Challenges & Opportunities

With health care costs rising, organizations are searching for ways to continue providing their employees with value, keeping them healthy and staying compliant while also controlling rising costs. This is often difficult to do with a defined benefit approach to medical programs because a defined benefit approach generally results in organizations facing annual cost increases without the ability to adequately predict or manage those costs.

Given this background, the client wanted to review their benefit programs and create more of a link to their overall business and reward strategies. The client also decided to include an assessment of their Total Rewards program overall. Included in this assessment were base and total compensation, health & welfare benefits, wellness programs, retirement and voluntary programs. Each of these were reviewed and benchmarked, where possible.

The client had recently experienced 15-20% growth in both revenue and employees. As a result, a concern for the Chief Executive Officer and Chief Financial Officer was that they were potentially outgrowing their current reward programs.

The client anecdotally knew that employees were unhappy with the current benefit plan offerings. As part of our due diligence for making a recommendation as to the appropriate course of action, Gallagher completed an analysis of the client's workforce, reviewing issues such as tenure, diversity in the workforce and retirement preparation.

A Tailored Approach

Gallagher completed a Total Rewards Assessment for the client. The Assessment provided a comprehensive review of the client’s reward programs including base salary, incentive compensation, health and welfare benefits, wellness and other reward programs/perquisites.

An employee survey was also conducted to gauge employee satisfaction with the reward programs and to gather their preferences for the various programs. This helped uncover the fact that employees valued the health & welfare benefit programs, but were unsatisfied with them.

The Assessment provided a summary of the client’s reward programs along with details for each. Additionally, Gallagher conducted the Assessment in the context of organizational strategy and employee preferences for the various reward programs.

Recommendations were provided to the client to make improvements to the various programs that would align with strategy and what the employees valued. Compensation was found to be within market bounds. However, Gallagher recommended a communication campaign to ensure that

Client Profile:
Industry: Management Services
Location: East Central U.S.
Number of Employees: 600
CASE STUDY: Management Services

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employees understood the compensation program and the reward programs overall, as well as their competitive position. The key recommendation was to move to a defined contribution strategy and to implement a private exchange.

The final deliverable was a report to Senior Leadership presenting the Assessment and Gallagher’s recommendations. The report provided a great opportunity to discuss the reward programs and the recommendations. Leadership approved the move to the defined contribution platform and the implementation of a private exchange.

Results Delivered

Through the Assessment and implementation of the defined contribution benefit strategy, we project that the client will save $1.5 million over five years as opposed to the former health & welfare benefit program. In addition, the client now has predictable benefit costs and controls any annual cost increase.

At the same time, employee satisfaction has increased with the new benefit programs and the client has provided employees with more flexibility and choice while also shifting the responsibility for their own health to the employees. The program is sustainable and also ensures that the client remains compliant with applicable regulations. Finally, the program provides a competitive advantage for the client when recruiting or retaining employees. It’s a differentiating part of their employee value proposition.

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See our whitepaper on defined contribution and Total Rewards called “Evaluating and Implementing a Defined Contribution Benefits Strategy Within a Total Rewards Framework” by authors Chris Ratajczyk & Rick Strater on ajg.com under the Exchange Solutions Knowledge Center.