Introduction
How does your benefits and compensation plan fuel growth, reduce risk, and strengthen your organization with a healthy engaged workforce? The right investment in human capital will pay dividends for years. At Arthur J. Gallagher & Co. (Gallagher), we work hard to understand your industry, your market, and the unique constraints that impact your success. The enclosed articles, written by key specialists in the Benefits & Human Resources Division, offer insight on the total rewards landscape relevant to your business planning.

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The intent of this document is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee compensation and benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to provide, legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.
Going Beyond Traditional Benefits, Becoming an Employer of Choice

By James W. Durkin, Jr., President, Benefits & Human Resources Consulting Division

2015 is poised to be an important year for U.S. employers. With key components of the Patient Protection and Affordable Care Act (PPACA) becoming requirements, an uptick in the economy, lower unemployment, more Baby Boomers retiring, and an unprecedented, heightened focus on succession planning and talent retention, many high-performing organizations are looking to create an employer of choice environment.

The Great Recession may have masked talent pool issues, but now we are seeing more employers looking to fill the void, strategizing how to better attract, retain and engage employees. From the top of the organization to part-time staff, it’s no longer enough to offer a competitive salary and benefits. It is imperative that employees understand and appreciate the total scope of rewards they receive and how their individual work contributes to the greater success of the organization.

When striving to become an employer of choice, the alignment of culture, employee needs and organizational objectives is paramount. Imagine top industry talent knocking at your door instead of having to seek it out. Imagine less worry about high performers leaving for a competitor. With employees being one of the most important assets to the long-term success and sustainability of an organization, and benefits and compensation ranking as one of the most expensive line items, ensuring total rewards alignment can significantly impact overall productivity and cost containment.

Noting the challenges associated with establishing and maintaining employer of choice status, Gallagher is ready to help. Throughout our 2015 State of the Market report, Gallagher leaders share their unique insights, offering ideas and interpreting trends. Our data-driven approach and best-in-class resources position us to effectively guide employers through the complexities of today’s environment and determine the best path forward.

Employer of Choice Key Attributes:
- Inspiring leadership
- Commitment to communication
- Alignment of organizational brand and employee value proposition
- Meaningful career development opportunities
- Competitive, fair and equitable total reward programs
- Focus on thought leadership
- Clear culture, vision and mission
- Good co-worker and management relationships

An employer of choice successfully attracts, retains and engages top talent.
Investing in Employees to Generate Business Returns

Contributed by Scott Hamilton, National Managing Director, Human Resources & Compensation Consulting
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Shareholders and business owners typically invest significant capital in a business, and look to maximize returns on that investment by monitoring indicators such as return on investment (ROI), return on assets (ROA), return on equity (ROE), and a host of other measures.

These indicators typically gauge investment in physical and working capital, and often miss the most impactful investment area: human capital. How does a business owner determine whether the current investment in human capital is effective? There are several methods, including evaluating recruitment and retention measures, employee engagement, and more importantly – productivity and profitability. Employers who are truly effective in aligning their human capital investments with employee needs are often called “employers of choice.” This means they are paying appropriate salaries and benefits, are profitable and growing, are attractive to current and future employees, and are able to provide a stable environment for career development.

Although investing money in employees is somewhat similar to investing in stocks or other vehicles for return on capital, employers may also share a common misconception: employees are a cost, rather than an investment. That’s not the case for an employer of choice. Taking a strategic approach to human resources and building a workforce that is aligned with organizational goals will often lead to higher levels of customer satisfaction and increased revenue. This is especially true as we increasingly become a knowledge economy where people are the primary resource for many organizations.

Strategically approaching the design of total rewards and aligning with an employer of choice goal will help organizations secure many advantages in the future.

The money invested in employees is a large part of the total rewards package offered by the organization. Total rewards refers to all incentives, including cash compensation, healthcare benefits, retirement and any other tool that employers use to attract, retain and engage employees; it is a key driver of a successful organization’s employee value proposition.

OPTIMIZING THE TOTAL REWARDS PORTFOLIO

It’s vital to know how and where total rewards dollars are invested in order to maximize the return. Often organizations are unaware of how their rewards are allocated, unsure if employees value the current offerings and uncertain if the existing rewards structure aligns with organizational needs. Without this insight, employers can face significant gaps and miss opportunities to improve return on investment. Here are some key considerations:

- **Organizational Positioning within the Industry** – It’s very important for employers to have a thorough understanding of their organization and industry. This includes knowledge about their employee value proposition, competitors and general market trends.
• **Human Resources Strategy Aligned with Organizational Goals** – The total rewards strategy should filter down from the overall organizational and human resources strategies, and be aligned with both the short-term and long-term business goals.

• **Employee Preferences** – Employee surveys and focus groups can be used to determine and highlight which rewards programs employees value. The value employees place on specific rewards will probably vary across a diverse workforce. Often, holistically assessing the alignment of all rewards with demographic needs brings to light recommendations for improved engagement across the board. For example, a defined contribution strategy on a private exchange platform such as the Gallagher Marketplace may be the right path to provide employees with flexibility and choice. This solution can also help the organization reallocate scarce labor dollars.

• **Communication** – Organizations will improve their ROI through clear, targeted communications. Aligning communication tactics with demographic preferences ensures the message is best received by employees, and will lead to enhanced understanding and engagement. For example, a pre-retiree professional and early career professional may perceive and value information differently, and planning for those varied viewpoints and needs can help an organization be seen as an employer of choice—a place where people want to work.

• **Review and Recalibration** – Just because a great total rewards program has been created for the current environment doesn’t mean it will work forever. Organizations benefit from an annual review of the programs and their alignment with overall strategy and employee preferences. If the alignment is off, then the investment in employees (total rewards) will not maximize the returns and risk mitigation (organizational results).

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**THE ADVANTAGES OF A TOTAL REWARDS-DRIVEN APPROACH**

A strategic and holistic approach to total rewards supports these outcomes:

• **Improved Recruitment and Retention** – A competitive, fair and well-communicated total rewards program that’s aligned with the workforce will help attract and keep employees. Securing the right talent decreases employee replacement costs and helps preserve performance quality, by preventing the loss of organizational knowledge, skills and relationships.

• **Reduced Risk of Employee Discrimination** – Creating a fair rewards program that pays employees based on legal and objective factors mitigates the risk of potential employee discrimination claims.

• **Improved Labor Dollar Control** – Organizations that take this approach to total rewards will have a clear understanding of where labor dollars are going and why. This makes it easier to reallocate these precious dollars as necessary.

• **Stable and Developed Workforce** – Attaining the first three advantages will help maintain a stable workforce. This stability allows organizations time to train and develop employees and lessens their concern about retention.

A strategic approach to aligning total rewards with both your business strategy and employee needs is a smart investment in your human capital. Many organizations are missing the opportunity to measure and manage one of their most important investments—talent. Taking the time to identify and address any potential gaps within a total rewards strategy can lead to enhanced status as an employer of choice, as well as improved returns on organizational objectives.
Private Exchanges: Driving Employee Engagement and Achieving Key Business Objectives

By Rick Strater, Division Vice President & National Exchange Practice Leader

Even in the face of rising healthcare costs, which show no signs of easing, employers have been cautious about abandoning their traditional approach to providing healthcare benefits. However, to be an employer of choice, it’s essential to find a way to offer competitive employee benefits and at the same time, achieve organizational objectives and financial goals. This challenge has led employers to take a serious look at the strategic potential of implementing a private exchange. When a private exchange is the right fit, it can improve employee engagement and cost containment, and ultimately, create long-term sustainability.

Even if healthcare cost is shifted through plan design changes, a “one-size-fits-all solution” won’t meet all employee needs.

BALANCING ESCALATING HEALTHCARE COSTS & ENGAGEMENT

Medical insurance premiums in the U.S. have steeply increased over the last decade, far outstripping inflation. In 2004, the average medical premium for family coverage was $9,950. That figure now exceeds $16,000 or 69% premium growth during the last 10 years. By comparison, the consumer price index grew by just over 2% annually over that same period.

High-performing organizations are realizing that employee engagement is an integral piece of the puzzle to dialing down costs while elevating overall productivity. A private exchange acts as an employee engagement lever in two ways. The exchange makes it plainly evident what an employer spends on benefits, and it also exerts a consumerism influence because of the “shopping” experience it provides. As employees become the stewards of their personal benefits by using a private exchange, they become more aware and personally engaged.

ONE-SIZE-DOESN’T-FIT-ALL

As more research becomes available on the success of exchanges, it’s clear that adjusting copays and deductibles isn’t likely to provide adequate relief to the growing cost of healthcare or improve employee engagement. Even if healthcare cost is shifted through plan design changes, a “one-size-fits-all solution” won’t meet all employee needs. Simply reducing organizational spend and introducing a defined contribution (DC) approach for funding employee benefits is no better. DC should be introduced with greater choice and decision support for employees, which helps keep benefits affordable and supports employers’ ability to attract, retain and engage the right talent.

According to a recent study of several clients and their employees using the Gallagher Marketplace (Marketplace) private exchange platform, there were improvements in employers’ ability to meet employees’ needs as well as increased transparency of the total cost of medical insurance provided to employees. For example, when given a set amount of funds to purchase coverage and other benefits, employees exhibited increased levels of engagement and chose benefits on the Marketplace that were leaner when compared to their selection prior to the Marketplace. On average, the study shows that these clients realized a 4.3% decrease in the average actuarial value on the Marketplace compared to their experience before the Marketplace.1
This data reveals that employees are engaged in the process of obtaining benefits, to the extent that they “buy down,” because they’re purchasing the benefits they need instead of the benefits their employer thinks they need. They are spending less, on average, for their benefits while getting more value for their benefits investment. Ultimately, this experience results in employees who are happier and more engaged overall.

**DC FUNDING MODEL + PRIVATE EXCHANGE = EMPLOYEE CHOICE**

When combined with a well-designed DC funding model that is closely linked to a total rewards strategy, a private exchange will allow employers to control their growth in benefits spend without using blunt cost shifting. This assumes the exchange has a broad array of medical plans, ancillary and voluntary options, and the decision support to help employees choose which benefits are best suited for individual needs.

The employer will determine the initial spend and the rate of growth in that spend. Employees will use those dollars to buy the benefits that meet their individual needs and the cost of those benefits will be fully transparent. Empowered with choice and employer funds that they see and treat as their own money, employees will likely use the decision support tools to help them select wisely. Some will spend more and “buy up” their coverage and most will spend less and “buy down,” but the decision will belong to employees.

When employees spend less, it will be because they choose plans that are less rich. Employees that choose these more basic plans will tend to become better consumers, especially if the private exchange provides advocacy and cost/quality tools that will help them control spend.

When it comes to controlling benefit costs, largely driven by the growth in medical insurance premiums, a private exchange may be the right vehicle to positively impact both bottom-line costs and employee engagement.

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Effective Benefits Communication Increases Employee Engagement

By Matt Frost, CEO, SHILLING – A subsidiary of Arthur J. Gallagher

While the concept of employee engagement has been around for over two decades, its importance as a competitive driver for employers has sharply increased in recent years. Maximizing gains from the total rewards budget and attracting, retaining and maintaining the motivation of the best workforce has never been more critical to global business.

Traditionally, total rewards conversations haven’t focused on these “soft” HR issues, although strategic HR thinkers and practitioners have clearly recognized the potential of communications to influence greater employee engagement. The focus today has entirely shifted to thinking and acting based on outcomes-focused strategic goals, and targeting individual awareness and change among employees.

Maximizing gains from the total rewards budget and attracting, retaining and maintaining the motivation of the best workforce has never been more critical to global business.

Most employers want to act as employers of choice and be recognized as such, but achieving this competitive position in the marketplace isn’t simply a marketing exercise. Well-designed and coherent organizational behaviors—consistently applied—create and sustain engagement.

Attaining this goal requires intentional participation at the leadership level (e.g., C-suite, HR leaders and senior management), which includes the commitment to total rewards communications that can serve as an agent of change and empowerment within the organization. Active advocacy at the top of the “org chart” must align with business strategy to be effective; it’s not simply an end in itself.

To deliver the desired results, a skill set is needed that’s far removed from the traditional compliance-led or informational communications that have dominated these issues in the past. A truly strategic approach involves targeted total rewards communication that reflects the individual needs of the audience. It also requires attention to detail that makes it possible for employees to understand benefits program aspects at a deep level of relevance. Typically, an early career employee is focused on student loans, debts to pay or a house to save for—and will pay little or no attention to retirement savings messaging. But early intervention and education can help them see the value of starting the process and also guide them through it. This workforce segment does not need pages of information about retirement choices (which are 40+ years away). Similarly, the near-retiree only needs information that’s relevant to their retirement status (age, financials, etc.) A targeted, individually significant communication approach creates more work for the communicator, but engages the audience far more deeply.

The rationale for a positive return on investment (ROI) from strategic communications is convincing. Organizations spend very large percentages of their operating costs on benefits. Total reward programs are becoming increasingly expensive as more responsibility shifts to employers, impacting the employer and employee alike. As longevity increases, rewards programs become more critical and expensive to manage.
If organizations do not act now to engage employees more effectively, then employment issues, employees’ personal objectives, market forces and sheer demographic diversity could combine to create a perfect storm. Key age groups now entering the workplace, such as Gen Y and Millennials, may stand to lose the most in this scenario.

Effective communication can help good employers engage their staff in a way that enables them to make good benefit choices. Properly informed and aware, they’re more likely to invest wisely for the future and protect themselves and their loved ones as best they can, at an appropriate level of affordable financing.

Employers of choice collaborate when grappling with these tough issues and demonstrate corporate social responsibility and values, which are qualities that reflect well on their public reputation. They engage their employees in a way that ensures employees feel and know they are valued and can, to some extent, de-stress about their personal futures. Engaged employees perform better and expend additional discretionary effort.

Engaged employees perform better and expend additional discretionary effort.

But, let’s be clear. No one goes to work just for the retirement or benefits plan, so there has to be a holistic plan for total rewards communication consistent with corporate values, which integrates business drivers such as talent acquisition, retention and motivation. Proof that an organization is an employer of choice operates at a deeper level than the mental assertion this is so. Employees will trust an organization’s powerful messaging about the value of rewards offerings, but only if it’s backed up with good benefits, good employee care, good training, good career progression, good management structures and safe workplaces.
Connecting Culture and Employee Wellbeing for Organizational Success

By Ali Payne, M.S., Area Vice President, North Central Region Wellness Practice Leader
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When it comes to effectively containing long-term costs and developing meaningful employee engagement, aligning wellbeing strategy and culture is paramount. Knowing that every organization is different, and employees want and value different things throughout their lives and careers, determining the right path forward can be tricky. There are many facets to consider, ranging from employers’ current culture to their organizational vision and mission, employee demographics, employee communications, and overall goals such as the attraction, retention and engagement of talent, retirement, and of course, cost containment strategies. With this in mind, many high-performing organizations are taking a look at their approach to culture and engagement through the lens of holistic wellbeing.

In the past, many wellness programs focused primarily on physical health. However, wellbeing strategies take into account the overall organizational goals in alignment with employees’ emotional, financial, career, community and physical health. This broader approach is meaningful to designing impactful behavior-change strategies. Ultimately, an organization can have the best possible programs, but if the culture doesn’t support success, it will be very difficult to impact behavior change.

Behavior is highly influenced by culture, environment and social norms; therefore, one of the biggest opportunities to improve employee wellbeing is to first assess an organization’s current culture—noting the reality as well as aspirational goals. Based on the findings, a strategy can then be developed that meets both the employer and employees where they are now, versus pushing an approach that either organizational leadership or employees are not ready to embrace. While strategic wellbeing consulting is still catching on, those organizations that have engaged in this methodology find success by:

• **Transforming culture to inspire and empower employees** to make personal, internal changes for themselves rather than feeling “forced” or externally motivated. Imposed change can actually derailed development of the intrinsic motivation needed for long-term positive behavior change.

• **Assessing and integrating all total rewards aspects when developing a strategy**—this means looking at healthcare data analytics, human resources and compensation information, retirement strategy, professional development opportunities and anything related to attracting and retaining talent.
A TAILORED APPROACH
While developing a wellbeing strategy is exciting, it is not easy. Implementing an effective wellbeing approach is hard work and requires a heightened level of customization. This is not an “off-the-shelf” concept, but rather, a very tailored process. Gaining both leadership and employee input throughout the strategy development and implementation process is integral, and wrapping that strategy in the right communication bundle is just as important. The best way for employees to receive information varies, and building knowledge of those differences into a successful wellbeing approach is just one level of customization. This is not a turn-key solution.

When it comes to being valued as an employer of choice, a defined wellbeing strategy can make a significant difference in elevating productivity and employee satisfaction as well as enhancing culture.

Behavior is highly influenced by culture, environment and social norms.

Assess and then build a culture that supports the behaviors that lead to a thriving and engaged workforce.

What's Trending in Wellness?
Beyond the wellbeing evolution, wellness hot topics include:

• Becoming an employer of choice
• Employee engagement
• Financial wellness
• Onsite healthcare
• Telehealth
• Corporate social responsibility/community involvement
Integrating Absence Management and Wellness Strategy

By Agnes Nines, Mid-Atlantic Region Absence Management Practice Leader, Health & Welfare Consulting

With the expanded emphasis on wellness strategy as a means to better engage employees, and in turn, increase productivity and bottom-line cost containment, savvy employers are beginning to view disability benefits through the broader lens of wellness. High-performing organizations recognize that wellness is a strategic initiative and are expanding the definition and scope to include financial wellness. For instance, a program that integrates time off and absence management with initiatives that facilitate work-life balance supports the overall wellness message. This can lead to key outcomes such as enhanced employee engagement and increased productivity.

Wellness-focused absence management promotes stay-at-work and return-to-work solutions benefiting employees and employers.

Competitive employers are taking a holistic approach to developing an impactful absence management strategy that considers human resource policies, disability benefits, workers compensation, regulatory concerns such as Family Medical Leave Act (FMLA) and Americans with Disabilities Act Amendments Act (ADAAA) compliance—as well as paid time off, disease management and wellness programs. Understanding how these components best work together is leading many employers to rethink their strategy.

With an integrated approach, program goals related to improved employee health and overall risk management will naturally help organizations realize budgetary success through reduced absence incidence and duration. Successful programs will use healthcare, disability, workers compensation and leave data to direct strategy and solve for results.

By taking a broader view and identifying the primary drivers of absence, whether for work or non-work related reasons, an organization can best determine where to focus limited resources. For example, one employer used data to specifically address issues related to musculoskeletal, obesity and mental/nervous diagnoses within select departments, yielding significant results. These efforts required the coordination of occupational health specialists, conditions management teams, stay-at-work and return-to-work experts and others. The initial investment in coordination and implementation, while greater than required with a traditional approach, will pay dividends for years to come. And, an increase in interdepartmental collaboration that spilled over into other aspects of the business was just an added bonus.

When various employer-sponsored programs and benefits are viewed as part of an integrated system rather than stand-alone offerings, everyone wins. Employees perceive their value to an organization. Managers gain more control over their daily operations. Leadership benefits from actionable reporting and overall improved organizational results.

When thinking about the many facets to establishing employer of choice status, an organization’s ability to move beyond the traditional approach to absence management can be critical.
The Health Engagement Sweet Spot

By Chuck Reynolds, Area President, Benfield, a division of Gallagher Benefit Services, Inc.

There is an employee health engagement sweet spot—a point at the intersection of highly positive feelings and a commitment to health and wellbeing. At this intersection, one could say the benefits of better workforce health are turbocharged by the benefits of enhanced employee attitudes toward the company. At this intersection, for instance, increased work capacity due to improved fitness meets an increased desire to do well for the company, yielding greater work productivity and discretionary effort.

As shown in the graphic below, however, other scenarios are possible. Of particular concern are the lower quadrants, where a perceived lack of support for health can—even among employees who are highly engaged in their health—reduce engagement in work and goodwill toward the company.

**HITTING THE SWEET SPOT**

To hit the sweet spot, organizations must:

- Strategically align their health-related policies, programs, incentives and management support.
- Communicate effectively to help employees understand and appreciate health and wellbeing benefits.

Employers need to view policies, programs, incentives and management support from the employee’s perspective to strategically align these elements. It’s important to ask, “Does everything align? Is the signal we are sending employees about health and wellbeing clear and consistent? Or, are we sending mixed messages?” For example, a smoker looking to quit in order to avoid higher insurance premiums gets a mixed signal when required to pay out-of-pocket for prescription smoking cessation drugs. Similarly, a group of employees frustrated with an abusive manager may perceive a new stress management program as hypocrisy instead of helpful.

**COMMUNICATING EFFECTIVELY TO BUILD TRUST & CREDIBILITY**

There are three critical success factors to consider:

- **Address Belief:** Effective communication starts by answering: “What do we need people to do? What
People don’t trust institutions or departments; they trust people.

- **Message Ownership**: People don’t trust institutions or departments; they trust people. Important communications about health and related programs should come from the person responsible and accountable for the company’s offering. Over time, this person’s credibility will grow if the strategy is aligned and their messaging is clear.

- **Tailor Communications to Your Audience**: Benefits and compensation-related communications can be confusing and potentially tedious. Once core content is established, using creative, surprising and humorous messaging can get the audience’s attention and positively impact understanding and engagement. However, selecting your communication vehicle is also important. Understanding workforce demographics goes a long way to helping establish the right kind of communication strategy. For example, the way a pre-retiree receives information may be very different from a Gen Y employee.

No communication can overcome a strategy that is misaligned, but once a company has done the hard work of achieving strategic alignment, communication can make all the difference in how investments in employee health and wellbeing are perceived.
Managing Compliance Risk and Strengthening Employee Value Proposition
By George K. Katsoudas, Division Senior Vice President, Compliance Counsel, Compliance Consulting

Compliant health and welfare benefits are a necessary ingredient in creating the right competitive total rewards strategy for becoming an employer of choice. However, with the historical enactment of healthcare reform—the Patient Protection and Affordable Care Act (PPACA), the single largest piece of healthcare legislation since the passage of Medicare and Medicaid in the 1960s—it has become increasingly challenging for employers to ensure that their benefits programs comply with the many regulatory requirements that have been placed upon them.

For this reason, 2014 was a very challenging year for employers as they were planning and implementing PPACA’s signature mandate (the Employer Shared Responsibility). And, for the many organizations that chose to offer health and welfare benefits, the hard work has just begun. 2015 looks to be just as challenging. As employers work to comply with the plethora of mandates introduced by PPACA while continuing to comply with older, more established laws, such as ERISA and COBRA, the sheer volume of regulations and the amount of compliance information they must track can feel overwhelming.

UNPRECEDENTED TIMES OFFER COMPETITIVE OPPORTUNITIES
Despite the complexity associated with today’s regulatory environment, high-performing organizations are viewing this period as an opportunity to reevaluate and potentially rethink their approach to benefits.

Key considerations include:

• How does the changing regulatory environment impact the design of existing benefit plans and programs?
• What compliance issues must be accounted for when crafting new benefit plans and programs?
• What is the financial impact of specific regulatory changes?

The unprecedented challenges also create a unique opportunity for organizations to position themselves as an employer of choice within their specific industry or relevant geographic location. PPACA has re-introduced employer-sponsored coverage into the mainstream conversation, a benefit that most employees may have taken for granted for many decades. Moreover, the numerous reporting and disclosure mandates introduced by PPACA have helped shine a spotlight on the real value that employer-sponsored benefits plans provide to their workforce. This is all taking place at a time when salary growth is muted, which further magnifies the relative value that many employees place on their total rewards package, including their benefits.

PPACA has helped shine a spotlight on the real value employer-sponsored benefit plans provide to employees, at a time when salary growth has been muted.

The continuing question for employers will be how they can take advantage of the present opportunities, especially if their human resources team is already operating at full capacity. Finding the right consulting partner can make all the difference between simply managing today’s compliance maze, versus examining the situation holistically and developing a stronger employee value proposition. Plan sponsors that build a proactive approach can reduce risk and enhance employer of choice status, all while addressing unique compliance challenges.
A Different Approach to Voluntary Benefits

By Tim Easterwood, Area President, Voluntary Benefits Consulting
Grant Downs, New Business Development, Voluntary Benefits Consulting

Traditional voluntary benefits are continuing to grow in popularity. In today’s environment, voluntary benefits are a meaningful piece of the total rewards package employers offer, positively impacting a number of issues such as attracting and retaining top talent. Although there are endless nuances to offering voluntary benefits on an employer-paid basis, most conversations about this strategy fall under three main categories:

- Employee Incentives
- Employer Spend Reallocation
- Soft Landing

EMPLOYEE INCENTIVES

The idea of incentivizing employees to migrate to a less costly health plan is not a novel one. In all likelihood, a number of employers already use benefit differentiations, including health savings account funding, reduced employee contributions or some other combination of incentives to encourage employees to choose a specific plan design.

The employee incentives approach, in relation to worksite benefits, is similar to the two methods mentioned above. This approach identifies an opportunity to put a lower cost medical plan option on the table for employees, and encourages them to participate by providing employer-paid voluntary benefits to entice migration. The employee incentives concept works particularly well when an employer is implementing a high-deductible health plan and the savings that are realized leave enough budget to purchase voluntary benefits, and still achieve overall benefits budget reductions.

EMPLOYER SPEND REALLOCATION

The employer spend reallocation approach deploys many of the same tactics as the employee incentives strategy, but is better suited for employers that already have multiple medical plan options. Many organizations have a number of existing incentives in place for employees. The reallocation strategy simply challenges employers, with the help of a consultant, to consider providing voluntary benefits in place of another expense. For example, a wellness incentive might be reduced by $20/month, allowing the purchase of accident and critical illness plans with health screening payouts for employees instead. This strategy helps ensure employers are getting the most out of their total rewards budget.

SOFT LANDING

The third approach for employer-paid voluntary benefits is the soft landing. This is used when an employer moves away from multiple options and/or rich medical plan designs and implements a single plan with high out-of-pocket costs for employees. To reduce the uneasiness that often accompanies change, employers use a small amount of the savings generated from altering the medical plan to purchase employee worksite benefits.

Implementing the right voluntary benefits strategy can make a significant difference in the competition for talent. When organizations align voluntary strategy with their overall culture, mission and identified workforce needs, based on both demographic data and employee assessments, they can strengthen their position as an employer of choice.
The Price is Right: A Pharmacy Benefit Manager (PBM) Solution

By Mark Rosenberg, Area President, Healthcare Analytics Consulting

With prescription drug trend on its way back to levels last seen at the start of this century, employers have definitely taken notice. They are posing critical questions to their advisers and consultants about how to control these costs, seeing this effort as an opportunity to control total medical plan spend.

Traditional pharmacy cost containment methods such as prior authorization and step therapy can only bend the cost trend so much in this age of specialty drug direct marketing. However, complicated PBM contracts contain inconsistencies that the trained eye may not identify while negotiating and evaluating pricing and contract terms.

It’s important for employers to understand the sources of revenue for a PBM. This knowledge will allow them to manage the PBM relationship and negotiate contracts that maximize the value of the prescription drug benefit. A more sophisticated understanding of the complexities of this particular benefit can lead to more effective management of the overall healthcare benefit. In turn, this improvement will support appropriate dispensing and payments that help control plan costs.

**LEVELING THE PLAYING FIELD**

So, where do employers start? A typical PBM contract outlines drug pricing in terms of discount percentages an employer receives from the Average Wholesale Price (AWP) of the drug. Generic and brand-name drugs have unique sets of discount guarantees.

This sounds deceptively simple: Apply these guarantees to a client’s current drugs and all is solved. In reality, it’s not so easy. PBMs have varying definitions of how a drug is classified (e.g., brand vs. generic) and what source is used to determine the AWP, and at times, they indicate these crucial determinations are subject to their own discretion. As a result, the total impact of these contract terms influences the perceived cost of the drug plan vs. the actual net cost that may be realized.

In addition, there are a host of other PBM contract terms related to various operational practices (e.g., re-packaging of claims, inclusion of “zero-balance” claims in discount guarantees), which dramatically influence the net cost of an agreement.

**A PROCUREMENT SOLUTION**

A properly designed pharmacy benefit can ensure that members are able to obtain the drugs they need in order to maintain or achieve the best possible health, while also providing cost-effective therapy by avoiding unnecessary and excessive employer and employee costs. Through benefit design, inappropriate utilization can be further reduced. For example, properly designed copayments encourage members to use cost-effective drugs and discuss cost-effective alternatives with their healthcare professionals.

**Drug Facts**

- U.S. prescription drug spend increased 13.1% in 2014 after several years of declining rate increases.
- Spending on specialty drugs in 2014 increased by 30.9% which was the highest specialty drug trend ever recorded.
- Specialty medications were 31.8% of total spend, up from 27.7% in 2013, and they are expected to reach 44% in the next three years.

**Source:** The Express Scripts 2014 Drug Trend Report
Whether it’s for the purpose of reducing costs or maximizing rebates, employers should conduct a proprietary financial and contract evaluation to project future costs, which can include the nuances in financial and contract terms across all bidding PBMs. It’s crucial that PBM contracts are thoroughly scrutinized because they have such a significant and direct impact on plan performance.

The ability to attract, engage and retain top talent is, and will remain, vital to realizing business goals. Having the right PBM in place to contain costs, maximize benefit dollars and optimize total rewards can give organizations an edge over their competition as an employer of choice, contributing to bottom-line growth.
Human Capital Management and Benefits Administration

By Rhonda Marcucci, CPA, Consultant, Gruppo Marcucci

The field of human capital management (HCM) approaches employee staffing by viewing employees as assets (i.e., human capital), whose value can be measured and enhanced through investment. To understand the role of benefits administration within an HCM model, it’s important to consider how the work landscape is changing.

The concept of “employment” has evolved. We’ve moved from an industrial economy to a service economy whereby the output of employees has changed from widgets to knowledge. Historically, employees transformed raw material into salable finished products. Machines have now replaced much of what the employee used to do and employees now engage in a higher level of skill and thinking. This change has caused employers to rethink how to best interact with their employees and how to incent and reward these valuable assets (provide benefits).

A SHIFT FROM EMPLOYMENT TO WORK COMMITMENT

Employers seek to maximize the return on investment of their human capital, which means strategically securing the talent they want and need to “own.” A new way to think about today’s workforce is to look at how the employer views and manages its employees. There is a shift underway from the traditional concept of employment to a concept of work commitment.

At one end of the spectrum is the concept that employers view a consistent group of employees as the most important input to their business. Employee skills are available at the ready, as needed. At the other end of the spectrum, employers opt to buy the skills they need on the open market (often at a premium), but use them only as long as they are needed (e.g., contingent workforce such as contractors or temporary help).

The vast majority of employers fall somewhere in between, but the trend today is clearly shifting to buying the skills needed, when they are needed. With the passage of the Patient Protection and Affordable Care Act, the talent pool is more open to this shift since having an employment relationship is less critical to obtaining healthcare than at any time in recent history.

A new way to think about today’s workforce is to look at how the employer views and manages its employees. There is a shift underway from the traditional concept of employment to a concept of work commitment.

MANAGING TALENT WITHIN A NEW MODEL

To quickly access needed skills, companies may use teams of workers, anchored by full-time employees who are at the center of a diverse and changing pool of independent talent who all perform work on a transactional basis. These non-employee resources typically include contractors, temporary staff, outsourcing providers and consultants. The challenge for HR professionals is to learn to manage talent that extends beyond the traditional employer-employee relationship in three distinct phases: pre-work commitment, work commitment and post-work commitment.
Employers must consider these areas to effectively manage both traditional and non-traditional human capital:

- **Strategy** – Driving overall business results using human capital inputs
- **Compliance** – Mitigating the risk of using human capital inputs
- **Administration** – Managing activities required to support and execute strategy and compliance

Given the significant change underway in the way organizations use human capital to get work done, the ways in which companies incent and reward their human capital will change as well. Gruppo Marcucci, a Gallagher partner, recognizes the need for a new way to look at the evolution of human capital and has created the Human Capital Work Commitment Cycle. This cycle is designed to address the full scope of HR-related activities employers face, including the shift from traditional “employment” to a more versatile workforce.

### HUMAN CAPITAL WORK COMMITMENT CYCLE

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**Strategic**
- Drives Business Outcomes

**External Compliance**
- Keeps You Out of Trouble

**Administration**
- Keeps You Efficient

**How**
- Consulting
  - Insourced
  - Outsourced
- Data Analytics
- Technology
IMPACT ON BENEFITS ADMINISTRATION

The evolution in the management of human capital has a profound impact on benefits administration. A “pure” definition of benefits administration is “the process of establishing, maintaining and managing benefits for the employees of an organization.” Employee benefits typically include health and welfare (medical insurance), defined benefit or defined contribution retirement accounts, vacation time, sick time, paid time off and more.

Today, benefits program offerings are the only function within the larger human capital management spectrum that may require the worker to make a complex buying decision through their employer. This creates a unique set of support needs. Benefits administration functions not only need to manage complex rules and data integrations, but also must engage workers by helping them, first to make optimal benefits purchasing choices and then to effectively use those benefits.

MANAGING BENEFITS ADMINISTRATION IN AN HCM TECHNOLOGY ENVIRONMENT

While many employer groups want an integrated HR, benefits, and payroll technology solution—a number that’s growing—there are not many strong benefit modules within integrated HCM technology platforms. Benefits administration continues to be a stepchild in the small market (<1,000 lives), often causing a lot of manual intervention and potential liability for HR departments. The mid-market (1,000–20,000 lives) represents mixed-bag technology, with the trend being to move from an integrated HCM suite to replacing the benefits module within that suite with a benefits administration point solution (technology platform focused on benefits administration). The jumbo market (>20,000 lives) has recognized its needs are more complex and has continually increased adoption of benefits point solutions, often combined with outsourcing services, to supplement its integrated HCM or enterprise solution suite.

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Benefits administration point solutions are becoming more integration-friendly with HCMs (and HCMs are becoming more integration-friendly with point solutions). This allows employers to enjoy the advantages of large-scale platforms that support high volumes of data across multiple business processes and subsequent reporting and analytics. At the same time, they’re able to take advantage of benefits-specific tools related to employee engagement and regulatory compliance.
Creating an Impactful Retirement Strategy

By Robert D. Sloan, Area Vice President, Registered Representative, Retirement Plan Consulting

Ever since the first retirement plan was developed in the United States back in 1889 by the American Express Company, employers have tried to determine the optimal approach for allowing their retirees to maintain the standard of living to which they have become accustomed. Plan sponsors have migrated over the years from the traditional defined benefit plan to the currently popular defined contribution approach. Why has this dramatic shift of risk transfer occurred and what is the new dynamic for measuring plan success?

After the passage of ERISA in 1974, employers and plan sponsors have been gradually dissolving their defined benefit pension plans in favor of defined contribution plans. This shift, from employers bearing financial risk under a defined benefit plan to employees bearing this risk under a defined contribution plan, is due to the ever-changing employee and employer relationship. Today’s employees view the labor market as an opportunity for financial prosperity. In other words, they are continually searching for that employer of choice who can not only meet their current financial needs, but also fulfill their wishes. Employers have responded to this changing dynamic with compensation and benefits designed to attract highly desirable employees, shifting to the defined contribution approach that is far more portable than the old defined benefit plan.

The competition for talent is forcing employers to better understand their unique workforce and establish a retirement strategy that meets both the employee population needs and organizational objectives. In order to accomplish this, the use of sophisticated analytics is critical. It is no longer enough to simply benchmark key plan design features against the market. Understanding how human capital and financial capital are linked is critical, including how each employee defines their total wealth based upon their age and income.

Total wealth is equal to the sum of human capital (HC) and financial capital (FC). FC is defined as the net worth of an individual. This asset can be deployed to meet basic needs in retirement, or in the case of disability or even death. HC on the other hand is the present value of the future earnings of an individual.

As illustrated in the chart shown on the next page, at the entry point to the workforce an individual’s HC is high whereas their FC is extremely low. Over time, the two change direction and HC soon diminishes as FC increases. Appreciation of this dynamic is paramount for employers as they design plans, communicate and develop investment offerings. This is essential in the development of a retirement strategy.
program that meets the needs of the broad-based employee population. Gone are the days when an employer established a retirement plan simply to “check the box” confirming a retirement option was offered.

The dynamic of HC versus FC is illustrated on a very rudimentary level. Each employee is special and has needs that cannot be addressed, largely because of the constraints of the Internal Revenue Code. To truly engage in this discussion, employers need the tools and the analytics that are required to support it. Today, the data and modeling exists to fully understand the workforce and how best to meet the needs of the employee demographics while simultaneously supporting the long-term objectives of the organization. This type of strategic approach will help an organization achieve employer of choice status.

Figure One: The Dynamic of Human Capital VS. Financial Capital
2014 was characterized by increased volatility in the markets and uncertainty in terms of global growth, interest rates and commodities prices (particularly oil). There was also increased regulatory scrutiny related to investment transactions. As a result, employers have been faced with unique challenges when it comes to best navigating investment objectives and determining processes to ensure fiduciary rigor and mitigate risks. Four examples illustrate some of these challenges and solutions—employer stock funds, in-kind contributions, pension risk transfer and outsourced chief investment officer.

EMPLOYER STOCK FUNDS
In a unanimous opinion in *Fifth Third Bank v. Dudenhoeffer*, on June 25, 2014, the Supreme Court ruled that fiduciaries responsible for employer stock funds “are subject to the same duty of prudence that applies to ERISA fiduciaries in general, except that they need not diversify the fund’s assets.” The Court held that company stock fiduciaries are not entitled to a “presumption of prudence.” Lower federal courts around the country had ruled that fiduciaries are protected from liability by that presumption (known as the Moench presumption based on the name of the 1995 case that first articulated it), unless the fiduciaries let the plan continue to hold, or purchase employer stock when they knew or should have known of “dire circumstances” such as the company’s impending collapse.

The Supreme Court decision means that fiduciaries responsible for employer stock funds should revisit their plan documents, governance structures and fiduciary procedures, and consider appointing an independent fiduciary to manage the employer stock fund. Fiduciaries should be alert to future lower court decisions applying the Court’s ruling to claims of fiduciary breach when employer stock funds plummet in value.

IN-KIND CONTRIBUTIONS
For most companies, there are conflicting demands for resources. Rising healthcare and retirement costs may lead to questions about changes in benefit design. This often leads to conversations about alternative funding mechanisms. In-kind contributions of assets other than cash allow the use of other resources, such as company stock or corporate real estate, to fund benefit obligations.

For example, the defined benefit pension plan of a major defense contracting firm hired an independent fiduciary to determine whether and on what terms to accept—as an excess contribution—the company’s corporate headquarters, subject to a leaseback to the company. After negotiations, they arrived at terms for the acquisition of the property and lease, submitted a report in support of the transaction to the U.S. Department of Labor (DOL), and after the DOL granted a prohibited transaction exemption, consummated the sale-leaseback in late 2004.
For 10 years, the plan retained its independent fiduciary to monitor the company as tenant and enforce the plan’s rights as owner and landlord, and also to decide whether and when to market the property for sale. In 2014, the fiduciary completed the sale of the campus, a transaction that permitted the plan to improve its liquidity and realize a substantial investment gain.

**PENSION RISK TRANSFER**

For many plan sponsors, their frozen defined benefit plan is a legacy issue that provides little value from a human resources perspective, but still needs fiduciary management. It is a distraction for finance staff and creates volatility to the company balance sheet. This has led to increased interest in pension risk transfer—either through paying lump sums to beneficiaries or considering an annuity purchase, transferring the liabilities to an insurance company.

The DOL’s Interpretive Bulletin No. 95-1 provides direction for plan sponsors regarding the selection of annuities. First, the selection of the insurance carrier is a fiduciary decision under ERISA. The transaction must be undertaken for the sole benefit of participants and beneficiaries. Second, the selected insurance carrier must be the “safest available” annuity provider—taking into account creditworthiness, lines of business, protection for participants, etc.

These elements create additional layers of due diligence that should be undertaken. They also present fiduciary risk to a plan sponsor, whose corporate interest in minimizing the cost of the annuity purchase creates an inherent conflict with the fiduciary dimensions of the annuity selection process imposed by ERISA. Consideration of an independent fiduciary that has investment, actuarial and insurance market expertise can help ensure prudent judgments about alternative annuity arrangements, and providers necessary to complete these transactions.

**OUTSOURCED CHIEF INVESTMENT OFFICER**

Plan sponsors should work to differentiate between strategic decisions versus implementation themes. Staff, committees and boards with limited time and resources should consider if their efforts are being focused in the right areas. In particular, delegated Outsourced Chief Investment Officer (OCIO) arrangements can provide additional resources, as an extension of staff, to facilitate timely, robust due diligence and implementation.

These examples show some of the more innovative options that plan sponsors have to ensure financial and fiduciary prudence. While the issues are complex, finding a team that can examine them all from a holistic perspective, not only taking into account the necessary regulatory concerns but also looking at organizational culture, vision and mission to determine the right approach, can lead to a competitive advantage.
Key Employee Retirement Strategy
By Steve Mann, Area Vice President, Investment Advisor Representative, Executive Benefits Consulting

As mentioned on page 23, and illustrated in the Dynamic of Human Capital Vs. Financial Capital graph, human capital and financial capital move in opposite directions over the working years of an employee’s life. There are many factors that impact the arc of our human capital: education, mentoring, unique experiences, relationships and training, to name a few. There are always a small, select group of employees whose potential human capital is higher than others. They are the key employees of an organization, and often an important asset to the organization’s competitive advantage.

The highly compensated key employee population requires a different approach to meeting long-term retirement needs. For example, key employees may value a defined contribution retirement plan, but its impact on their future will be limited due to the maximum savings rate.

Employees who understand the risks of a defined contribution plan will maximize its use and value matching or profit-sharing contributions at a high level. These employees will see that a well-designed retirement plan is a core component of their benefits program. They will also be eligible for bonus plans, long-term incentive plans and equity plans. With this in mind, often the biggest challenge can be helping key employees understand how benefit decisions impact their long-term financial capital.

In 2015, the maximum savings rate in the 401(k) plan was increased by $500 to $18,000 per year. This savings level is very good for many employees; however, as income increases, this savings level becomes less and less impactful. It’s frustrating for any employer to put so much energy into the best plan design possible only to find out that it is simply limited in value for a core group of employees.

In order to keep highly compensated key employees engaged as they approach retirement, employers will need to get creative. The required tools and analytics may point out the need for defined contribution plan design adjustments or additional retirement plan options. The necessary plans to support additional savings capacity are available and should be reviewed for their advantages and disadvantages.

When defined contribution plan designs make financial sense for an organization, additional retirement plans should also be considered so that savings capacity can increase as employee income increases. Employers of choice will want to also consider how tax-efficient benefits will impact their most highly compensated employees. An understanding of these types of benefits should support long-term retention of key employees and a healthy turnover among leadership over time.

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The Current Compensation Landscape
By Chris Ratajeczyk, ACCP, SPHR, SHRM-SCP, Director of Operations, Human Resources & Compensation Consulting

The effort to keep current on trends and regulations affecting compensation can be a continual battle. These changes will impact organizations’ ability to remain compliant while designing and delivering impactful solutions.

There are a number of factors to consider when developing a meaningful compensation and total rewards strategy. To be competitive in today’s environment, organizations should address three primary issues—minimum wage laws, a pro-union environment and compensation in the context of total rewards.

MINIMUM WAGE LAWS
A rapidly growing number of states and cities are passing laws that increase the minimum wage above the federal level. As of 2015, 29 states and the District of Columbia are now above the federal minimum wage.

Seattle, Wash. is moving to $15.00 per hour by 2021; Santa Fe, N.M. is at $10.84; Oakland and San Francisco, Calif. are moving to $12.25 in 2015; and Governor Cuomo just proposed a New York state minimum wage of $10.50 and a New York City minimum wage of $11.50. Individual organizations also sometimes set their own “living wage” as a minimum rate they will pay to their employees.

Compensation professionals will need to track any minimum wage changes that affect their organization and determine the impact to their total rewards systems. Simply increasing all eligible employees to the new minimum wage may or may not be the right strategy. Wages throughout the organization are often linked in a salary structure, where a change to the lowest-paid employees will have a ripple effect to higher-paid employees, thereby creating inequities in compensation.

NATIONAL LABOR RELATIONS BOARD, DEPARTMENT OF LABOR & UNIONS
The National Labor Relations Board (NLRB) has issued changes to the union election process that will potentially shorten the election cycle from 42 days to as low as 14 or fewer. Pending legal challenges, these rules will be effective April 14, 2015.

To proactively strengthen their employee value proposition and become an employer of choice, organizations are beginning to evaluate compensation as part of the whole total rewards system, rather than as a silo to be managed separately.

The NLRB has also held narrower standards regarding what constitutes a bargaining unit. Under a famous (or infamous) ruling involving Specialty Healthcare, an employer must show that any employees excluded from a bargaining unit share an “overwhelming community of interest” with those employees included in the unit. This can be a very difficult standard to meet. And, of course, smaller bargaining units tend to make the elections easier for unions.
The Department of Labor (DOL) expects to issue a final rule regarding the Labor Management Reporting and Disclosure Act by the end of July 2015, which would narrow exemptions for reporting by third-party experts and broaden the definition of “advice.” This would make it much more difficult for employers to receive advice from third parties regarding employee communication around collective bargaining, without triggering reporting requirements that had previously been considered privileged.

All of these changes make it more difficult for employers to defend against unions. However, it will help to have fair and competitive compensation programs that are clearly communicated.

Although not specifically related to unions, the DOL is also expected to review the Fair Labor Standards Act’s overtime exemption regulations, potentially reducing the number of employees who can be classified as exempt.

Compensation dollars come from the same overall total rewards bucket. Therefore, a strategic total rewards approach will help organizations ensure their labor dollars are going to the places that will have the maximum impact on positive organizational results.

Both compensation and benefits, in particular play a large role in total rewards. An analogy is Maslow’s Hierarchy where physiological and safety/security needs of humans must be met before love, belonging and self-esteem become large motivators. In this sense, compensation and benefits are similar to the bottom of the hierarchy. If they are sufficient, fair and well-communicated, they can form the foundation for higher-level programs such as work-life, career development, etc. However, without an adequate combination of compensation and benefits, these other reward programs will not provide maximum returns. If structured properly, a total rewards program will enhance an organization’s perception as an employer of choice.

An integrated approach to total rewards becomes more important as the workforce becomes more diverse. This means an increasing need for flexible reward programs. A defined contribution strategy on a private exchange platform such as Gallagher Marketplace can be used to provide flexible rewards.

Each of these three trending issues—and many others—brings its own challenges. Strategically navigating all of these trends will help organizations create a competitive advantage with their compensation programs and employee value proposition.

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COMPENSATION IN THE CONTEXT OF TOTAL REWARDS
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Global HR Trends and Issues in 2015

By Richard Polak, Executive Vice President, Multinational Benefits & Human Resources Consulting

When competing to be an employer of choice, multinational companies face unique circumstances. Global HR leaders must consider a variety of issues when aligning multinational strategy with key organizational objectives such as top talent attraction, retention and engagement. However, in 2015, a number of important topics have risen to the forefront, including de-risking, governance, global wellbeing, compliance, productivity, global workforce, mergers and acquisitions, communications, global broker and insurer selection and voluntary benefits.

Here are some highlights:

- **Compliance is an even more important issue than it was last year.** Having the right guidance on the proper mitigation of noncompliance risk is imperative as organizations look at long-term success and sustainability. HR executives with overseas operations need to consider the application of key compliance issues both locally and abroad. Even when a U.S. employee is not physically located stateside, current regulatory rules may apply.

- **The focus on how to best achieve optimal productivity continues.** However, the conversation is moving to a C-suite focus, addressing the alignment between employee engagement, wellbeing, absence management, technology and individual preferences and communications. Leading organizations are realizing that a collaborative, holistic approach to addressing productivity can increase their revenue 10% to 15%.

- **Why global wellbeing, rather than global wellness?** High performing companies realize the value of a holistic strategy. Compared to a more limited traditional wellness approach, a wellbeing strategy examines all aspects of an employee’s health including financial, emotional, physical, and all other aspects that make up an individual’s total health. This broader assessment means more targeted and meaningful programs that speak to an individual's unique needs, and therefore, leads to enhanced productivity. This will continue to be a key focus in 2015.

More employers are looking at the de-risking of pension plans and there is no indication of this trend slowing down. The increase in employee longevity is making de-risking a more topical issue, and as competitive organizations look at establishing meaningful retirement strategies, now is the time to look deeper.

As employees grow older, the opportunity for good rates from insurance companies will be harder to achieve. The issue goes beyond the immediate costs, however, as employers should also consider the long-term impact of employees “retiring at their desks” if the current retirement strategy is not meeting their individual needs.

- **Governance is always at the forefront.** This continues to be a major issue for employers in 2015. Employers must implement approval policies on all levels.

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• **The global skilled labor workforce is actually becoming smaller.** Countries like Spain, Italy and many others, regardless of their high unemployment rates, provide incentives for skilled labor to work in their country. Incentives might include fast-track visa approval and no social taxes. With this in mind, structuring a meaningful employer of choice strategy is becoming an even more important focus.

• **Merger and acquisition activity continues to be strong in 2015.** Employers must continually be aware of governance issues around pension liabilities and also non-monetary liabilities.

• **Communication in a rapidly growing environment is critical to attraction and retention.** If employees don’t know what benefits their employer offers or the value they provide, there is a significant issue with engagement and appreciation of the offerings. Sophisticated, cross-border communication programs that address the diverse demographic needs of the workforce should be developed to enhance the employee experience and employer branding.

• **Global brokering and global insurance consolidation will continue to increase as employers look for economies of scale from both their advisers and their insurers.** It is important to have an independent adviser help navigate and analyze the complexities and the cost of savings versus the value of the offerings.

With the many considerations facing global HR leaders, where should employers focus in 2015? The answer depends on organizational culture and business objectives, and how each of the key issues and insights identified above align with those needs. However, if there is one priority area that high-performing companies are addressing, it will most likely be enhancing productivity. A strong focus on productivity will address cost containment and growth goals, while also helping organizations achieve employer of choice status.
About the Benefits and Human Resources Division of Arthur J. Gallagher & Co.

BRILLIANT BENEFITS AND COMPENSATION SOLUTIONS BUILD BRILLIANT BUSINESSES.
Are your HR policies compliant with federal, state and country-specific regulations? Do your employees save enough for retirement? How will healthcare affect your business? Do you have a total rewards program that attracts and retains talent?

You need answers, and a data-driven, holistic benefits and compensation approach provides them.

Gallagher’s trusted experts get to know you, your business and your employees. With that insight, we help you overcome organizational and marketplace barriers so you can better manage your domestic and multinational benefits, human resources, compensation and retirement challenges.

Our benefit and compensation solutions help your people work better so they can make your business perform better.
Arthur J. Gallagher & Co.

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• Recognized by Forbes magazine as one of America’s Best Employers in 2015
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• One of the world’s largest insurance brokerages
• Recognized four years in a row by the Ethisphere Institute as a World’s Most Ethical Company®

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