



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™



**WEB**

Worldwide Employee  
Benefits Network

Dallas Chapter

# The Architecture of Total Rewards

APRIL 26, 2016

# Agenda

Developing a  
Total Rewards  
Strategy

- Five Key Steps

Case Study

- Making it a business  
Challenge

Questions

# Total Reward Strategy | Key Steps

# Developing a Total Rewards Strategy: Key Steps

Gather Employee Voice, Benchmark Programs and Establish Baseline Metrics



Build a Cross Functional Team and Establish Roles



Create Strategic Framework and Communicate



Identify Gaps, Prioritize and Close



Measure What you Want to Get Done

# Establish Baselines and EE Voice

# Obtaining Employee Voice



Hourly  
Worker to Sr.  
Leadership



Valued  
Contributor to  
High  
Potential  
Employee



Geography/C  
culture



New Hire to  
Tenured  
Employee



Gen Y to  
Baby Boomer

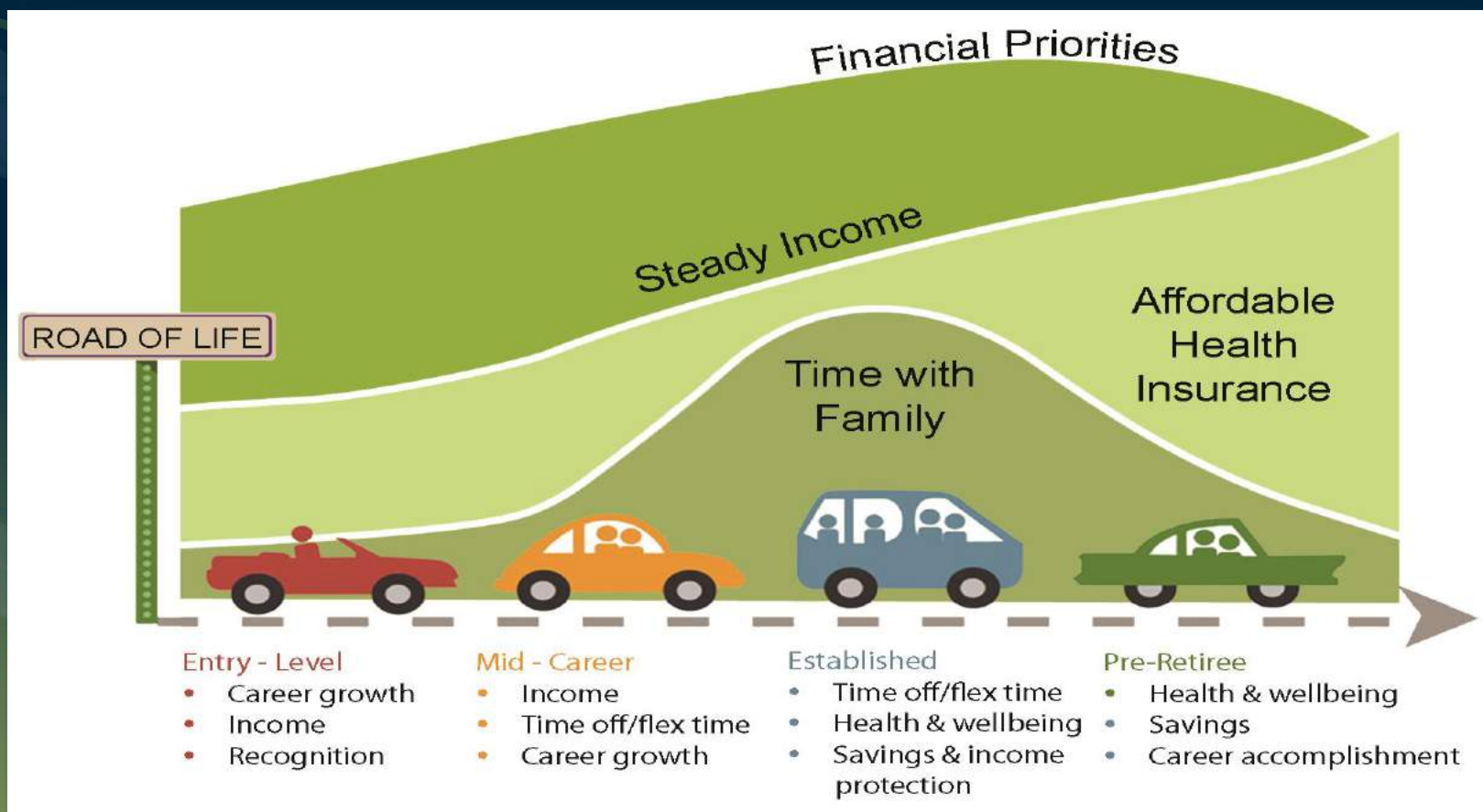


Owner/  
Shareholder

**Should be a Process, Not an Event**

*Critical to Defining "The Problem"*

# Life Stage Needs and Preferences



*Preferences and Needs Vary Substantially by Generation*

# Sample Problem Statement and Goals

## Problem Statement

- Significant cost of rewards with little insight into ROI
- Rewards managed in isolation, not holistically
- Lack of employee understanding and appreciation of rewards
- Attractions and retention concerns in competitive industry

## Goals

- Linked to Organization's Values/Goals
- Rewards are transparent and understandable
- Linked to ROI / returns
- Global philosophy with local application
- Competitive when needed
- Drive value, not entitlement
- Managed holistically
- Flexible and adaptable



# Build Cross Functional Team

# Why Build a Cross Functional Team?

Broad Perspective

Understand Implications to Business

Fresh Ideas

Development Opportunity

Build Relationships

Support Communication

*Make it a Business Challenge, Not an HR Challenge*

# Ways to Utilize The Cross Functional Team

- Define rewards
- Establish metrics
- Develop employee and employer perspective
- Sounding board for:
  - Strategies
  - Implementation plans
  - Communications

# Create Strategic Framework

# Why Develop a Strategic Framework?










- A strategic framework can be used to:
  - Make decisions about rewards
  - Serve as a communication guide
  - Articulate why strategies are being recommended
- Design factors
  - Keep it simple
  - Get buy in from key decision makers
  - Provide education to stakeholders

# Strategic Framework Example



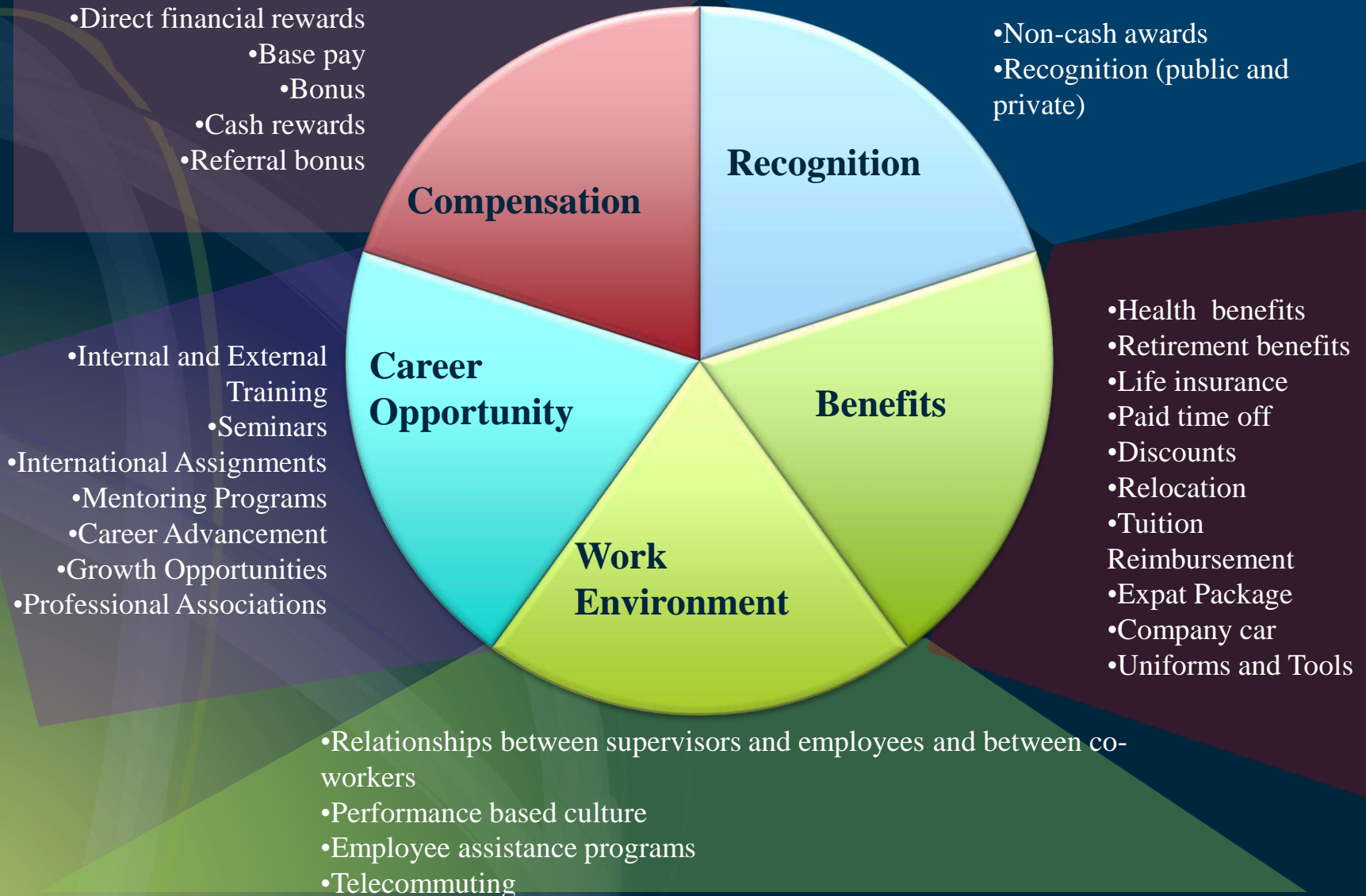
# Use in Design Recommendation

## Illustrative Pension Plan Recommendation

	Employer	Employee	Cost
<b>Do Nothing</b>	 <ul style="list-style-type: none"> <li>- Attraction and Retention</li> <li>- Enhance Corporate Values</li> </ul>	 <ul style="list-style-type: none"> <li>- No Impact to Employees</li> </ul>	 <ul style="list-style-type: none"> <li>- Higher Cost w/no Control</li> </ul>
<b>Close/Freeze to All</b>	 <ul style="list-style-type: none"> <li>- Impact to EE Engagement</li> <li>- Greatest Impact to Retention</li> </ul>	 <ul style="list-style-type: none"> <li>- All EEs are Impacted</li> <li>- Largest Take-Away</li> </ul>	 <ul style="list-style-type: none"> <li>- Cash Outlay Reduced Most</li> <li>- Long-Term Volatility Reduced Most</li> </ul>
<b>Close to New Hires</b>	 <ul style="list-style-type: none"> <li>- Little Impact to EE Engagement</li> <li>- If impact to Attraction can Modify DC Plan</li> </ul>	 <ul style="list-style-type: none"> <li>- Existing EEs Not Impacted</li> </ul>	 <ul style="list-style-type: none"> <li>- Cash Outlay Reduced</li> <li>- Long-Term Volatility Reduced</li> </ul>



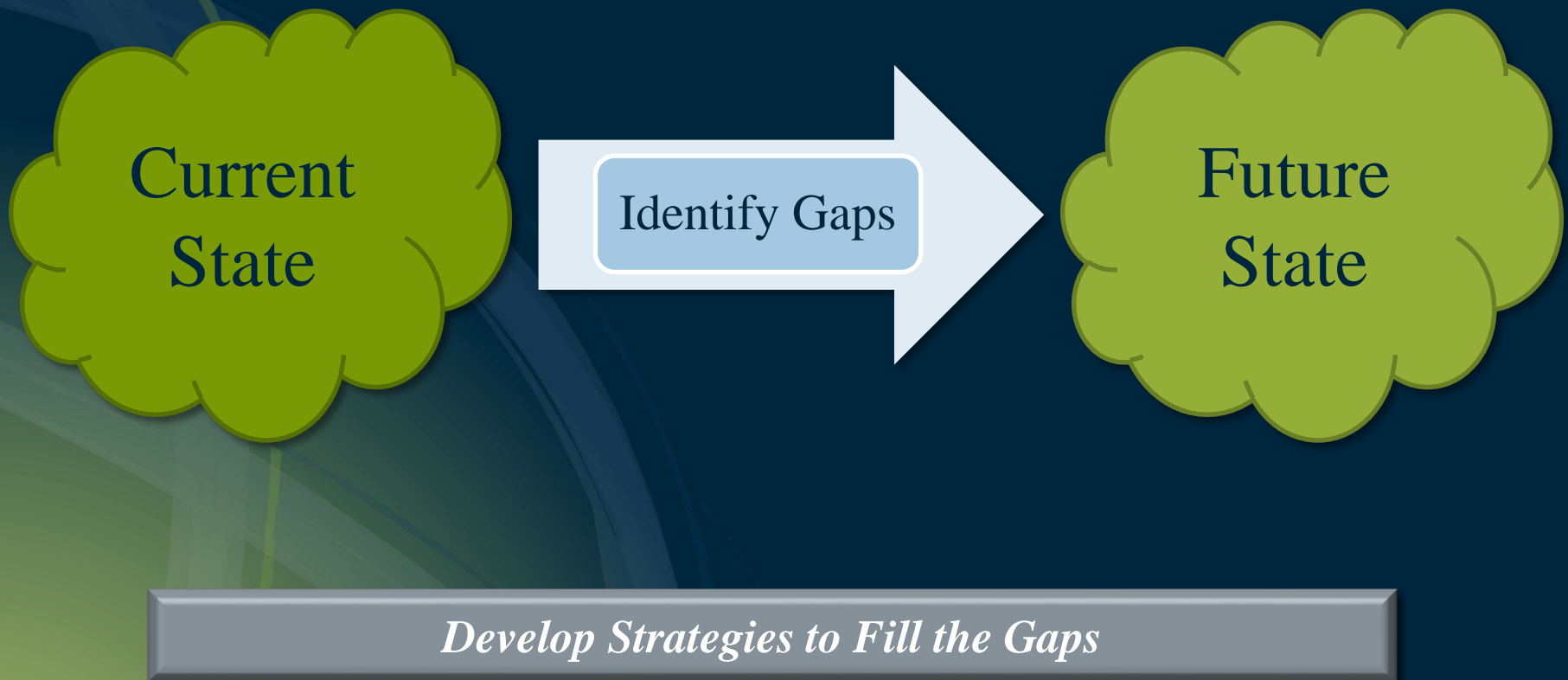
# Illustrative Reward Definition





# Identify Gaps

# Where to Focus?



# Illustrative Communication Gaps

## Current State

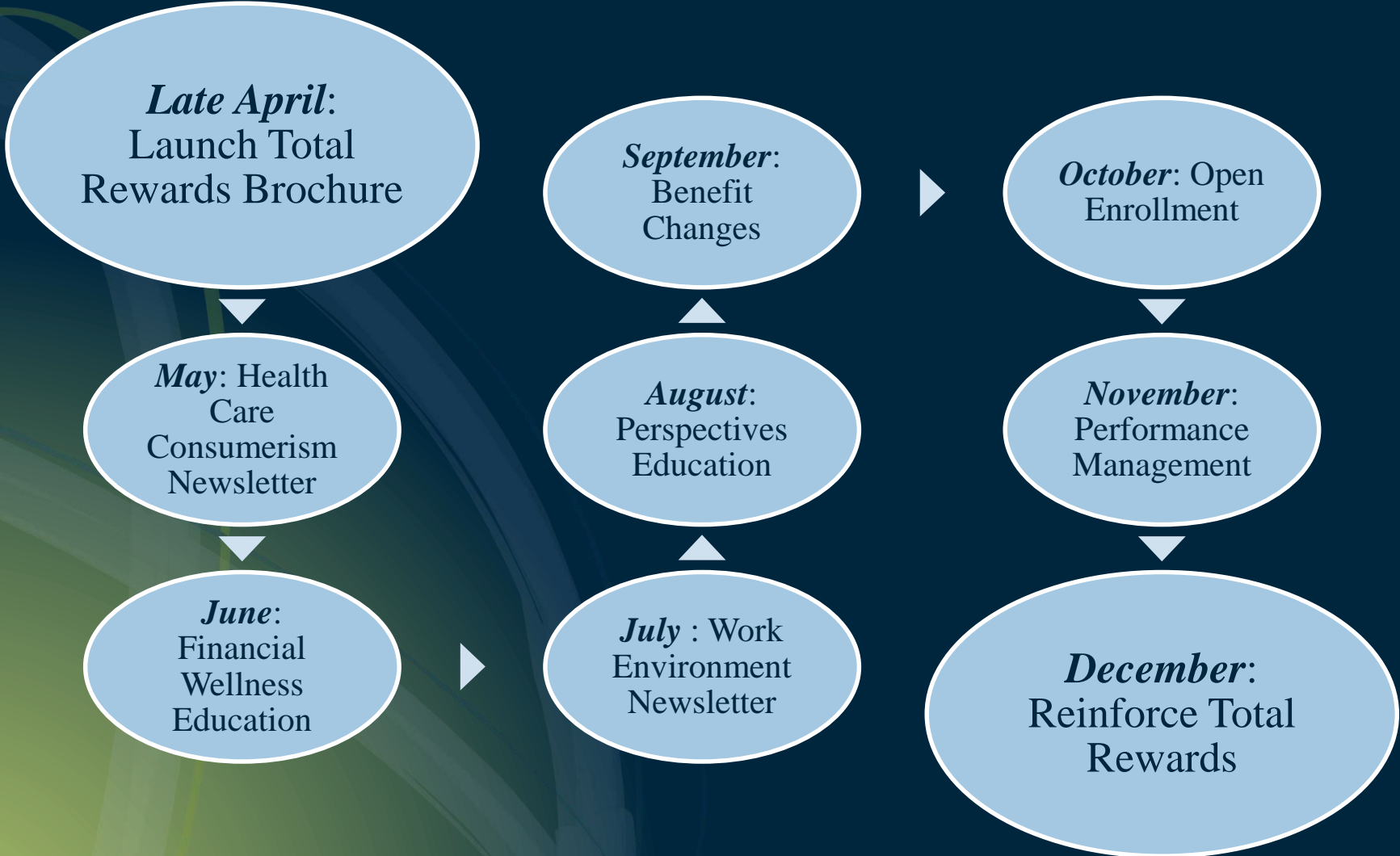
- See cost of benefits
- Views change as takeaways
- Event driven
- Inconsistent messages
- Instructional



## Future State

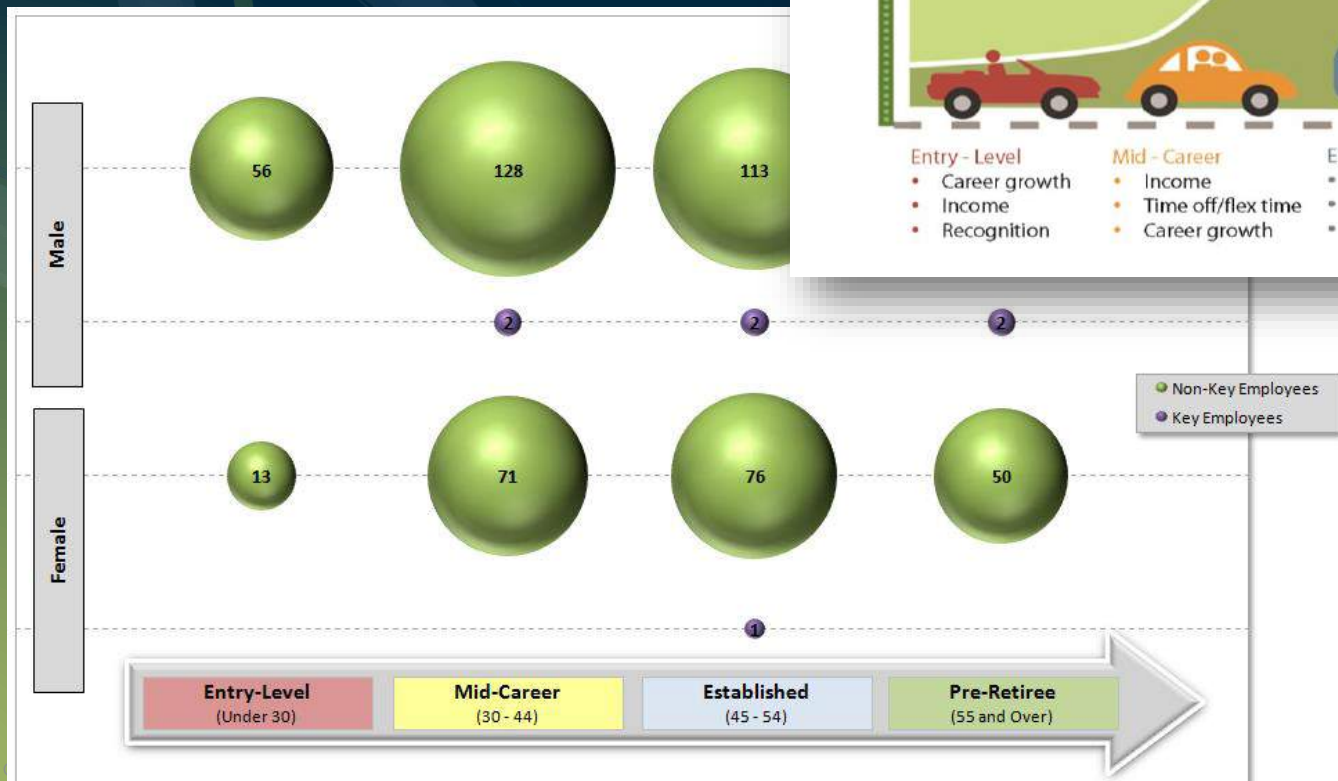
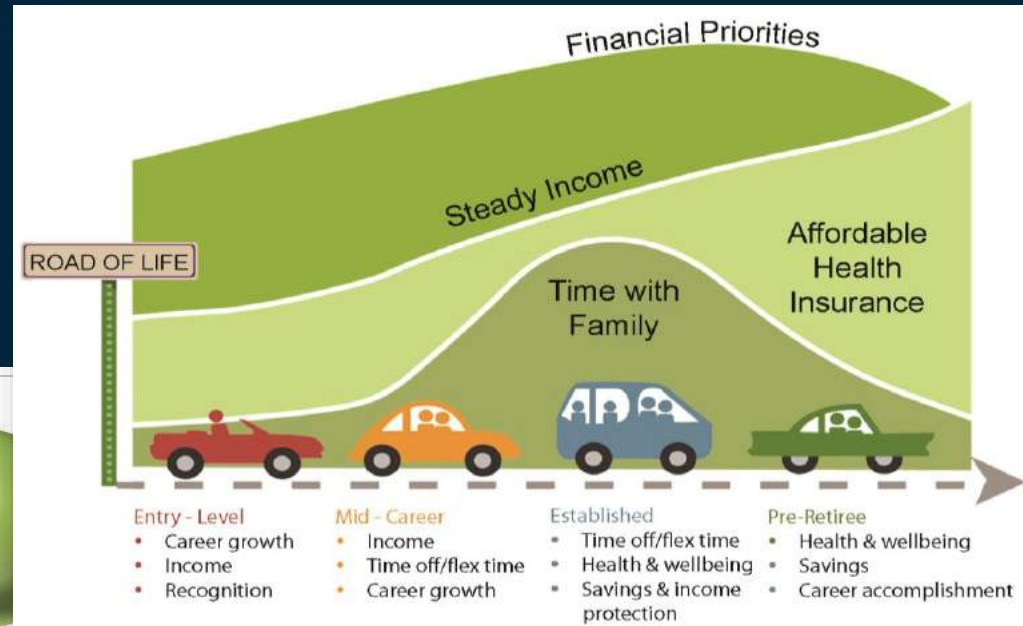
- See value of benefits
- Understands and values balanced offering
- Ongoing comprehensive messaging
- Brand communications; develop process to ensure consistent messaging
- Educational

# Communications Should be Ongoing – *Illustrative Timeline*



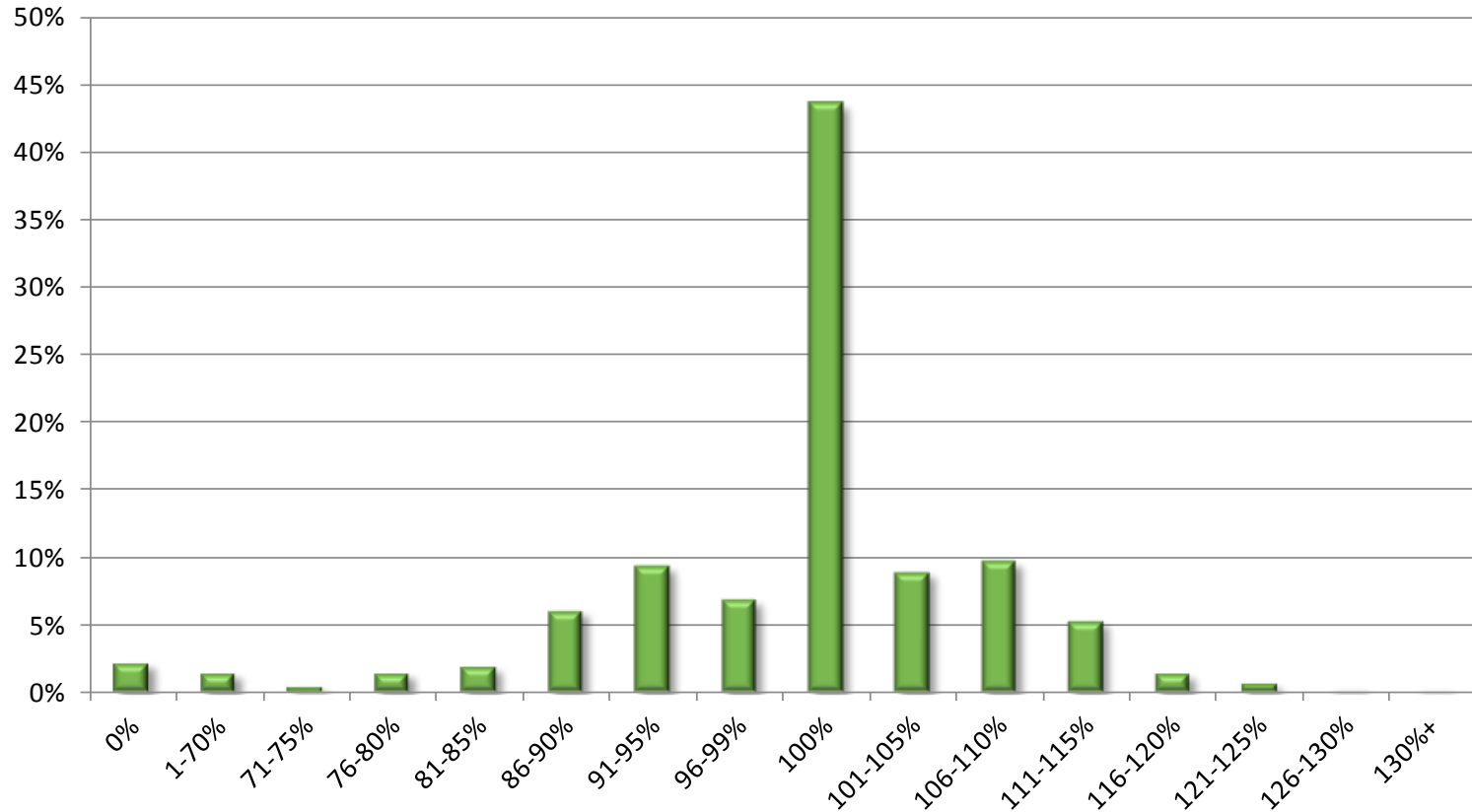
# Measure What you Want to Get Done

# Workforce Evaluation & Retirement Readiness



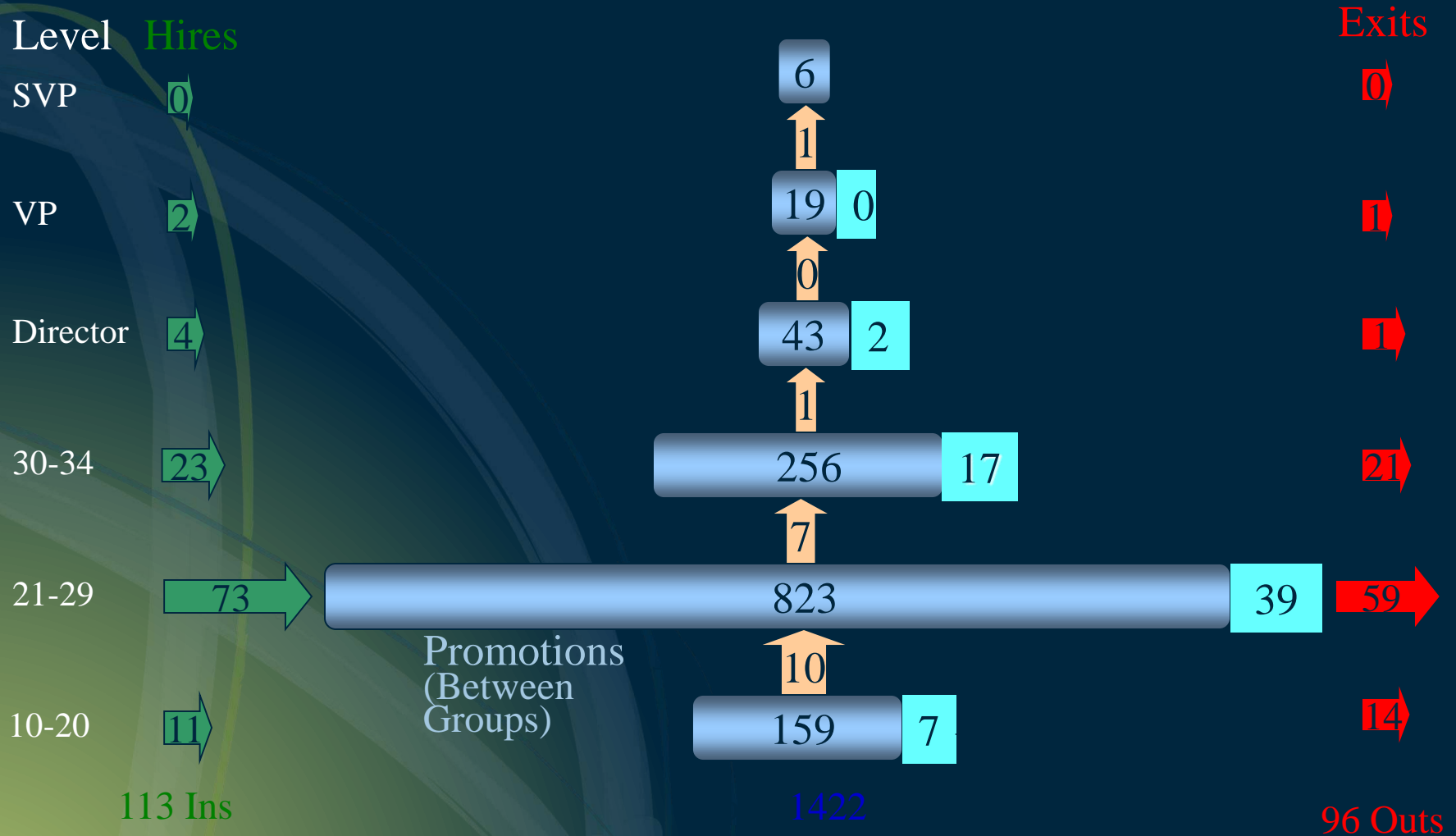
# Measuring Results – *Pay for Performance Example*

## Annual Bonus - Individual Payout Percentage



*Appropriate Differentiation?*

# Measuring Results - *Career Opportunity Example*





# Case Study | A Business Challenge

# Defined Benefit Pension Plan Example

**Pension Costs Top  
Seven Priority**

**Decision Makers  
Receiving High  
Value**

**Needed Way to  
Address Business  
Challenge**

**Created Process to  
Involve Key Leaders**

# Pension Plan Business Review Case Study

- History of defined benefit and defined contribution plans
- Legal considerations
- History of retirement coverages with the company
- Company costs
- Benchmarking vs. key competitors
- Design alternatives and illustration of impact to:
  - Employer
  - Employee
  - Costs



# Pension Plan Business Workshop

- Half day session with CEO, senior leaders and high potential junior business leaders
  - Case study provided two weeks before the workshop
- Workshop structure
  - Group discussion and issue overview
  - Break out sessions to build independent recommendations
  - Report back and discussion
- Feedback consolidated and used to develop organizational view
- Final recommendation developed

# Results

## Business Leaders

- Received education and development on unfamiliar business topic
- Opportunity to provide input

## CEO

- Received feedback and perspective from leadership team
- Opportunity to evaluate business leaders on addressing an unfamiliar business issue

## Total Rewards/HR

- Received valuable feedback and fresh perspective
- Sped decision due to improved understanding of the challenge
- Assisted with communication of the change

# Bio | Contact Information

# Jerry L. Rueschhoff, ASA, MAAA

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Jerry is a Senior Consultant with Gallagher Benefit Services (GBS). Jerry has broad knowledge in global human resources including over 25 years of experience in the healthcare and employee benefits arenas. Prior to joining GBS in 2008, Jerry was the Global Director of Total Rewards for a large building materials manufacturer and Berkshire Hathaway operating company where he provided leadership and strategic vision on Total Rewards. Jerry has deep knowledge in healthcare providing leadership on all sides of the healthcare delivery system. Jerry's experience includes:

- Instituted global strategic framework for Total Rewards, assuring alignment with employer, employee and cost objectives and driving awareness of Total Rewards across the world.
- Designed short / long-term health and welfare strategies for large organizations based on unique organizational goals – driving substantial savings.
- Redesigned global annual and long-term incentive compensation programs to better drive behaviors and reward employees for their performance against organizational goals.
- Tapped as an industry expert for public speaking engagements at industry specific organizations and conferences, as well as representing his organization to the media.
- Built the business case for reward changes and won consistent buy-in from employees and retirees.
- Guided large employers in their initial selection, annual negotiations and on-going management of outsourced insurance vendors.
- Co-led national committee to develop strategies for evaluating health plan performance.
- Evaluated and redesigned time-off programs, saving organizations \$- millions in lost time.

Jerry received his Bachelor of Science degree in Mathematics from the University of Nebraska/Lincoln. Additionally, Jerry is an Associate of the Society of Actuaries and a