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Session 19PD Future of Employee Benefits

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Summary: This session focuses on the trends and future prospects for the employee benefit field. How is it changing and where will it be in the future? What must actuaries do to keep up and add value to the future employee benefits market?

Mr. Dorn H. Swerdlin: I'm representing the Actuary of the Future Section. We have two experienced and knowledgeable speakers in the employee benefit business. Neither one of them is an actuary so that should give us a good perspective outside of our profession. The speakers are Anne McKillips and George Amato.

I'll give you a little of my background. I started out with insurance companies. I worked for different insurance companies in the ordinary insurance area for five years. In 1973, I went into the pension side of the business with some accounting firms, and in 1980, I started my own firm in Atlanta and that's where I've been ever since. I'm an FSA and, as I mentioned, I'm on the Section Council for the Actuary of the Future. Some of the questions that we hope to address are, what will the employee benefit business look like in the future? How will the role of the benefits actuary change in the future? What should employee benefit actuaries be thinking

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about and doing to get prepared for this future? What do current employee benefit actuaries think about the future of employee benefits?

George Amato did an informal survey, talking to about 30 pension actuaries or benefits actuaries to see what they think about the future of their profession. What will my employer look like? Will I be self-employed? We're going to go over some of these questions.

Our first speaker is Anne McKillips. Anne is a founder and president of AH Enterprises, Inc., and Total Benefit Communications, Inc. She has worked with a variety of providers of employee benefit products and services for over 20 years in the pension and benefit industry. She has also published a number of articles, and she's the author of two books, *The Future of Pensions* and *The Future of Pensions, An Update*. Before forming AH Enterprises in 1989, she was senior research associate at Life Office Management Association (LOMA) where she was responsible for employee benefit research and related projects to the life and health insurance industry. She is the founder and remains an active member of the Atlanta Employee Benefits Group, the Atlanta Pension Study Group, and the Retirement Plan Operations and Client Services Group, and she is also active in many other professional organizations in Atlanta and nationally.

Ms. Anne McKillips: I just want to tell you a little bit about some of the things that are going on before I get started on my actual prepared comments. The industry has changed. I have been meeting with providers and employers for the last three days in Canada. I was in Toronto and found that the businesses were very similar in the U.S. and Canada. I am even more convinced that they are more closely aligned than ever. I've met with attorneys and accountants and plan sponsors and insurance industry people. I ended up with so many meetings where I was trying to explain to people and find out what they did and tell them what I did, I ran out of materials and actually had to have my office FedEx me some more material. I must have met with 30 people over the last three days. After meeting with these people, I'm even more convinced now of the changes that are going on in the industry, such as changes in the products, the positions, the jobs, the career paths, and the way people view these things. It's amazing how you prepare some comments, and then you meet with people, and it's very refreshing to have those things reconfirmed to you three days before you're speaking about them.

So my background has been both in the sales and marketing side of employee benefits. I was with LOMA, and then, in 1989, I formed AH Enterprises. In 1993, I formed Total Benefit Communications, which has kept me very involved so I'm very familiar with the industry. I understand what's going on because my livelihood depends on that understanding. We've also worked with a major insurance

company who has U.S. operations and Canadian operations. We were actually hired by the human resources (HR) department, the pension line of business, and the employee benefit line of business jointly because the HR department was trying to look at how it administered its own internal employee benefits. Some of the same information was able to be carried over to the line of business because an insurance company is part of corporate America today, and they have some of the same issues as a plan sponsor and as your clients will in the employee benefits industry. If you think about that, that's how we gathered many of the thoughts and the research behind some of the data here.

When you think about your career paths, if you think in terms of where you were and where you're going, there's a book called *Clicking* that was written by Faith Popcorn and Les Marigold. Some of you may have read it. I want to talk a little bit about some comments she shared in the beginning about a scene on the playground. You've got these five-, six-, and seven-year-olds, and they're discussing what they want to do when they grow up. One of them says, I want to be an astronaut; another one says a doctor; another says a fireman, and another says a cowboy. Where did these people end up? How did those career choices turn out as they grew up?

The astronaut want-to-be didn't go into orbit because NASA and the space program have been downsized. That child is now working as a ticket taker at Disney's Space Mountain. The doctor is still paying off her \$60,000 student loan. She can't afford to go into private practice because of the high cost of office set-up, diagnostic equipment, and medical malpractice insurance. So she took a job at an HMO. It pays her \$65,000 a year which is less than what her father makes who never graduated from college. As for her dream of being a caring, sensitive physician, the HMO encourages her to see as many patients as she can in as little time as possible. In fact, she's penalized if those patients rebook often. The fireman is about to be laid off because, in the U.S. as in Canada, the financial crunch has hit his city and the fire department is being privatized. His new employer is hiring recruits for less than half his salary. He has a young child from a second marriage, and only a small pension from his first position so he needs to figure out the second half of his life very quickly.

Then we have the cowboy. He settled in Montana and worked on a ranch and he saved his paychecks. He plunked down \$100 an acre for land as far as he could see. In the last few years, land values in Montana have been skyrocketing. They've been driven up by the West Coast refugees that are fleeing smog, fire, floods, earthquakes, and a toxic lifestyle. Now his land is worth a mere \$2,500 an acre and that cowboy is galloping on don't-fence-me-in land worth over \$5 million. Falling in love with cowboy movies as a kid sure paid off.

So what is the message that we have here? Much of your traditional career planning is useless. Why? Because we're in an era of very rapid changes because of technology and old structures and old rules that are being demolished every single day. To sum it up, in one of the corporate buzzwords of our decade, companies are reengineering and that word's as prevalent in Canada as it is in the U.S. They know that they can do more with less. How many times have you already heard the phrase "lean and mean" when an employer describes a particular department, especially one that is not a profit center like human resources, accounting, finance, legal, underwriting, and actuarial? In other words, the industrial age has given way to the information age.

Allow me to paraphrase from John Hewitt's, "Waking Up in the New Economy" from *Fortune* magazine's June 27, 1994 issue. Have you ever received a greeting card that plays "Happy Birthday?" Guess what? When you open that up and you hold it in your hand, you hold in your hand more computer power than existed in the entire world before 1950. That's not that long ago, people. Companies are driven toward an economy based on knowledgeable workers and service skills. Peter Drucker in his *Post Capitalist Society* wrote, "An estimated two-thirds of the U.S. employees work in the services sector, and knowledge is becoming our most important product. Competitive reality is the acquisition of goods and services at lower cost, and the bottom line is what matters." Like other careers, employee benefit careers are being shaped by a rapidly changing world. Employee benefits have taken a new direction in the 1990s with employee empowerment and employee choice. You probably will no longer move upward in a straight line. You've heard the term lateral move and lateral position. You'll zigzag along a career path. You need to manage your career and adapt to change just as organizations are reshaping themselves in the 1990s.

Let's discuss employee benefit jobs for a second. Where are they headed? What kind of skills are needed? As the owner of a business involved in research, let's go backwards to the beginning to find the answers. It does appear that most opportunities today at insurance companies and consulting houses are on the vendor or service provider side. More jobs are created with firms that provide products or services to employee benefit vendor organizations. What about the people who are providing the products and services to the consulting houses and to the insurance companies? So where are the jobs? Let's talk for a second about that.

There's corporate positions, so what are they? To me, those are the jobs that are in the benefits department of a corporation or other company. Keep in mind, those may be in the benefits department of an insurance company or a consulting house. They could be a role in HR, administration, legal, payroll, finance, or benefits. In some companies, it may be an assistant to the president or an office manager. This

professional actually works with the employees in that company on benefits-related issues. These roles and the companies are being reengineered and reinvented to do more with less. So remember, even these firms are living by the creed, "lean and mean."

Then we have vendor or service provider organizations, which I define as an employee benefit vendor organization in any firm, company, or other organization that provides any product or service or any combination of a product or service to a buyer or user of employee benefit products and services. Some examples are: software companies, law firms, accounting firms, insurance companies, third party administrators (TPAs), banks, money managers, HMOs, PPOs, publishing companies, and brokerage firms. An employee benefit vendor organization is any firm that markets or provides any product or service to an employee benefit professional. The last one and by far the one that most people don't think of, but it is the fastest growing area, is organizations that employee benefit vendors or service providers turn to for assistance. This includes consulting firms, communication and education firms, technology firms, actuarial firms, accounting firms, law firms, and research firms. This is an area that most of you will not think of.

So why are there so many jobs with vendors today? It's called outsourcing, the word that so many people hate. Jeffrey Hallet, who's the author of the book, *Worklife Visions*, explains in the September/October 1995 *Report on Issues in Human Resources*, "The new rules of competition have made it clear that organizations must strive to be low-cost producers." This now includes the area of employee benefits both in the cost of the benefits themselves as well as the cost of the administration. In today's world, the bottom line is most important, and that bottom line had better be printed in black. The cost of the benefits are being shifted to the employee. In your own companies, how many of you now have to pay for your health insurance or at least contribute towards it? Twenty years ago, did you have to? Ten years ago, did you have to? Most of you didn't. Forty-six percent of the fastest growing companies outsource employee benefits. If you work for an insurance company or consulting firm, you know that they're outsourcing those benefits to you. Look at the things that companies are outsourcing, such as payroll. Forty-six percent are benefits. Twenty-one percent outsource audits, and that used to be something you never outsourced because that was an internal function.

How many of you truly understand the following concepts: outsourcing, restructuring, downsizing, subcontracting, short-term or temporary assignments, contract employment, telecommuting, or contingent employee? There are two things that all of those phrases have in common: strategic cost reduction and improved quality and service. Outsourcing, however, leads the way to cost reduction and improved service adds a third dividend.

It's a decreased risk because of enhanced expertise in the specialized function. Those of you in the U.S. will be familiar with COBRA administration. Why would a company do COBRA administration internally when it can outsource it to a COBRA TPA? The TPA is the expert, so it reduces the company's risk of costly administrative and legal errors and it improves the services to the company's former employee.

In a presentation at the Southern Employee Benefits Conference in May 1993, David Partridge from Towers Perrin reiterated that there are three reasons for the movement in the outsourcing direction. First is increased focus on core business. We want to spend our discretionary management time and energy on the business of our business. We don't want to spend it on benefits. We don't want to think about the products we're buying. We just want the benefits to operate. We want to put our money, our time, and our energy into making money in the core of our business. The second reason is cost and quality. If you're a consultant, you're the expert, and you should do this better and cheaper than we, the company, can do it internally. The third reason is access to technology. Companies with less sophisticated automation have a greater tendency to outsource than companies with better technology and automation. It's not surprising that a company would rather invest the technology in its core, profit-making area of business rather than its benefits administration, which is perceived as profit-taking.

While plan sponsors have been outsourcing the functions related to defined-contribution plans for over two decades, the trend to outsource defined-benefit-related functions has only recently begun to gather momentum. There is an increasing number of vendors providing benefits administration as a result of the rising demand from employers who are saying, I'm outsourcing. They're outsourcing those functions in the area of knowledge, funding, and technology.

So what can be outsourced in the benefits area? Summary plan descriptions, government forms, participant investment changes, and employee education? Many of your companies in this room provide those services. There are products to be developed to address each and every one of those.

Now what should good outsourcers provide? According to David Partridge at Towers Perrin, they must provide high-quality service, proven expertise, experienced personnel, a good reputation, references, and last, but not least, competitive pricing. Why would you keep a function in house if you could outsource it to a vendor who has all of these qualities? Vendor corporations must trim costs just as their clients are doing. How many companies in this room have been rightsized, downsized, or reengineered in the last five years? Those of you

who work for companies that haven't experienced this, watch out. It's coming tomorrow.

In order to respond to the increased demands of their current and prospective clients who are looking to outsource those benefits, vendor corporations, insurance companies, and consulting firms are staffing up in certain areas to meet those firms. They'll rightsize, they'll downsize, and they'll reengineer. They'll lay off people here and they'll hire people there. I'm sure everyone has seen it. Firms that provide outsourcing services have more than doubled in size since 1984. Employment in those business service organizations now exceed 6.2 million jobs in the U.S. Those jobs are expected to add another four million jobs between now and the year 2005.

In the world of the actuary, according to Robert Kazel in *Business Insurance*, March 17, 1997, risk management consulting firms are competing among themselves and also with the Big Six accounting firms and many smaller accounting firms for actuarial assignments. Why would a Big Six accounting firm pursue actuaries? Because actuarial services are high-cost, high-expertise, and they're a natural link to tie that client to their tax and audit services. If regulatory changes happen, which they seem to almost every year both in the U.S. and in Canada, vendors must make commitments to the compliance area to keep up with the rapid changes that a client might miss. Even if they're committing those resources to technology to respond to advanced interactive voice response (IVR). They'll be dedicating those resources to systems expertise and development. You must know employee benefits to help develop an IVR system that's going to be used in a benefits department. Much of the demand for this comes from a Fortune 500 employer who wants to take advantage of the new technology, and simultaneously focus its capital investments on its core business. In addition, smaller employers may not have the HR managers and chief financial officers who know employee benefits so they look to vendors to handle their benefits.

The firms that I own are employee benefit outsourcing companies. We receive outsourcing projects from employee benefit providers. One of my firms is a small firm, and we have eleven internal employees. We outsource 100% of our employee benefits, and we're in the employee benefits business. These jobs are with insurance companies, and they're with consulting firms; they're with TPAs, banks, accounting firms, money managers, HMOs, PPOs, managed care firms, recordkeepers, and other benefit software vendors and law firms that have a qualified plan practice. Many of you may not have known that law firms are hiring actuaries. I might add, by using these actuaries, they tie their client to them because they don't have to go out and better understand the defined-benefit plan or the health plan.

So what quality are these companies looking for? They want experience. I do not know of any job in the employee benefits arena that does not require experience, and if you're in this audience, I am assuming you have some level of experience in employee benefits. But what kind of experience are they looking for? We've already established what the Big Six firms are looking for with the actuarial experience. One of the comments from vendors about candidates who come from the HR side, even from within their own company, is you'll have somebody in benefits from the insurance company or the consulting firm who wants to move over to the line of business. When they're talking to these people from HR or those with a corporate background, frequently those people don't understand the marketing environment that exists throughout the vendor or provider organization. It's important for people to remember that every client is the most important person to the vendor organization. The client is the employer. If vendors don't have clients, they don't have jobs.

So when you're talking to individuals from the corporate side who are looking for new opportunities, we talk about the difference in this company culture. I like to compare the vendor's client to the president of a corporation. In a vendor organization, each client must receive the same attention that a corporate benefits manager gives to the president of his or her company.

Vendor organizations will want you to sell yourself. Even if you don't perceive the job as marketing, it is marketing. Professionals from the corporate side will say, "We operate like a separate organization, and we have to sell ourselves to the line of business." You have to remember that in all the vendor organizations, even in your own insurance companies and consulting houses, everyone must be marketing to keep the existing clients and to bring in new clients, otherwise, they won't be in business very long. It's an extremely important difference, and many vendors have difficulty seeing this marketing culture in candidates with a corporate or benefits background. There's a very big difference between selling yourself internally in a company, and selling yourself externally to clients and prospective clients. Actuaries have not been in a marketing role and, as such, may not be aware of some of these differences.

On the other side, those within a vendor organization are not skilled at interviewing the corporate benefits person. You cannot identify some of the skills that are transferable because you've never had to do it. You, as an actuary, may need to help some people to identify the transferability of those skills, and I would recommend that, as an actuary, you get some marketing instruction or experience under your belt. Vendors want people with experience handling multiple plans and multiple plan designs simultaneously. They will want to see how you integrate with others who have the same job as you; whereas, in a corporate environment, you

may be the only one with certain responsibilities. If your background is in handling the Registered Retirement Savings Plan (RRSP) or the 401(k) or helping insurance benefits, they want to know how you'll manage handling 30 or 40 of those type benefits.

I must tell those of you who are working with vendor organizations such as insurance companies and consulting firms, when they're looking for new opportunities, focus your search beyond the type of company you're with. If your background's with an insurance company, look to the TPA, the consulting firms, HMOs, or money management, and don't forget the communications firms and software vendors because they are growing extremely rapidly.

I want to share a story. I was on a flight from Atlanta to Newark. The person sitting next to me asked me "What do you do?" He was with an employee benefit technology firm. He knew my name, and he knew my company. This guy is second in command at one of the largest IVR system companies in the U.S. He, by the way, began as an actuary with one of the major actuarial consulting firms in the world. He then went to banking and became corporate benefits manager for one of the world's largest temporary agencies. He got tired of the corporate world and then he went into the benefit technology environment a couple of years ago where he has moved very rapidly and this company has grown. His actuarial background has given him the skills to go forward into this line of business.

Everyone should look to those small niches, the one or two functions that companies (whether it's a vendor or a corporate organization) can outsource. Some firms provide a bundled product which is made up of several activities that are done by separate firms. This is very common in the 401(k) area, but it's growing everywhere on the health and welfare side, on the RRSPs, the whole nine yards. What if I do a claims audit for an insurance company, just that one little piece? What about specializing and writing an employee booklet? Why not form an alliance between a small risk management firm and yourself to use your actuarial skills? It could compete with the Big Six firms. These are terrific ideas particularly if you have always wanted to be your own boss. And those of you who are actuaries would be delighted to know that 40% of the risk management practice is devoted to actuarial work today. The March 17, 1997, issue of *Business Insurance* compares that figure to the 1980s when the amount was only 20% of the practice. Become an expert in a niche, develop a following, and those clients will come to you for additional services. Look at the trends and products and legislation for new ideas. For example, you can become an expert in risk assessment for specialty insurance products.

How many of you are familiar with Employment Practices Liability insurance? Three people have heard of people in companies being sued by former employees. That kind of makes the national papers quite often, doesn't it? Well, with these companies being sued by employees for alleged racial, sex, or age discrimination, wrongful termination, etc., Employment Practices Liability insurance sprung on the market in the early 1990s to limit a company's legal exposure. Very few companies are covered, and claim statistics on those risks are sketchy at the very best. In this age of mergers and acquisitions, senior managers are becoming more interested in this product to cover potential lawsuits from former employees of an acquired company. Perhaps there are some of you out there who might want to expand your knowledge in Employment Practices Liability insurance. Every group product will become an individual product and it needs to be typed accordingly.

One of the most important things you should remember is the knowledge that you must broaden your search and your skill sets. As I mentioned before, keep abreast of government legislation and be aware of trends. Stay technologically in touch with your PC and don't become "office machine challenged." Downsizing has eliminated administrative assistants for many departments so you need to know how to create and produce your own letters, copy, fax, utilize voice and e-mail unless, of course, you can justify the cost of outsourcing those functions. Watch for smaller firms with opportunities as the aforementioned risk management firm. Yes, you'll get more benefits as an employee of a larger firm, but you'll have less freedom to do your own thing. In a smaller firm, you'll have more job diversity with the opportunity to wear more hats and make more decisions.

Let me tell you about something that goes on in my own company. A gentleman whom I hired last fall spent 27 years with Met Life, and many of you have heard of that company. It's a rather large, corporate organization. There's a lot of bureaucracy and internal structure, which is typical of every other insurance company out there. He now works for me. He's still trying to find the management information system (MIS) department and I keep saying, "Mike, you are the MIS Department." He has learned to do things that he never in his life even dreamed of doing because before, if the computer went down, he called the systems people. We don't have a systems department. If we have to hire somebody, we run the ad and we do the interviewing. We don't call HR and say, find me a candidate so I can interview the top three people. We are the HR Department. He has had to broaden his skills, and it has been a challenge, but he has begun to understand that he is the MIS department, and he has done a very good job.

Let me introduce you to another term that you'll be hearing more and more about. It's called contingent workers. Who are these people? Well, they're part time workers either by choice or circumstance. They're seasonal workers or temporary

workers either by choice or circumstance. They're leased workers and independent contractors. They're home-based workers, interns, or people from co-ops. There are many of you supplying a service in a very small niche market. In today's world, actuaries are providing the services that brokers provided 20 years ago, such as the funding level analysis of retirement programs, cost-benefit analysis of self-insured alternatives, proper reserves for stop-loss insurance or self-insured losses, future-year funding, and claims cost allocation among divisions, regions, and business units. Even at my little company, we're trying to figure out which products and services we're making money on and which division's making money.

I'm sure that many of you in this audience have careers that would have been considered atypical 20 years ago. I'd like to demonstrate the zigzag career path of Mr. X. His name has been changed to protect the innocent. If I identified the companies that this gentleman has worked for, everyone would recognize virtually every one of those firms. Dorn knows who this is, and I think he will agree that they are all national firms; they're national banks. There are actually people at this conference from those firms. He has moved from consulting actuary, associate consultant, to the defined-contribution area. Notice that as he did this, this is the time the move was being made from defined-benefit to defined-contribution plans in the marketplace. He then went over to trust and investment management. As 401(k)s have grown, the focus on investments has increased. Then to the banking industry where he was a relationship manager. Recently his bank has decided to sell the block of business of a defined-contribution market, and that's why his resume is on the street. What can he do? I mean this guy's has quite a good background. He began in the actuarial industry, which gave him the foundation to go where he is. He could start his own business, and maybe he will. With his multinational experience, perhaps he could expand his knowledge base globally with international plans.

The information age is driving us towards a more global economy because actuarial roles are changing, the curriculum for the SOA is being reengineered for the year 2000. The courses are transitioning to topics that work across global economies, theories of economics, unified theory of investment, and ideas that are not country-specific. By the year 2000, the SOA will have two basic courses called Mathematical Foundation, and Interest Theory of Economics and Finance. There will be four fundamentals of actuarial practice: statistics, actuarial modeling of contingencies, methods of actuarial modeling, and there will be one called application of basic actuarial principles. There will also be one called finance and investment. That's in the year 2000. In addition to that, there will be two advanced courses, one called applied actuarial modeling, and then there will be some advanced specialization such as finance, individual group health, managed care,

individual insurance, investments, pensions in Canada or pensions or retirement systems in the U.S. and Canada.

Last, you have to keep in mind that this will occur in the year 2000, and the last time I checked, that's only about two-and-a-half years from now. An actuary will choose a special interest, 50 hours of professional development "maundered research" project. The actuary will finalize these studies with a fellowship admission course which explores legal and ethical obligations. The new SOA course emphasis is to put a financial measurement on risk. Continuing education needs are in the beginning stages of reengineering. So how can you develop your career? Should you take on part-time projects or contract work? My company has a network of over 1,000 employee benefit professionals. We use about 450 independent contractors a year, and a good many of them are actuaries. Try a variety of different kinds of studies and improve your technology knowledge. I cannot stress that enough. Learn to market yourself, look at smaller firms, go to organizations' meetings, and begin socializing.

In closing, be open to the part-time opportunities or project work or work as an independent contractor whether in or outside the work place. Attend meetings, join organizations, and never shut a door. Not only do you never know who you'll meet, but you may be able to bring additional expertise to the table for your next client. I started my own business almost eight years ago, and it has evolved beyond anything I would have ever imagined. I started in my basement. It was just me and a PC. Learn to be an innovative facilitator and a creative problem solver and success will follow you.

Mr. Swerdlin: George Amato is the president of Faro Consultants International which is a newly established executive search firm in the Washington, D.C. area specializing in employee benefit, compensation, and actuarial consulting positions nationally and in western Europe. Before that, George was the co-founder and president of Harvard Consultants International, also located in Washington, also specializing in recruiting employee benefits consultants. Before that, he was vice president and office manager of the McCormick Group of Arlington, Virginia, an executive search firm with offices in four states. Before that, George spent nine years overseas in Asia and Latin America with some U.S.-based international companies in international sales.

Mr. George Amato: As Dorn mentioned, I'm an executive recruiter, and I specialize in the employee benefits consulting field. So I'm addressing this subject from a very narrow perspective because I only deal with firms that are in employee benefits consulting. As an executive recruiter, I can basically be able to convey to any group of people exactly what employee benefit consulting firms are looking for

now because any firm uses an executive recruiter when they desperately need somebody. If there is a critical need they might have to fill it immediately with a very specialized kind of individual.

So if we're looking out into the future, again it's a little bit more speculation. So I contacted about 30 senior actuaries who are currently working in employee benefits consulting in various capacities to get their input and opinions, and I've seen some trends in employee benefits consulting.

I may repeat some of the things that Anne said because we've seen the same things happening. One of the big trends that has been going on for some time now, of course, is corporations and other large employers are downsizing. They're reducing the people that work in their companies who are not part of their core business. Now this certainly has affected employee benefits from the employer or sponsor side because employee benefits are usually part of the HR function. Like many other functions, it is being automated or eliminated, meaning it's being outsourced. We've talked about voice response systems; the latest trend now is giving employees access to their benefits via the Internet.

In the U.S., Birch Consultants and a number of other firms do surveys on employee benefits and how it's handled because they're in the consulting business so they're always polling their clients. All plan sponsors of defined-contribution plans were surveyed from 1993 and 1996, and the percentage who used voice response systems went from 35% to 76%. Some 76% of defined-contribution plan sponsors used voice response systems.

Now the conclusion is that many positions have been eliminated that used to handle those functions. Another recent survey done within the past couple of months showed that 27% of large employers in the U.S. have already begun making Internet systems available for their employees to directly access their benefits, to get answers to questions, to do enrollments, plan changes, move their money around and many other functions. Fifty-six percent of large employers say that they plan to develop an Internet system or Internet access for their employees within the next year.

So that's another big trend. So where is this leaving the employee benefits consulting firms? One of the things that has been happening with consulting firms is there has been many mergers. There are fewer employee benefits consulting firms today than there were last year and there are certainly many less than there were three years ago. That's one trend. Fortunately, from what I've seen as an executive recruiter, the merging of these firms hasn't created much unemployment. The firms merge and they seem to be keeping everybody except the people at the

top—the leadership positions. You can't have two heads of practice. Even though there are 40% fewer firms than there were a couple of years ago, there still seems to be the same number of positions available in these firms. That's a good sign.

The other big trend in employee benefits consulting firms is that they are broadening their practice. They are more HR, management consulting oriented and less actuarial consulting oriented. Anne gave some examples of the types of firms that are getting into the business of providing employee benefits consulting services, the Big Six firms, for example. Now many of the Big Six international accounting firms have developed (and they have various names for them) basically HR strategies consulting practices. They want to go to their clients that they're doing audits and tax services for and say they can help you outsource your HR functions. They can help with your strategy in the HR field, and help you with your benefits programs. They can also do recordkeeping. One-stop shopping is kind of the trend.

So the professional services companies like the Big Six firms are getting into the employee benefits consulting business in a big way, and they're getting into it as part of a broader consulting practice which is more HR oriented. Milliman & Robertson (M&R) is one of these firms that you are familiar with. They do a lot of actuarial work in the insurance industry. The M&R practice in Washington, for example, is a very broad practice. They are doing benefits consulting work in health and welfare, they're doing a lot of nonactuarial functions, and they're developing software as a unit. So you see the traditional actuarial firms getting into other functions outside of the actuarial field. So what does that mean to the profession, your profession?

What these organizations are looking for, as I see it from an executive recruiter perspective, are more generalists. The broader the background, the better. I think you were pointing out specialization, and I'm coming to an opposite conclusion because of what the consulting firms are looking for. They are also looking for people who have a very broad legal compliance, tax kind of background because it's still a major function. It will continue to be a major function, especially as our governments get involved in employee benefits and tweak laws and change them. This generates a lot of business for these firms. So from the technical side, you're looking for a much broader perspective. On the more subjective talent skills, they're looking for people who can communicate. They want to know that, as smart as you are and as much as you know, you can put it down on paper in a readable format that people can understand. They want to know that you can present it to people. Your verbal and written communication skills have got to get better.

Whatever background or technical skills, the common need is for the ability to sell, and for many people, selling is a very scary kind of prospect. They say, "I'm not a salesman. I'm very good at what I do and very technical. In many cases, I am brilliant in my field so how can I go out and sell, I've never done it before." Those of you who believe that a salesperson or someone who can sell well is someone who is glib, has a golden tongue, or is someone who has a lot of self-confidence, is not afraid of rejection, and is very outgoing and assertive, then you probably believe salesmen are born, not made. I happen to be a very shy person. I'm very nervous talking to people, but I worked on a skill set. I've developed good sales skills and they're not all that difficult to develop. It takes practice. What is a salesperson in a consultative type of environment? He or she's not a talker; but a listener. He or she's someone who listens to what people are saying, and then he or she questions what they've told him until that individual understands what the problems are and never makes assumptions. The worst salesman is a person who thinks he or she knows what a potential client wants to buy. The good consulting salesman evaluates the information that has been gathered in conjunction with his or her technical skills, and comes up with some solutions and makes a presentation.

It's a very methodical, logical process, and it doesn't require a golden tongue. That's what makes someone who can sell. It's not that difficult to learn, and actuaries or any professional service type of person is going to need to develop those techniques in order to advance their career in this type of marketplace that we're in.

The profession in employee benefits consulting is changing to become what I see as less and less actuarial and more and more broad HR management consulting oriented, and this will continue. Companies want their benefits consultant to do more for them. Why? They no longer have the people to do it. They've downsized, and they've eliminated their HR department. Now they have to go to their consultant to provide much more services for them, and that's the big trend in the industry and that's why these practices are becoming much broader and less specialized.

From a headhunter's perspective, what kind of career moves are actuaries making in the employee benefits consulting field? There's a lot of lateral movement and zigzagging throughout careers. You'll see this. I see it more often than I have in the past where someone will move laterally because they get something else in return. As opposed to more money or a higher level position, they learn more.

From the Floor: Give us an example, George.

Mr. Amato: You take someone who has focused most of his or her career on retirement plans, actuarial, or defined-benefit plan work, for example, and now really needs to develop some knowledge and skills in the health and welfare plan arena, and an opportunity to get into that field is going to enhance his or her career in the long term. That's one example. It's not easy to make that transition, but that's one example.

People nowadays rarely make these moves for significant increases in money. People make these changes for other reasons. What do they move for? Greater growth potential. If you join an organization that's on a fast track and you were with one that's fairly stable or stagnant, the logical conclusion is that there are better opportunities with that organization. They move for the opportunity to gain a broader role, to gain more responsibility, and to move into a more entrepreneurial environment. These are the kinds of things I sell. When I sell to potential candidates, that's my role as a headhunter.

Some of you may have gotten the call sometimes where the voice on the other end of the phone says, "I have a job opportunity and I'm looking for somebody with ten years of experience." I have to sell the benefits. What are the benefits that my client has to offer someone if they're interested in making a change and what are those benefits? They are professional development, and that means an opportunity to get into a broader role, more exposure, new technology, the opportunity for growth. It is usually based upon the organization itself and where it's headed.

Many people are moving into positions where they're being compensated for their performance. These are the people who are fast trackers, so to speak. They have a lot of self confidence. They know they can only make so much in a salary position, but if they move into a position that's heavily incentive-oriented, based upon personal performance, they perceive better opportunity there, and many people move because of lifestyle changes. Depending upon the position, less travel is better for one person, and more travel is better for another one. Work hours, pressure, stability, and job security are all considerations. This is a little bit dangerous and a little tricky because it's usually the company, not the position, that represents security and stability. If you have an organization or you happen to be lucky enough to be with an organization that's in a growth mode, is profitable, ahead of its competitors, and has greater market share, then you're in an organization where opportunities are going to constantly exist internally.

If you're someone who feels very comfortable in the position you're in now and secure in the position you're in now, you're probably in trouble and don't know it yet. You should feel a little bit uncomfortable, and there should be new things happening—things you're uncertain about and things you have to stretch a little. If

you're feeling comfortable and secure, start looking very carefully at where you're going and where your company's going.

So where are the jobs? Many actuaries are now working for TPAs. Who are these organizations? Who are these TPAs? They happen to be accounting firms, banks, mutual funds, investment houses, and all types of organizations. There's a large payroll firm, Automated Data Processing (ADP), and it is becoming one of my clients. I'm not in the payroll business, so why is it becoming one of my clients? It's because people at ADP are hiring benefits consultants and actuaries. The company now owns two large claims administration companies, and it acquired a couple of actuarial consulting firms. It is going to its clients for whom it is doing payroll, and because it has all the records that are tied into payroll, it can handle defined-contribution plans and claims administration. ADP can help you design your medical plan and buyout because it is in the business. So these positions with TPAs come in many different forms now.

So when we consider employee benefits consulting organizations, we consider a much broader range of companies than the traditional actuarial firms like Wyatt, Mercer, and the power firms of the past. They're in the business too, and their practices are expanding, but you have many other firms that are getting into the employee benefits business, especially outsourcing, like the benefits administration and compliance for companies.

These positions also exist in provider organizations. You find large hospital networks and HMOs doing new product development. They're bringing in actuarial talent to help them develop those products and price those products. That's a big trend I'm seeing now and will see more often.

So this is where the positions are developing in your profession. These companies are providing many more consulting services to their existing clients and new clients because the message they're getting is, give us better and cheaper service with no hassle because we no longer have a staff that can handle it. That's what they're looking to their vendors to do for them. And whether it's their bank or their payroll company or their accounting firm, they're getting the services from those organizations.

As an executive recruiter, I deal with many different backgrounds in the employee benefits consulting field. I place attorneys, general health consultants, and actuaries. So people come from many different backgrounds and disciplines in the employee benefits consulting field.

The one thing I will say is the SOA, in my opinion, looking at it from outside, is a very elite society. Why do I say it's an elite society? Because you're highly educated, you're highly intelligent, and you're very dedicated. You have all those credentials and letters next to your name that are so hard to obtain. You have the kind of skills that could move with the employee benefits consulting industry and with the new technology.

When I started in this business 18 years ago, I had never turned on a computer. I didn't turn on a computer until about five years ago. I thought I could handle everything on the telephone like executive recruiters always do. Now I'm on the Internet, and what am I finding out? Most of my clients are providing services on the Internet. This trend enables employees to go to a kiosk or to their PC on their desk and change their benefit plans and do everything immediately, which is absolutely mind boggling to me. The benefits consulting firms are looking for people who can help design those programs. They must have a benefits background in order to be able to work with the technicians on a program and to assist them. It's amazing. I just pulled two articles off the Internet. It's about the Internet and how these companies are developing programs that the employees can access.

Ms. McKillips: We both come with many years of experience. I do a lot in product development working with your companies. Some of the companies are clients of mine, and you may not even know it because I usually work with the senior level of management on the consulting side. I help them figure out how they can deliver their products and services in a more cost-effective manner and remain profitable.

Mr. Swerdlin: I have a question. George, you mentioned that you saw many mergers, and that's reducing the number of firms but the positions are not going down. Do you see that trend continuing and that the positions will stay stable or increase?

Mr. Amato: Yes, I do. I see employee benefits consulting firms having more employees in the next couple of years.

Mr. Swerdlin: So they're still growing.

Mr. Amato: The head counts will go up because they're doing more, and they're providing more services. They're getting into new technologies, they're just doing more for their clients because their clients are demanding it because they've downsized their departments, and they don't have the internal people to do it.

Ms. McKillips: I would add that I'm not sure that they're actually going to hire that many more full-time traditional employees. I think they will continue to expand the services they need, and they'll be continuing to look for people to provide those services. They're going to call the George Amatos of the world and say, "We don't necessarily need someone who will become a full-time employee and want to retire in 30 years with a gold watch." They want someone who can come in, lead this project, and develop it and take it forward. We can't tell you where it's going from here, but we're going to start it, develop it, and get it going and provide this service. Who knows? I can give you examples and I'm sure you've seen examples where someone has joined a company, built a line of business or bought a line of business, and farmed it off as a separate company. It's going on right now in one of the major insurance companies. I think our jobs for the future will look very different; therefore, the employee benefits that we have for ourselves will look very different. The group products that you have, you're going to expect to be able to buy them as an individual at the same price with the same features because you're not necessarily going to be a full-time employee. You'll be doing the same function. I think those functions will increase but I'm not sure that they will always be going to full-time employees. They will probably start outsourcing.

Mr. Amato: I think that's true, although I haven't seen it yet in the consulting firms. I always considered a law firm from the perspective of an executive recruiter as kind of slow-moving to the trends. I hope I'm not offending any attorneys in private practice. I do some business with law firms in the benefits field, and I have to give some of the bigger firms that I've started to do business with a lot of credit because they're now looking at alternative employment opportunities. They're getting away from the old 80-, 90-, or 100-hour work weeks, being slaves to the partners so that in eight or nine years they can be partners themselves.

The last two attorneys I've placed in large law firms in the last couple of months were for alternative positions. In the first case, they wanted someone three days a week, who would sign a 25-hour-a-week contract for a certain amount of compensation. The person I placed in the position is an attorney with ten years of experience in the legal field in employee benefits, but she had other interests. She married somebody very wealthy and they like to go sailing a lot. There are family and other considerations so people are looking for those alternative lifestyles again. The second position is for a full-time employee who is not on a partnership track. Therefore, this individual is expected to bill fewer hours and work less hours, but he is still working at the same level as partners in the law firm in the employee benefits field. There is an understanding that this is a different career track. I'll give these law firms credit for being able to create these kinds of positions.

Other firms are leasing employees, especially on a project basis. I haven't seen the employee benefits consulting firms yet, but there are many consulting firms. Other practice areas within the Big Six, for example, are heavily populated by leased employees, and on these leases, these employees work two-or three-year contracts, but they're employees of somebody else who provides them their benefits and so forth. They're charged an hourly rate, and there's much more of that type of employment going on.

Mr. Swerdlin: We seem to have kind of a paradox. You mentioned it yourself, George. On the one hand, you have many companies that are downsizing to stick to their core business, and you have the employee benefit firms that are expanding the scope of their services to new areas. To me it's like a paradox. My firm has a narrower scope. We just do qualified plan administration and actuarial work. I've thought about broadening into other things, but then you're getting away from your core business. Where's the balance?

Ms. McKillips: I think what you're going to see is alliances', it's not joint ventures. Joint ventures was a term of the 1980s, and that's when everybody had an option to participate in alliances. I think you're going to find yourself partnering with other firms to where a law firm is going to do the ERISA practice, the health firm is going to do the health care administration, and you're going to work with one generalist who's going to coordinate all of your functions together. That's what you're going to see. You don't necessarily have to, but somebody's going to bring that whole picture together.

Mr. Amato: I agree, and it isn't a paradox because what the larger firms are doing are basically bringing all these practices together. They're developing greater capabilities because their clients, who are typically larger employer groups, are saying, well, you've done our pension plan actuarial work every year, but what about our flexible benefit programs or what about communicating this to our employees? We get them on the Internet. They're asking for these services, so we better start providing them. They run out to a headhunter and ask him or her to find somebody who can do this.