

Total Value Statement Project

A General Planning Guide

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Total Value Statement Project

General Direction

- 1) What key things do you want employees to know as a result of receiving their statement?

- 2) What are some of the things you expect employees to do with the information?

- 3) How should the statement support your organization's desired culture and mission ... your business and human resources objectives?

- 4) After the statements have been distributed, if your boss stops you in the hall and asks, "Was that statement project successful?," what are the main things you will address in your answer?

- 5) What are some of the challenges you expect to encounter in completing the project ... and what are the best ways to overcome this challenges?

- 6) Should statements be produced for...
 - Employees who are eligible for the standard benefit program
 - And also...
 - Executives (with special benefits)? **Y N**
 - Part-timers? **Y N**
 - Temporary employees? **Y N**
 - Employees who have not yet participated in annual enrollment? **Y N**
 - Employees on international assignment? **Y N**
(Will there be any Non-US employee addresses – any postal issues?)
 - Employees who are on a leave of absence? **Y N**
 - Bargaining unit employees? **Y N**
 - Others? _____

Front Page Content

- 1) What theme works best?
 - Our Investment In You
 - Your Total Compensation
 - The Value Of Your Pay And Benefits
 - Your Total Rewards
 - Other: _____
- 2) What graphics and images are important to be shown?
 - Logo – company or HR or both (any ‘standards manual’)?
 - Themes – marketing, quality, vision, people, etc.?
 - Pictures – employees, leaders, products, customers, etc.?
 - Colors – what to use and not use?
- 3) What are some of the key points that should be made in the introduction?
 - Points/themes?

 - Letter or statement format – signed by senior leader?
- 4) Should the amount the employees’ pay for benefits be shown – or is the statement intended to show only the employer’s cost? _____
- 5) What are the total expenses (projected current year or past year) for:
 - Salaries? _____
 - Benefits? _____
 - All employee-related programs? _____
 - What is a comparison employees will appreciate (half as much as raw materials, two times the cost of equipment...) _____
- 6) Delivering the statements
 - Mail to home or distribute at workplace?
 - What will need to be shown in the address window?
 - Name
 - Address
 - Employee location, department, etc.
 - Any codes or other information

7) Computing the total value summary

- The “as of date” – January 1, or date of final data update or other?
- Pay
 - Last year’s W2 (minus incentives?)
 - Current pay rate times number of pay periods to get annualized amount?
 - Hourly rate times 40 times 52 weeks?
 - Other _____
- Incentives
 - Last year’s total paid incentives (or total awarded, if not 100% vested)?
 - This year’s projected incentives?
- Benefit Costs

HEALTH CARE COSTS – use COBRA rates minus administration fee or other approach?

Employer’s and employee’s costs for...

Medical costs? _____

Rx costs? _____

Dental costs? _____

Vision costs? _____

EAP (separate) costs? _____

Other health care costs? _____

(Should we show \$0 for employees who have opted out of coverage? Should we reflect the company subsidy for family members? – this shows “higher total compensation” based on family status.)

SURVIVOR AND DISABILITY COSTS

Employer’s and employee’s costs for...

Company-paid life insurance cost (show pooled rate cost or individually priced estimate – in other words, should the cost be based on the coverage amount times the overall rate or the market rated of individual coverage based on amount of coverage, age and sex of the individual to create a “retail price”, or other approach)? _____

Employee-paid coverage costs – any company subsidy, is the employee cost in payroll data?

Business travel costs (how to price)? _____

Executive life insurance cost (how to price)? _____

Short term/sick leave cost? _____

Already shown in W2 or separate (non-payroll) funding?

Price or ignore a carry over (was it part of total compensation in previous year)?

Long term disability cost (how to price)? _____

RETIREMENT COSTS

Employer’s and employee’s cost for...

401(k)/defined contribution plans cost?

- Company match = current matching rate projected or last year’s actual
- Profit sharing or other contributions (current rate being projected or last year’s actual)
- Employee’s contribution (current or projected annual)

Defined benefit plans cost?

- Flat percent of pay to all eligible employees to estimate costs
- Actuarial table amount to estimate costs (length of service/projected service equals a factor multiplied times current pay)
- Current increase value (last year’s accrued benefit subtracted from this year’s accrued benefit – the increase is actuarially priced)

o Stock-based programs costs?

Stock options

How to value cost to employer (past year or projected current year?) _____

How to determine the employee’s cost – cost to exercise? _____

Stock purchase (outside the defined contribution plan)

How to value cost to employer? (the discounted amount ... past year or projected current year)? _____

How to determine the employee’s cost _____

o Social Security taxes?

Previous year’s taxes or projected current year taxes? **Y N**

Employee’s amount always the same as the employer’s? **Y N**

o Flexible spending accounts (Is it really an expense – makes employee costs look artificially high)?

o Tax-free contributions – should these be highlighted? **Y N**

Which employee – paid benefits are automatically deducted “tax free”? _____

Which ones can employees elect to pay for “tax free”? _____

o Worker’s Comp cost per employee? _____

o Unemployment insurance costs per employee? _____

o Other payroll costs per employee? _____

- o Other employee programs – show the employer’s cost for each employee?
 - Parking (add price for all – or just employers who are use parking)?
 - Public Transportation expenses (add price for all – or just users)?
 - Vehicle allowance?
 - Discounts (cafeteria, company products, company travel department, etc.)?
 - Educational assistance/reimbursement (show actual for users or average for all)?
 - Fitness facility?
 - Health screenings/health awareness programs?
 - Credit union?
 - Employee referrals?
 - Worldwide travel assistance?
 - Employer – provided clothing or equipment? _____

 - Other benefits and HR programs to price? _____

- Is there a chance these amounts could decrease in following years ... would it matter? _____

8) Personal Data – what should be shown on the statement?

- Date of birth?
- Date of hire?
- Date of benefit service (if different)?
- Employee number/Social Security (privacy issue/California law)?
- Other _____

9) Creating the envelope

- Company logo?
- Return address...(add “HR” or something to help the mail room)?
- Add messages...(a warning or invitation)?
 - o “Your confidential report”
 - o “The value of your pay and benefits”
 - o “Including names of your beneficiaries...”
- Who will create (window placement is critical)?

Inside Pages Content

- 1) What order should the benefits be presented?
 1. Health Care Benefits
 2. Sick Leave / Disability Benefits
 3. Survivor Benefits
 4. Work/Personal Life Benefits
 5. Long Term Financial Benefits
 6. Other Valuable Programs and Options

2) Health Care Benefits – What to Show?

• Medical

- Name of current plan? _____
- Type of employee/family enrollment? _____
- Specific names of enrolled dependents (SS number, relationship, date of birth, etc.)? _____
- Special note for employees who have opted out?
 - When eligible to enroll?
 - Reminder of no COBRA?
- Key medical plan provisions to highlight? _____

- HMO – name of HMO and very general statement of coverage? _____

- Any benefit limits for lifestyle issues – for not wearing seat belts, not wearing a helmet while cycling, etc.)? _____

- Executive health care plan? _____

- Other? _____

Concept

One way ABCorp shows how it values the contribution you make to the company's success is by providing an extraordinary high-level of financial protection through the ABCorp Medical Plan...coverage you have earned. "Our Medical Plan assures that, in the fortunately rare occurrence, if you or an enrolled family member has extremely high medical expenses – for example, \$100,000 or even \$500,000, the most you would pay out of your pocket in a year for services from network doctors, hospitals, and other facilities is **\$3,000.**" "Our Medical Plan provides you and each enrolled family member with **\$5 million** in financial protection from the potentially enormous costs of a catastrophic illness or injury during their lifetime."

"Our Medical Plan has protected our employees by paying: (follow HIPAA privacy rules)

\$ 44,000 for a knee replacement

\$ 360,000 for a kidney transplant

\$ 960,000 for a premature baby

...and the most the employees paid out of their pocket in a year for network services was **\$3,000.**"

- **Prescription Drug**
 - Is it always the same as medical enrollment?
 - Does it apply to HMO coverage?
 - Specific features to highlight? _____

- **Dental Plan**
 - Name of current plan? _____
 - Type of employee/family enrollment (always the same as medical?) _____
 - Specific names of enrolled dependents? _____
 - Special note for employee who have opted out?
 - When eligible to enroll
 - Reminder of no COBRA
 - Plan provisions to highlight? _____

 - Other? _____

- **Vision**
 - Name of current plan? _____
 - Type of employee/family enrollment (always the same as medical?) _____
 - Specific names of enrolled dependents? _____
 - Special note for employees who have opted out? _____
 - Plan provisions to highlight? _____

- **Other Health Care Benefits**
 - _____
 - _____
 - _____
 - _____
 - _____

3) Sick Leave/Disability

- Preferred names of plans? _____
- **Short-term Disability** _____
 - How short-term disability coverage works _____

 - Any special provisions for California employees (or employees in other specific states)? __
 - Can employee choose to use PTO/vacation or is some used automatically? _____

 - What plan/program provisions should be highlighted? _____

- **Long-term Disability**
 - How long-term disability coverage works _____

 - Show “ensured benefit” (total Social Security plus LTD) and mention it includes Social Security, or use other approach? _____

 - Show any other benefits continued while on LTD (medical, life, etc.)? _____

 - Show total projected LTD from (statement date) to age 65? See Concept below. Drop the message if employee is age 60 or older?
 - Any special provisions for California employees (or employees in other specific states)? __
 - Executive disability benefits? _____

 - Other items to be included in sick leave /disability section? _____

Concept _____

If you become eligible for LTD benefits, the Plan ensures you'll receive **\$3,042** each month while you remain eligible. If you became eligible as of (date) and you remained so to age 65, the plan ensures you would receive **\$730,080** during that time. The Company pays \$234 to provide this coverage.

4) Survivor Benefits

- **Company Paid (basic life, AD&D, and other)?**
 - Name of plans? _____
 - Covers all employees? (Can any of them opt out)? _____
 - Uniform coverage schedule? _____
 - Any grandfathered/special benefits provisions to exceed maximums for certain employees to be shown? _____
 - Show accidental death benefit only – not dismemberment etc.?
 - Executive life insurance benefits? _____
 - Business travel accident – all employees? (percent of pay, fixed amount or other)? _____
- **Employee-Purchased Life Insurance**
 - Additional term life? _____
 - Additional AD&D life? _____
 - Optional family life? _____
 - Packaged with optional employee life? _____
 - Coverage amount set by schedule or selected by employee? _____
 - Is employee automatically the beneficiary for family life insurance? _____
 - Other employee-purchased options (universal life, etc.)? _____

 - Any special provisions or grandfathered benefits? _____

- What benefits are payable from other sources upon the employees death while actively working that should be shown on the statement?
 - Pension? _____
 - Defined contribution? _____
 - Stock options? _____
 - Incentives? _____
 - Continuation of medical or other health care for enrolled family members?

 - Other ? _____

- Show estimated Social Security survivor benefits? _____
- Other things to highlight in the Survivor Benefit Section? _____

- Show beneficiaries (names, SS numbers, relationships, date of birth, etc. – what is the maximum number of names listed and how many character spaces are provided for each name? _____

5) Work/Personal Life Benefits

- **Flexible Spending Accounts / Health Savings Accounts / Health Reimbursement Arrangements?**

- Show current contributions or other amount _____
- Special message if not contributing? _____

- **Paid Time Away From Work**

- Show total number of paid holidays for the current year? _____
- Show flexible holidays separately? _____

- Show total vacation days available in current year (update for days already taken?) _____

- Show estimated value of paid time away from work? _____

(would this include Paid Time Off/sick days?)

- Any special provisions for employees in certain states? _____

- Any grandfathered provisions for certain employees? _____

- **Other Work/Personal Life Benefits**

- Family care leave – show unpaid leave available?
- EAP/Family Assistance (considered part of health care)?
- Legal services?
- Long-term care?
- College savings plan?
- Other voluntary programs – auto or home insurance, critical illness or cancer insurance coverage, pet insurance, etc. _____

(Are bills to employees sent to their homes or paid out of payroll deductions?)

- Tuition/education benefits – (show amount available or amount actually used)? _____

- Executive benefits?

- Workout facilities?

- Other “work / life” benefits (onsite dry cleaners, ATMs, etc.)? _____

6) Long-Term Financial Benefits

- **Defined Benefit Plan**

- Name of DB Plans? _____
- Type (traditional, cash balance, frozen, etc.)? _____
- Show the value of a DB plan?

Concept _____

“By continuing your [ABC Company] career to age 65 – assuming your pay and the Plan remain unchanged – your estimated annual [Name of DB Plan] benefit will be **\$18,650** for as long as you live. If you receive payments for 25 years (age 65 to 90), the Plan will have paid you **\$466,250** (insured up to the limits protected by the PBGC, a U.S. Government agency).”

- Who will calculate projected and accrued benefits? _____
- Will the amounts be shown in lump sum, or life only, or joint and survivor, other?

- Show benefit to employees who are currently eligible to retire – early retirement, age 65 or older, other? _____
- Show current accrued benefit?
 - Not ERISA required (unless requested in writing).
 - Must quit to get the benefit (somewhat like highlighting COBRA benefits).
 - Is a tiny amount for short-service employees – leaves lasting negative impression.
- Show grandfathered/frozen benefits? _____

- **Defined Contribution/401(k)**

- Name of plans? _____
- Should we show account balances and other information that is available on web or quarterly statements?
- Are there accounts that are not processed daily?
- Do you want a message to eligible employees who are not contributing?

Concept _____

Last year, you missed out on **\$1,890**.

Here’s how. For every \$2 you could have contributed up to 6% of each paycheck, ABC Company would have contributed \$1. If you had put in \$2,100 (that’s 6% of your pay), ABC would have contributed **\$1,050**. Plus, last year the Profit Sharing Contribution was .80 cents for every \$2 you contributed up to 6% each paycheck. Although Profit Sharing Contributions vary from year to year and may not always be paid, last year if you would have contributed 6% of your pay over the entire year, ABC would have added \$840. So, you missed \$1,050 in regular ABC contributions plus \$840 in Profit Sharing Contributions – a total \$1,890.

Are you going to miss out again this year? You can sign up for the 401(k) Plan at any time.

- Do you want a message to employees who are not contributing enough to the maximum company contribution?
- Do you want a message to employees who are not contributing the maximum allowed employee contribution?
- Can you provide an electronic file of eligible employees...
 - Who are not currently contributing? **Y N**
 - Who are not gaining full company contributions (screening out the highly compensated who have reached the IRS contribution limits?) **Y N**
 - Who are not contributing the maximum allowed employee contribution (screening out the highly compensated who have reached the IRS contribution limits?) **Y N**
- Do you want to show projected benefits?

Concept

401(k) Savings Plan – based on your account information as of [date], the total balance in your 401(k) Savings Plan account was \$\$\$\$\$ and you were investing XX% of your pay from each paycheck (up to IRS limits). The full value of your contributions is always yours if you leave the Company. The full value of the Company contributions is yours after you earn X years of service.

If you continue your Company career – assuming your pay, your contributions and the plan remain unchanged and you make no withdrawals or loans – here’s what could happen to your account under the following assumptions. These figures do not include any future Company contributions which would make the amounts even larger.

This many years From now	4% annual growth	6% annual growth	8% annual growth
10	\$	\$	\$
20 [cut if over age 45]	\$	\$	\$
30 [cut if over age 35]	\$	\$	\$

- **Stock Purchase**

- Name of Plan? _____
- Groups of employees who are eligible? _____

Concept

Employee Stock Purchase Plan – an opportunity to buy Company stock at 85% of the market price – the Company pays the rest. You can contribute up to 15% of pay (but not more than \$21,250 per year IRS limit).

Date Purchased	Market Price (on purchase date)	(times)	Number of Shares	(equals)	Total Market Price	Discount Price You Paid	Company’s Contribution
January	\$\$\$\$\$		22		\$\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$
April	\$\$\$\$\$		23		\$\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$

- Special message to employees who are not participating?

- Stock Option
 - Name of Plan? _____
 - Show only to eligible employees? _____
 - Groups of employees who are eligible? _____
 - Key messages? _____

Concept

Stock Options – an opportunity to receive the increase in price of a share of Company stock – no matter how high the market price climbs.

AWARDS				VALUE GAINED		POTENTIAL VALUE TO BE GAINED				
Option Date	Number of Options	Option Price	Expires on Date	Number Exercised	Gain on Options Exercised	Number of Vested Options NOT Yet Exercised	Number of Options that May Vest in the Future	PROJECTED GAIN		
								at \$20	at \$30	at \$40
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

- Other long-term financial benefits? _____

- Should we show any other benefits payable during retirement? (retiree medical, retiree life insurance, company discounts, etc.)? _____

Other Valuable Programs and Options

- Employee recognition program?
- Employee discounts?
- Jury duty – with full pay?
- Credit union?
- Employee referral bonuses?
- Travel assistance?
- Training?
- Tuition reimbursement?
- ? Other?
- Company events?
- Company gifts?
- Use of company (resorts, sporting event seats, etc.)?
- Smoking cessation programs?
- Health awareness and improvement programs?
- Scholarship program?

7) Disclaimer

- What needs to be changed...added or deleted?

Concept

The information in this report assumes you are an active, full-time employee for the entire calendar year of _____. It is based on information as of _____.

In summarizing the highlights for this brief report, several plan limits; features and restrictions were not shown. This is only a summary and not an explanation of coverage. For more details, see your Summary Plan Description.

Although great care was taken in preparing this information, it is possible for an error to occur. If you suspect an error, please contact the _____. Do not use information in this report as the sole basis for any financial or work-related decisions. The plan documents are used to define how the plans work. This summary is neither a guarantee of current or future benefits nor of a future employment. [Company Name] does not control the investment performance of any employee invested, long-term financial benefits and does not guarantee the Plans' future performance. [Company Name] _____ reserves the right to change or eliminate all or parts of the benefit plans in light of changing business and employee needs.

DATA SCREENS...Sample data tests to help identify statements that need special attention or have errors

- **Every year data screen**

- Annualized pay over this amount _____
- Annualized pay under this amount _____
- Age under _____
- Age over _____
- Date of hire before age _____
- Signed up for dependent FSA and no family health care enrollment?
- Signed up for dependent life insurance and no family health care enrollment?
- Family member enrollment but no beneficiary?
- Beneficiary who is family member but no family enrollment?
- ZIP code does not match HMO ZIP code (will need HMO ZIP codes)?
- Other _____

- **Year-to-year data screens**

- Change in SS number?
- Change in date of birth?
- Change in date of hire?
- Change in address?
- Change in beneficiary data?
- Base pay increased __%
- Base pay decreased __%
- Incentive pay increased _____%
- Base pay decreased _____%
- DB benefit decreased?
- DB benefit increased over _____%
- Other _____