

**The Road
to a
New Benefits Program**

AB&C Company

An innovative planning guide
for use with senior leaders
in setting overall strategy.

Dennis Ackley

**In 2008, AB&C will spend over
\$45 million on its benefits program.**

This huge "investment" is intended to help AB&C attract, retain, and reward employees who, in turn, help AB&C succeed.

To ensure that the benefits program will continue paying "investment dividends," the Human Resources Department is seeking your ideas about what changes—if any—are needed to stay on target. And, how effective "flexible benefits" might be in enhancing the investment and employee relations.

This workbook has been developed to make gathering your insights as painless as possible—maybe almost enjoyable.

Please mail this completed booklet to Human Resources in the attached envelope by [date] 2008.

**THE BEST WAY
OF AIMING THE FUTURE DIRECTION
OF AB&C's BENEFITS PROGRAM
IS TO TAKE A CLOSE
LOOK AT THE TARGET.**

**TURN YOUR
MENTAL CLOCK
AHEAD TO
MAY 2012**

Future headlines...

Picture yourself in your favorite chair getting ready to catch up on these publications:

- USA Today
- AB&C 2011 Annual Report
- The AB&C Employees' Magazine
- Compensation and Benefits Review—a journal of pay, rewards, recognition, and benefits programs of major U.S.-based employers.

By filling in the blanks in the headlines of stories from these publications—that you expect to see—you will help the Benefits Department understand your impression of what the future holds for AB&C employees and the benefits program.

Future headlines...

USA Today

May 27, 2012

Many Companies No Longer Offer _____
in Their Benefits Programs.

Consumers Are Looking for More _____
From Employees [In Our Industry].

Survey Shows Benefits That Help Employees Pay for
_____ Are Becoming More Popular.

Companies [In Our Industry] Are Having a Difficult Time Recruiting
Employees With _____ Skills.

U.S. Employees Are Unhappy With _____
Benefits Coverage and Want Employers to Improve It
by _____.

Future headlines...

AB&C
2011 Annual Report

AB&C Has Changed Its Mission Statement to Put More Emphasis
On _____.

To Help Better Control the Amount of Money AB&C Spends on Benefits,
the Company Has _____.

For 2012, AB&C's Human Resources Strategy Will Put More Emphasis on
_____.

Advances in Technology at AB&C Are Lessening the Need for Employees
Who _____.

AB&C's Benefits Program Supports the Company's Mission
By _____.

Future headlines...

Compensation & Benefits Review

May 2012

Study Finds Top Performing Employees Say Their Most Important Part of the Pay and Benefits Package is _____, and They Are Far Less Interested in _____.

[Our Industry] Survey Shows AB&C's Benefits Programs Are _____ Compared To Competitors'.

Of All Pay And Benefit Issues, _____ Continues to Be a Major Concern While _____ Issues Seem to Have Diminished.

Retirement-Related Programs Have Recently Become More _____ and Are Designed to Provide _____ Benefits Than Just a Few Years Ago.

Future headlines...

AB&C Employees' Magazine

May 2012

With Recent Revisions in The AB&C Health Care Plan, Employees Now _____.

According to a 2011 Survey of AB&C Employees, the Most Appreciated Aspect of the Benefits Program Is _____.

Finance Department Reports That 2004 Benefit Costs Were _____% of Pay—_____% [More/Less] Than in 2008.
(Circle one)

Survey Reveals That Employees See AB&C Changing Its Role in the Benefits Program to Become More _____.

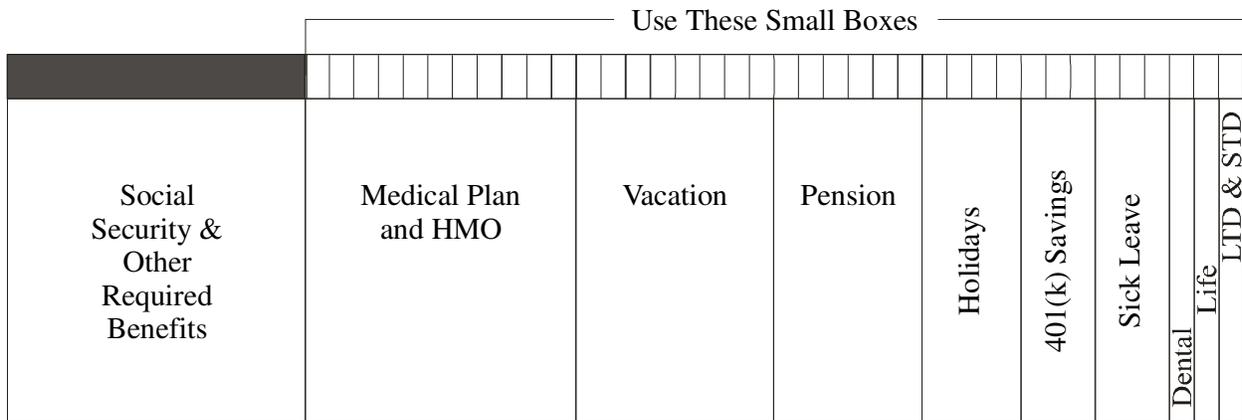
Employees Age 40 and Older Expect That When They Retire, Retirement Income and Health Care Will _____.

Now you have a new role to play.
Looking forward to 2012, what would
you do if...

You Rearrange The Program

You are a Division Manager.

The CEO called and said that because of the outstanding gains made in net profits, AB&C intends to improve its 2012 benefits program by “two units”. Indicate by using two plus signs where you—the Division Manager—would vote to improve the benefits program.



A representation of every dollar the company spends on these programs.

Be sure to add two plus signs.

You Rearrange the Program

You are the CEO of AB&C.

You know that to maintain the company's competitive position in 2012 you must cut "two units" from the benefits program. Put a minus sign (-) in two of the small boxes below to indicate where you would reduce costs.

Use These Small Boxes

	Use These Small Boxes																							
Social Security & Other Required Benefits	Medical Plan and HMO	Vacation	Pension	Holidays	401(k) Savings	Sick Leave	Dental	Life	LTD & STD															

A representation of every dollar the company spends on these programs.

You must put in two minus signs.

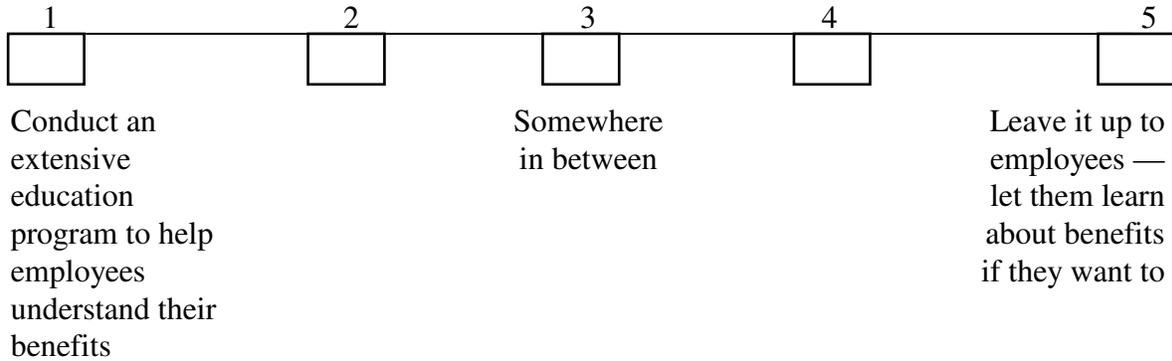
While you're wearing the CEO's hat...

If AB&C's cost for its health care program was projected to take on even larger than expected leap, which one of the following tough choices would you make? (Of course it's not fair, but you must choose one.)

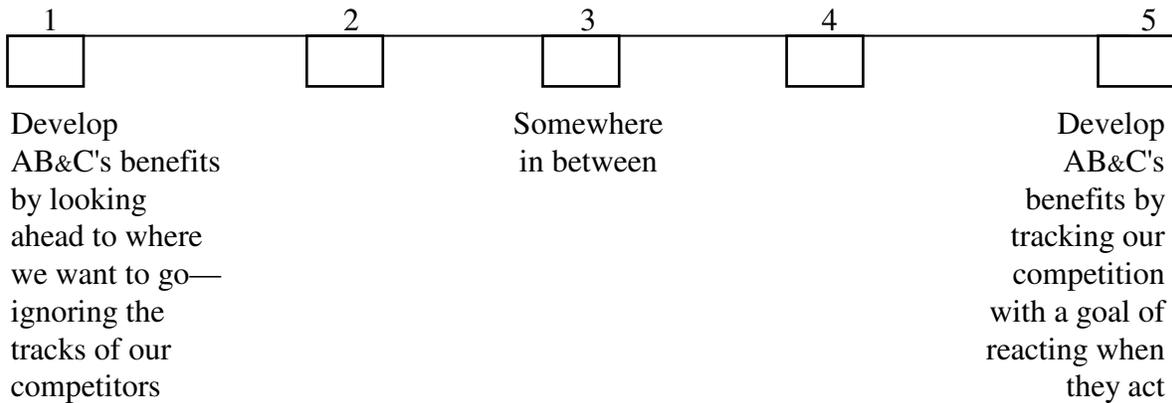
- Charge employees a lot more for the coverage to make up for the total increase.
- Keep the costs from rising so quickly by cutting the coverage — cover less so employees who have health care expenses end up paying more of the bill.
- Reduce the merit pay budget to cover the increase — employees will get smaller-than-expected pay increases.
- Pay the extra amount out of the dividends that would have gone to shareholders.
- Increase the prices AB&C charges its customers for products and services to cover the increase.

How Should Things Balance Out in 2012?

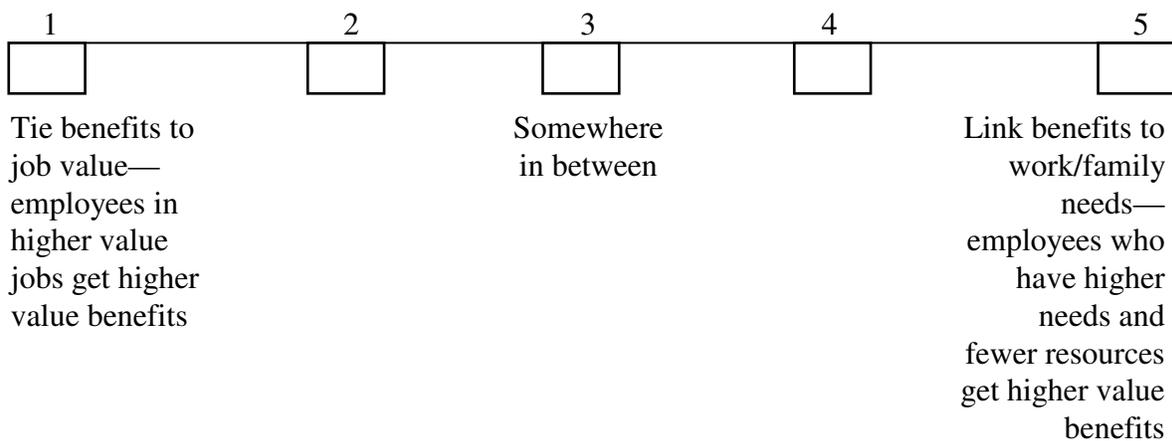
4.



5.



6.



You Make the Call!!

Most folks agree "life's not fair"—but for some reason many people expect "fairness" in the benefits program. So what's going to be fair in 2012?

Circle One
True or False

- | | | |
|---|---|---|
| 1. Because life insurance companies charge more to cover older people than younger ones—it's only fair that older employees pay more for the same level of coverage than younger employees. | T | F |
| 2. Employees who earn more money have more of it to spend, so they should pay more for their health care benefits than employees who earn less. | T | F |
| 3. AB&C pays the majority of the cost for employees who enroll their family members in health care. So an employee who does not enroll family members should be paid more money to balance out the “total compensation”—and thus increase AB&C's costs. | T | F |
| 4. Even though competing employers pay a portion of their employees' cost for family coverage, AB&C should stop because it is not fair to give smaller "total compensation" to employees who do not enroll family members. | T | F |

Your name _____

Thank you for contributing your ideas.

The Benefits Department.