Benefit Cost Savings Through Strategic Evaluation

TINA MARIE WOHLFIELD, SPHR, SHRM-SCP | MASB FALL CONFERENCE, OCTOBER 23, 2015
The Financial Influence

• Are you leveraging your financial resources to maximize the impact of your total rewards strategy
The Dynamics and Impacts of Today’s Workforce

• Five Generations at different stages of the career life cycle
• The balancing act of
  – **Attracting, rewarding and engaging** a workforce with varying motivational drivers and needs
  – Creating a **meaningful work experience**
  – Creating a culture of **inclusion and communication**
  – Maintaining and optimizing the **total rewards spend**
Traditional Compensation Mix

- SALARY
- BENEFITS
- RETIREMENT
- OTHER PERKS
One Size Fits All No Longer Applies
Budgetary and Cultural Barriers

• Cost containment strategies (cut first evaluate later)
• Collective Bargaining Agreements
• Regulatory Issues (PA-152)
• Enrollment, utilization and preference trends
From Compensation to Total Rewards

Direct Compensation
- Cash

Benefits
- Statutory and Employer Provided

Relational Benefits
- Work/Life Balance
- Work Environment
- Security
- Career Enhancement (skill development)
The Role of Total Rewards

• Aligning Overall Strategy with Total Rewards Strategy
  – Goals
    • What are the outcomes of the strategy
  – Do we need different strategies based on employee demographics
  – Does our total rewards strategy have a direct impact on employee engagement and organizational goals
    • HR Metrics and Talent Analytics
    • Employee Engagement Surveys
  – Is our total rewards strategy aligned with our **mission** and **values** and enhance our organizational **culture**
Focus of Strategy

• Do your employees know (and understand) what they have?
• Did your current employee base assume a benefit package based on preferences from past administrations/Collective Bargaining Agreements?
• Do you (the organization) know how and what benefit options are being utilized
• Does the organization know what benefits carry more behavioral influence (and what benefits don’t)
Behavior is Psychological

• Focus of total reward strategy is to influence desired employee behavior
• Strategy must address fact that we all behave differently
• Throwing more spend (or increasing value) does not automatically increase ROI
Evolution of Total Rewards Optimization

• Enter the “Total Rewards Value Proposition”
  – Allows **choice** (total rewards consumerism)
  – Flexible and Adaptable
  – Reduces costs by better leveraging ROI on every dollar spent
  – Includes focus on “meaningful work experience” and organizational culture
  – Requires effective communication/transparency
    • WIFFM

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Are you Maximizing your Total Spend?

- Utilization vs Total Cost
- The concept of increasing/decreasing returns
- Leveraging the **Total Rewards Value Proposition**
- Offering the right choice (broader appeal)
Total Rewards and Consumerism
Marketing Analytics and HR

• Organizations should embrace not fear HR analytics
• Direct correlation between consumer (employee) satisfaction and purchases (benefit preferences/utilization)
• Applying marketing analytics will allow organizations to
  • Better understand and leverage motivational drivers
  • Better leverage the total rewards strategy
  • Maximize spend (manage costs)
## Competition for Talent is Increasing and Better Total Reward Programs is a Key Foundation for Attracting, Retaining, and Engaging Employees

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>Of employees think they could get a better rewards package elsewhere</td>
<td>Bug Insights</td>
</tr>
<tr>
<td>44%</td>
<td>Of organizations have not updated total rewards strategies for 4+ years</td>
<td>World at Work</td>
</tr>
<tr>
<td>1/4</td>
<td>Employees would accept $5000 to opt out of the medical plan</td>
<td>Bug Insights</td>
</tr>
<tr>
<td>3rd</td>
<td>Benefits are typically third largest expense organizations face</td>
<td>World at Work</td>
</tr>
<tr>
<td>$500 - $1800</td>
<td>Per FTE per year is typically wasted by offering benefits they don’t value or appreciate</td>
<td>World at Work</td>
</tr>
<tr>
<td>32%</td>
<td>Of organizations make total rewards decisions using quantitative data</td>
<td>World at Work</td>
</tr>
</tbody>
</table>

### Getting Total Rewards Right is Critical to Attracting, Engaging, and Retaining Employees

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The Art of Buying and Selling

• Auto manufacturers provide choice in options to appeal to a broader audience
  – Evaluating trends in custom purchases group most common options into pre-designed “packages”
  – Customers have flexibility to upgrade or eliminate certain items from package
    • Can order direct from factory or packages are modified after design to adjust to changes in market preferences
  – Utilizing customer satisfaction surveys and focus groups
Grouping Options by Preference

Convenience Package
- Heated Seats
- Remote Start
- Heated Mirrors
- Back up Camera
Cost: $695

Premium Package
- Dash Navigation System
- Sun and Moon Roof
- Premium entertainment system (sound system)
Cost: $2,995
From Selling Cars to Total Rewards
Talent and Workforce Analytics

Talent Analytics
- Days to Hire
- Turnover, Employee Engagement Surveys
- Succession Planning
- Talent Development

Workforce Analytics
- Employee Demographics
- Age/Marital (Family) Status
- Geographic Location
- Benefit Preferences/Design
- Utilization
Talent and Workforce Analytics

Opportunities to better leverage the Total Rewards Value Proposition

- General Demographics (Age/Seniority)
- Employee Engagement Surveys
- Exit Interviews
- Turnover/Retention Statistics
- Education Career Experience
- Benefit Enrollment and Utilization Trends
- Family Status Single/2P/Family

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Analyzing Employee Climate

• Employee engagement surveys are effective if...
  – Easy to complete and short in duration (10-12 min)
  – Ask the **right** questions
  – Produce relevant data which can effectively be incorporated in a total rewards strategy
Utilizing Benchmark Data

• Do you understand the data?
  – Where is data an applicable comparison (and not)
  – Other factors may influence survey results
    • Employee demographics
    • Geographic location
    • Collective Bargaining Agreements
Engage Your Workforce
Complete Short and Engaging Survey

Employee completes a short (typically 10 minute) trade-off or conjoint survey on total reward package features. Just like in real life, you can’t have everything – optimized for mobile.

Modeling Preferences...

Modeling the trade-offs that people make. We identify the items that are crucial to have, those that are nice to have. We determine the sensitivity to change, and forecast plan acceptance. We model preferences by any segment of employee population.

Market Simulator

Leaders have access to an online simulator designed to provide an easy-to-use, graphically rich simulation and analysis environment. This can be in real time to understand preference sensitivity to change, and to model ‘what if’ scenarios.

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# Enrollment Trends and Preferences

<table>
<thead>
<tr>
<th>Current Offerings</th>
<th>Enrolled</th>
<th>Rank in Importance (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Plan A</td>
<td>Y</td>
<td>5</td>
</tr>
<tr>
<td>Dental Plan A</td>
<td>Y</td>
<td>4</td>
</tr>
<tr>
<td>Vision Coverage</td>
<td>Y</td>
<td>1</td>
</tr>
<tr>
<td>Long Term Disability</td>
<td>Y</td>
<td>3</td>
</tr>
<tr>
<td>Life Insurance ($150,000)</td>
<td>Y</td>
<td>3</td>
</tr>
<tr>
<td>Retirement Plan Employer Contribution</td>
<td>Y</td>
<td>5</td>
</tr>
</tbody>
</table>
### Offering Options and Choice

<table>
<thead>
<tr>
<th>Package A</th>
<th>Package B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Plan A (PPO)</td>
<td>Medical Plan B (HSA)</td>
</tr>
<tr>
<td>Dental Plan A (With Orthodontia)</td>
<td>Dental Plan A (with option to buy up to plan with orthodontia coverage)</td>
</tr>
<tr>
<td>Vision Coverage (automatic with Medical enrollment)</td>
<td>Optional Vision Coverage</td>
</tr>
<tr>
<td>Long Term Disability</td>
<td>Short Term Disability</td>
</tr>
<tr>
<td>Life Insurance ($150,000)</td>
<td>Long Term Disability</td>
</tr>
<tr>
<td>Retirement Plan Employer Contribution (2%)</td>
<td>Life Insurance ($100,000)</td>
</tr>
<tr>
<td></td>
<td>Retirement Plan Employer Contribution (3%)</td>
</tr>
<tr>
<td><strong>My Preference is Package A</strong></td>
<td><strong>My Preference is Package B</strong></td>
</tr>
<tr>
<td></td>
<td><em>X</em></td>
</tr>
</tbody>
</table>
Analyze Preference Trends

• Current Benefit Options
  – Medical Plan A
  – Dental Plan A (+ortho)
  – Vision Plan
  – Life Insurance ($150,000)
  – Long Term Disability
  – 403(b) contribution (2%)

• Preferences
  – Medical Plan A
  – Dental Plan B (no ortho)
  – Life Insurance ($100,000)
  – Short Term Disability
  – Long Term Disability
  – 403(b) contribution (4%)
The dashboard provides prescriptive data that allows for rewards comparison. The current rewards package can be compared to other potential combinations to determine the optimal rewards that meets business needs and delivers the best employee value proposition.
Building a Business Case - ROI

• Are you leveraging your financial resources to maximize the impact of your total rewards strategy?
Better insights directly translate into measurable ROI gains

**Better alignment of employee preferences with the company’s business strategy directly translates into measurable ROI**

**EXAMPLE: OPTIMIZED OFFERING**

- Lost opportunity to create value
- “Wasted” costs, undervalued offerings
- Lost opportunity to create value

**CURRENT OFFERING**

- YOU CAN OPTIMIZE THE OFFERING BY UNDERSTANDING WHAT EMPLOYEES VALUE MOST.

**HARD ROI**

- Cost Optimization
- Reduction or Elimination of Undervalued Features
- Improved Cost / Demand Predictability
- Reduced Employee Acquisition Costs / Better Retention

**SOFT ROI**

- Increased Perceived Value By Employee of the Company
- Stronger Reward Differentiation
- Improved Employee Satisfaction / Brand Equity

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Moving to a Flexible Strategy
Define and Implement

• What is your strategy and how does the data support it?
  – Is your focus
    • Cost
    • Differentiation
    • Retention and recruitment

• Keep big picture perspective
  – Do not focus on just one segment to optimize spend but for **areas of opportunity**
Customize to Maximize
Any Questions?
The intent of this analysis is to provide you with general information. It does not necessarily fully address all of your organization’s specific issues. It should not be construed as, nor is it intended to provide, tax or legal advice. Questions regarding specific issues should be addressed by your organization’s general counsel or an attorney who specializes in this practice area or your tax advisor.
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