue to work for the State
- **Benefits:**
 - 66% feel they have a good understanding of the benefits available and how they work (11 percentage points below the State overall)
- **Flexibility:** 65% feel there is enough flexibility (6 percentage points below the State overall)
- **Retirement Savings:** Compared to the State overall, they have a significantly more favorable views of a 2-3% retirement savings match, as well as automated enrollment. While lower than the overall group, 65% of those 25-34 see pension as an important retention driver
- **PTO:** 21% rate PTO below average vs. just 15% for the overall population. Additional PTO as recognition is more important relative to the overall population
- **Other benefits:** Assistance in paying off student loans, dependent care services, and lifestyle accounts are more important to 25-34 year-olds than the overall population

Comments

How could the State of Delaware's Total Rewards programs better meet the needs of you and your family?

"Increased wages - especially for lower tier employees. The cost of living is always going up, but the wages rarely do. No full-time employee should ever have to borrow, barter, or prioritize for utilities, groceries, and/or medications (not to mention rent or mortgage)."

"Teachers need to be paid more. I have a master's degree and yet I work two jobs to make ends meet. Teachers are entering the field and leaving at staggering rates as they are seeing they can make more managing in retail than they do in the classroom. Our compensation by no way mirrors, the trauma and situations we handle on a daily basis."

Pay (54%, 2,322 comments)

"Pay needs to stay on track with the rising cost of living since we cannot hope to have a good reputation as the employer of choice if our employees need to work a second job in order to meet their families costs and needs. Add Matching funds to the 457b deferred comp program would also help employees to face the future."

"By not only continuing pay increases, but also increasing the pay increases. The increases in pay, when they occur, are not keeping up with the cost of living, especially with increases to the healthcare plan, and Delaware already pays less than other states for the same or similar positions. It is becoming increasingly difficult to justify staying with the state, even though I truly want to, when we are not being adequately compensated. A lot of the other benefits are valuable to me but pay needs to be more comparable to be competitive."

Appendix

Costing Assumptions

Costing Assumptions

Reward		Cost Impact												
		Large cost	-5	-4	-3	-2	-1	Neutral	0	1	2	3	4	Large savings
REWARD 1	L1	Your contribution towards the health plan premium (rate) increases by 20% in the next plan year											\$325	
	L2	Your contribution towards the health plan premium (rate) increases by 10% in the next plan year										\$160		
	L3	Your contribution towards the health plan premium (rate) remains the same						X						
REWARD 2	L1	Your out-of-pocket costs for health care increase by 10% for the next plan year									\$60			
	L2	Your out-of-pocket costs for health care increase by 5% for the next plan year							\$30					
	L3	Your out-of-pocket costs for health care stay the same						X						
REWARD 3	L1	No change to employee eligibility for retiree healthcare benefits subsidized by the State						X						
	L2	For employees hired since January 2007, require more years of service (i.e., more than 15 years) before becoming eligible for subsidized retiree healthcare coverage										X*		
	L3	Reduce the healthcare subsidy for spouses of future retirees from 100% to 50%											X*	
	L4	Require employees to reach the age of 60 before starting to receive retiree healthcare benefits subsidized by the State (except for employees with an earlier mandatory retirement age). This would not impact when employees can retire and receive their pension												X*
REWARD 4	L1	There continues to be no employer match or contribution to your 457(b) [DOE: 403(b)] retirement savings plan						X						
	L2	The State of Delaware matches your contributions to your 457(b) [DOE: 403(b)] retirement savings plan , up to 1% of your salary						\$240						
	L3	The State of Delaware matches your contributions to your 457(b) [DOE: 403(b)] retirement savings plan , up to 3% of your salary					\$720							
REWARD 5	L1	No change in professional development						X						
	L2	You are provided with \$2,000 in professional development budget to take classes, certifications, etc.					\$500							
REWARD 6	L1	The State of Delaware does not provide any tuition reimbursement						X						
	L2	You are provided with \$2,500 in tuition reimbursement per year						\$250						
	L3	You are provided with \$5,250 (IRS maximum) in tuition reimbursement per year					\$525							
REWARD 7	L1	The State of Delaware does not offer Lifestyle Spending Accounts						X						
	L2	State of Delaware begins to offer Lifestyle Spending Accounts of up to \$1,000					\$500							
REWARD 8	L1	Your annual base pay/merit increase is 50% less than what you received in the past for the same level of performance (for example your pay increase is 1.5% instead of 3%)												\$1,800
	L2	Your annual base pay/merit increase remains the same						X						
	L3	Your annual base pay/merit increase is 50% more than what you received in the past for the same level of performance (for example your pay increase is 4.5% instead of 3%)	\$5,400											

*Cost impact for Reward 3 (retiree health benefits) is organized by the order of magnitude that each reward level (L2-L4) could have on the State's OPEB liability, based on prior calculations by the State's pension actuary, Chevron, for the Retiree Benefits Study Committee in 2021-2022. The financial impact of these changes requires further study to evaluate short and long term impacts on benefit cost and OPEB liability.