Engaging Your Workforce While Aligning Your Spend

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Agenda

* Methods of engaging your workforce
* Understanding your workforce profile
* Creating a perception of value across your workforce
* Emerging methods that support spend alignment
* Bringing the pieces together
Total Rewards Framework

Organizational Culture

Business Strategy

Human Resource Strategy

Total Rewards Strategy
- Compensation
- Benefits
- Work-life
- Performance & Recognition
- Development & Career Opportunities

Attract Motivate Retain

Employee Satisfaction & Engagement

Preferences

Investments

Engagement

Results

*Source: World at Work, Total Rewards Model

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Aligning Rewards

Current Employer Resource Allocation

- Compensation: 41%
- Health & Wellness: 28%
- PTO: 8%
- Retirement: 6%
- Mission Fulfillment: 6%
- Recognition: 5%
- Social: 4%
- Fringe Benefits: 2%

Employee Values

- 37%
- Compensation
- 24%
- Health & Wellness
- 17%
- PTO
- 11%
- Retirement
- 4%
- Mission Fulfillment
- 4%
- Recognition
- 2%
- Social
- 1%
- Fringe Benefits

SAMPLE DATA FOR PURPOSE OF DISCUSSION

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Engagement – Total Wellbeing

- Identify Workforce Needs & Preferences
- Align Employer Rewards
- Coordinate, Prioritize, & Customize Communication

Engagement
Why Should My Leadership Team Care?

**Employees**
- 13% engaged at work
- 63% NOT engaged
- 24% actively disengaged

**Highly Engaged Employers**
- 21% more productive
- 22% more profitable
- 37% less absenteeism

*Source: 2013 Gallup State of the Global Workplace Survey*
Life Stage – All Employees

Key employees = those employees in Benefit Tier 3
## Medical Plan Coverage – All Employees

<table>
<thead>
<tr>
<th>Benefit Coverage</th>
<th>Key Employees</th>
<th>Non-Key Employees</th>
<th>All Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>Employee Only</td>
<td>24</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td>EE + Spouse</td>
<td>11</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>EE + Child/ren</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Family</td>
<td>117</td>
<td>3</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>154</td>
<td>8</td>
<td>162</td>
</tr>
</tbody>
</table>

### Key Employees (Total)
- Employee Only: 16%
- EE + Spouse: 7%
- EE + Child/ren: 3%
- Family: 74%

### Non-Key Employees (Total)
- Employee Only: 48%
- EE + Spouse: 13%
- EE + Child/ren: 4%
- Family: 35%

### All Employees (Total)
- Employee Only: 52%
- EE + Spouse: 12%
- EE + Child/ren: 4%
- Family: 32%
Average Retirement Plan Participant Income Replacement by Tenure

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Under 50%</th>
<th>50% - 80%</th>
<th>80% and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3</td>
<td>88%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>3 - 6 years</td>
<td>87%</td>
<td>11%</td>
<td>-</td>
</tr>
<tr>
<td>6 - 9 years</td>
<td>75%</td>
<td>22%</td>
<td>-</td>
</tr>
<tr>
<td>9 - 12 years</td>
<td>60%</td>
<td>31%</td>
<td>-</td>
</tr>
<tr>
<td>12 - 15 years</td>
<td>62%</td>
<td>30%</td>
<td>-</td>
</tr>
<tr>
<td>15 - 20 years</td>
<td>47%</td>
<td>20%</td>
<td>-</td>
</tr>
<tr>
<td>20+ years</td>
<td>53%</td>
<td>16%</td>
<td>-</td>
</tr>
<tr>
<td>Aggregate</td>
<td>74%</td>
<td>22%</td>
<td>4%</td>
</tr>
</tbody>
</table>

SAMPLE DATA FOR PURPOSE OF DISCUSSION

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Providing Employees Value
Providing Employees Value

Ideas to keep our employees engaged...

Give all of our employees a winter coat!
Two Plan Choices

Plan Option 1

Plan Option 2
Ideas to keep our employees engaged...

Give employees money toward winter coats!
Provide Employees with Choice
Why is this Concept Important?

* Traditional benefits and compensation structures
  * Small number of options of company selected coats (benefit plans)
* Trends toward the future
  * Company defined spend with a more custom fit to employee needs
    * Private Exchange models
  * Creative financial arrangements to help stabilize the wider program
    * Cooperatives/Pools/Trusts/Consortiums
    * Alternative stop-loss structures using intergovernmental agreements
    * Alternative stop-loss structures using Stop Loss Captives
Private Exchanges

The Key to Understanding Metallic Tiers

<table>
<thead>
<tr>
<th>Tier</th>
<th>You Pay</th>
<th>Insurance Plan Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Silver</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Gold</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Platinum</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>
**Private Exchanges**

**PUBLIC**
- Open
- Medical, prescription
- Single or multiple carrier
- Actives, retirees
- Individuals
- Small Group
- Government sponsored

**PRIVATE**
- Closed
- Dental, vision, life, voluntary, plus more
- Insured or self-funded
- Group plans
- Broker, insurer, TPA technology firm

*Public exchanges are emerging as marketplaces of health insurance and other related products promoted by government (Federal and State).*

*Private exchanges are marketplaces of health insurance and other related products promoted by private industry stakeholders (e.g., payors), generally with options for employers to administer defined contribution arrangements.*
What is a Private Exchange?

* Employer sponsored marketplace
  * All benefits options in one place
* Decision making support
* Fully or self-insured option
* Shopping experience
  * Sponsor selects carrier(s)
  * Vendor identified
  * Budget determined
  * Employees purchase products
Successful Cooperative Attributes

✓ Members with a generally similar profile
  • Types of employees
  • Management structure
  • Number of employees

✓ Tied together for reasons other than buying healthcare

✓ Common compensation and benefit philosophy

✓ Collaborative working environment
  • Willingness to challenge one another to improve as a group

✓ Desire to grow and evolve over time
Generating Cost Savings

- **Self-insured groups**
  - Stop-loss insurance
  - Plan administration
  - Professional services

- **Fully-insured groups**
  - PPACA fees
  - Carrier profit margins
  - Commissions
Alternative Stop-Loss Structure

Traditional Self Funded

Stop-loss Insurance Contract

$150,000 Specific Stop-loss Deductible

Cooperative Illustration

Stop-loss Insurance Contract

$1,000,000 Cooperative Specific Stop-loss Deductible

$100,000 Member Specific Stop-loss Deductible

Cooperative holds stop loss policy to manage risk

Cooperative responsible for claims between member value and stop loss specific deductible

Members are responsible for claims under the specific value
Stabilizing Experience Overtime

Medical Trend vs Cooperative Trend

- Monthly Premium Dollars (PEPM)
- Medical Trend
- Coop 1
- Coop 2
- Coop 3
- Coop 4
Your workforce is diverse and unique

Perceived value of compensation is also diverse and unique

Aligning your spend can improve perceived value

Choice with support allows employees to align for you

Creativity allows more money to reach the value equation
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