

**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 \_\_\_\_\_.

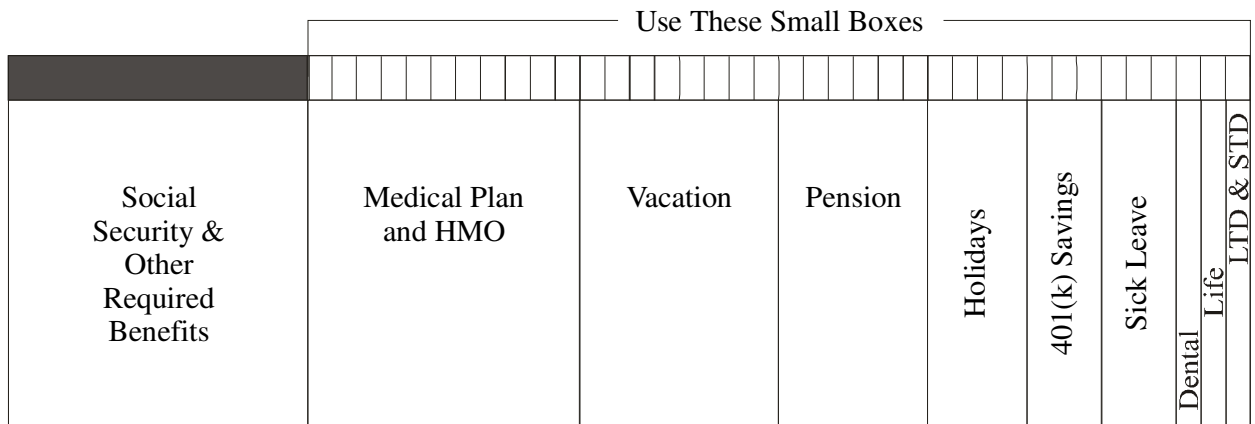
Employees Age 40 and Older Expect That When They Retire, Retirement  
Income and Health Care Will \_\_\_\_\_.

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 Director of Benefits at AB&C.

You have been given the go-ahead to rearrange the 2012 benefits program—but you cannot increase the costs. Please show where you would strengthen the coverage by putting a plus (+) in the small boxes below—but you must also add a minus (-) for every plus you make.

		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.

If you put no marks in the boxes, we assume you prefer the current arrangement.

# 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.

Social Security & Other Required Benefits	Use These Small Boxes													
	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...

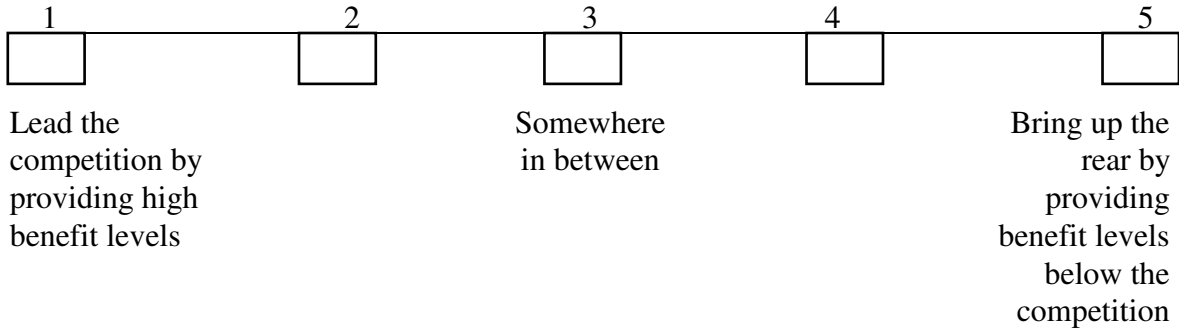
If AB&C's cost for its health care program was projected to take on even larger than expected leap, which one of the following tough choices would you make? (Of course it's not fair, but you must choose one.)

- 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.

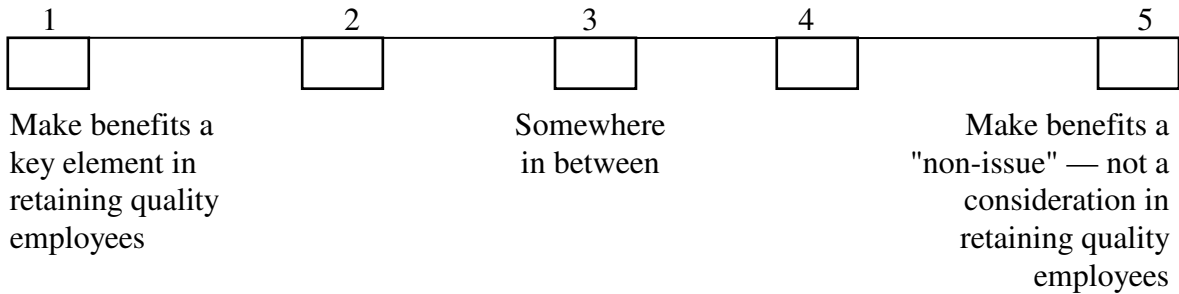
# How Should Things Balance Out In 2012?

Put a check mark at the point where you find the right balance for the AB&C 2012 benefits program.

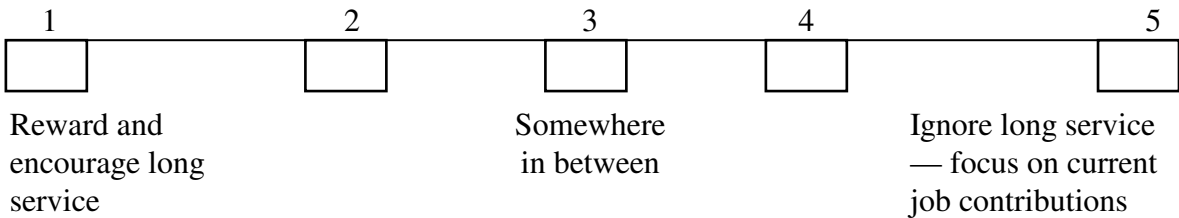
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2.

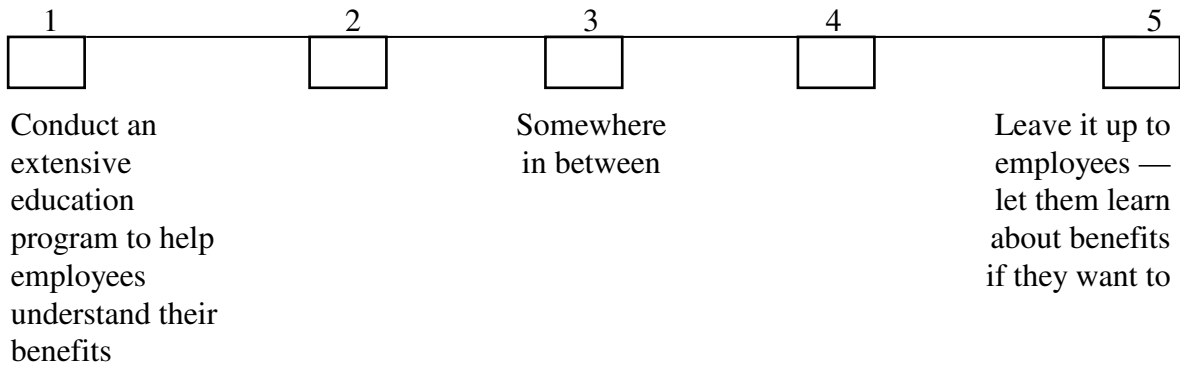


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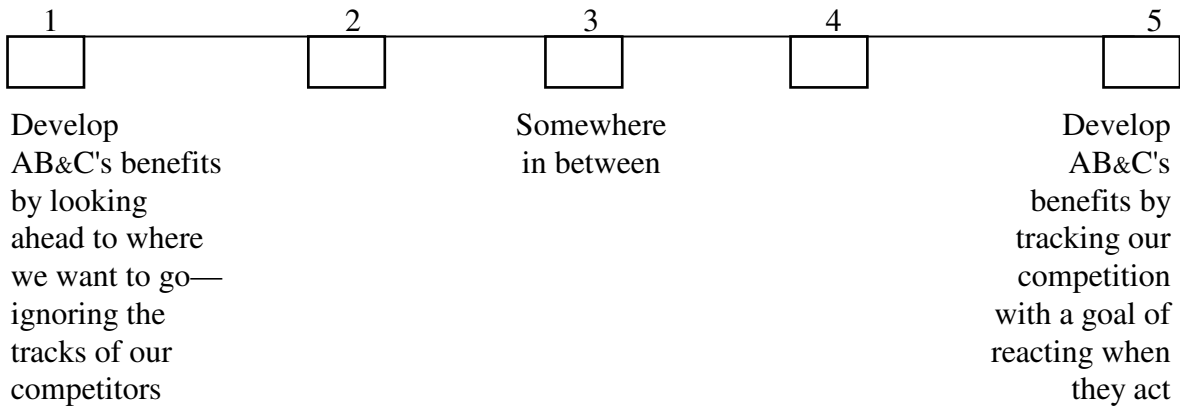


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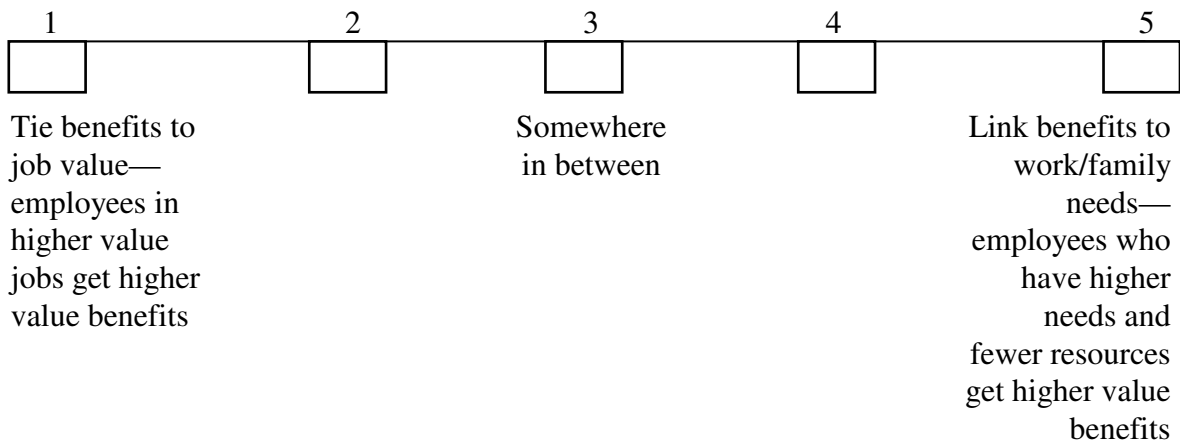
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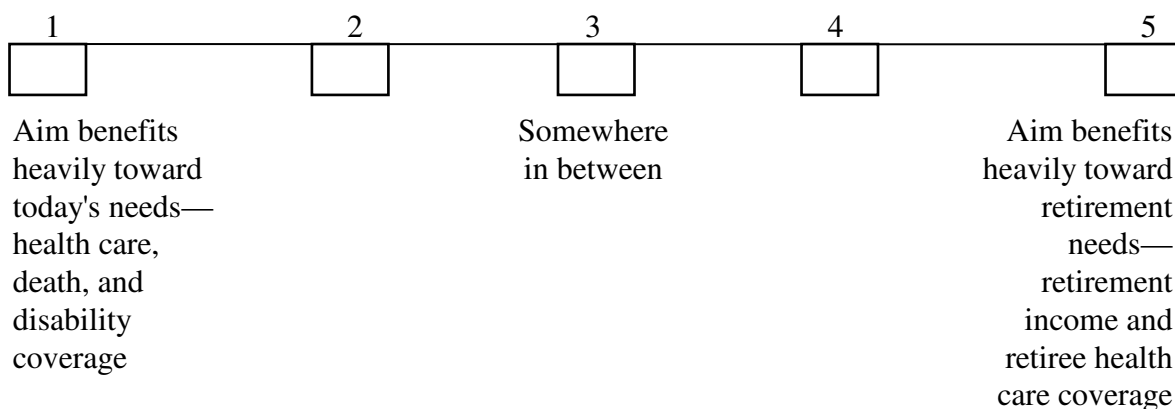
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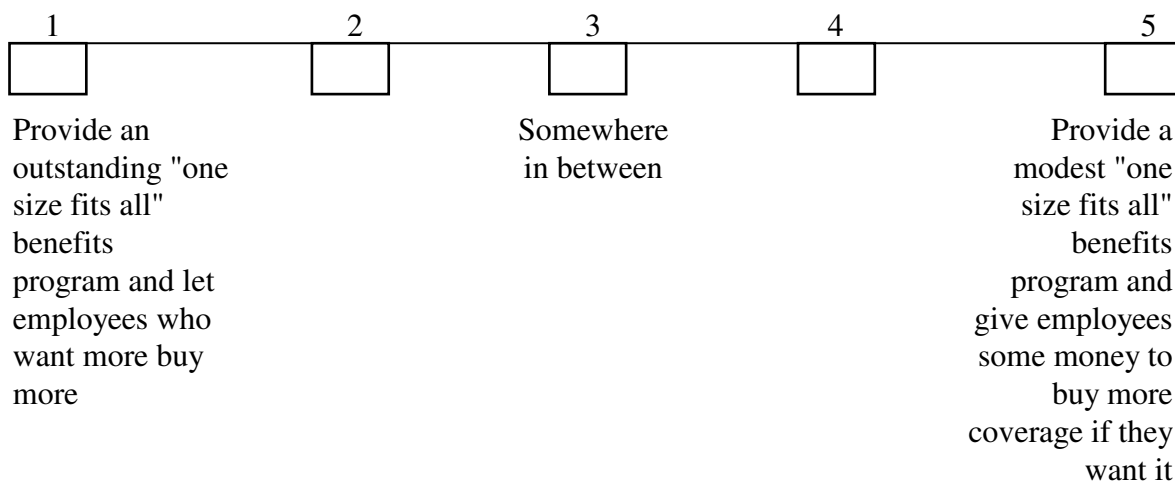


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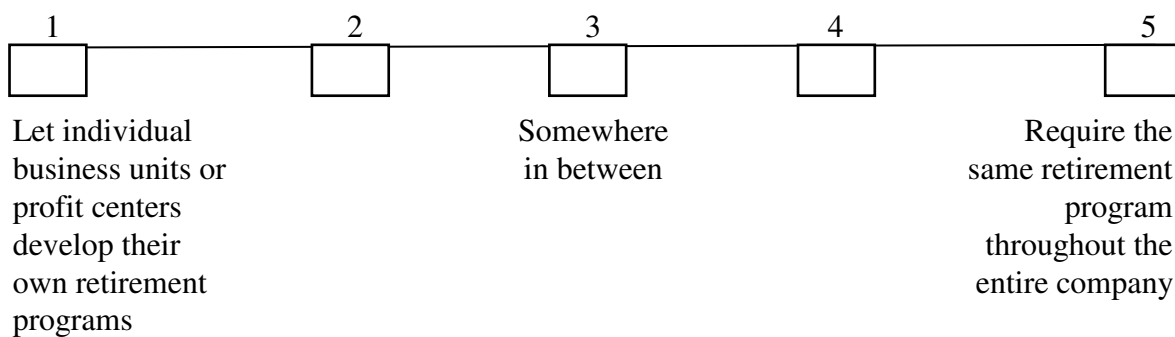
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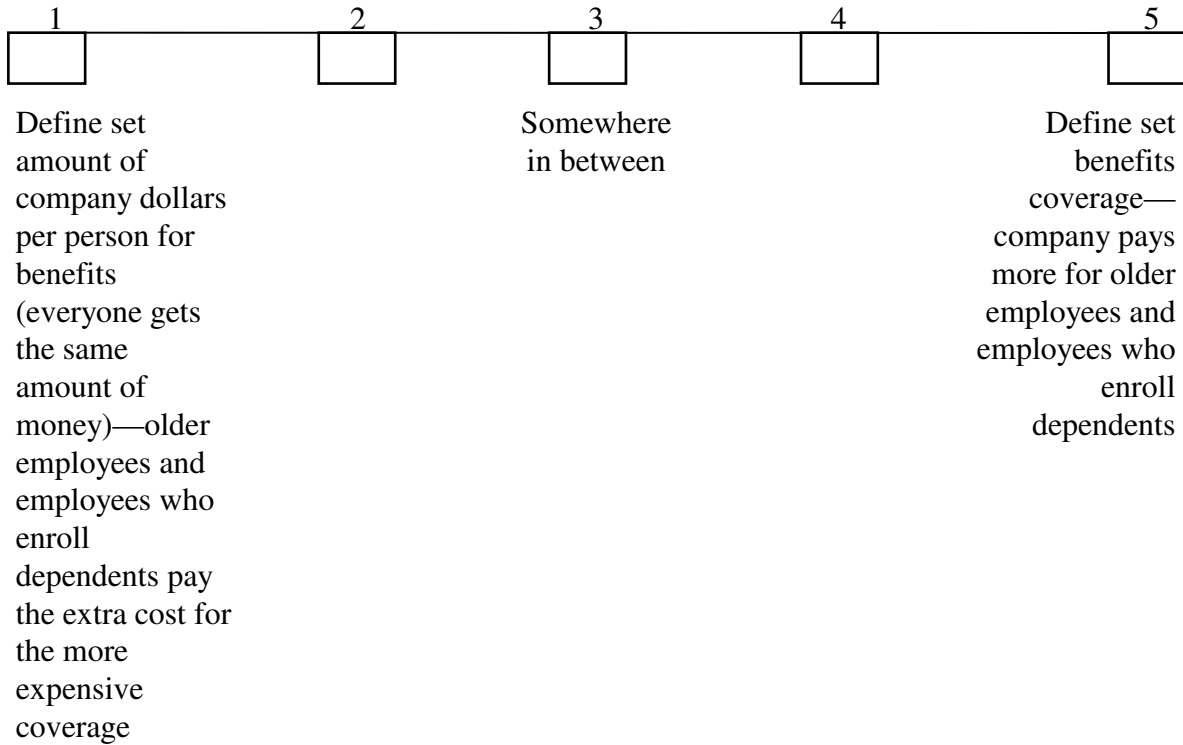


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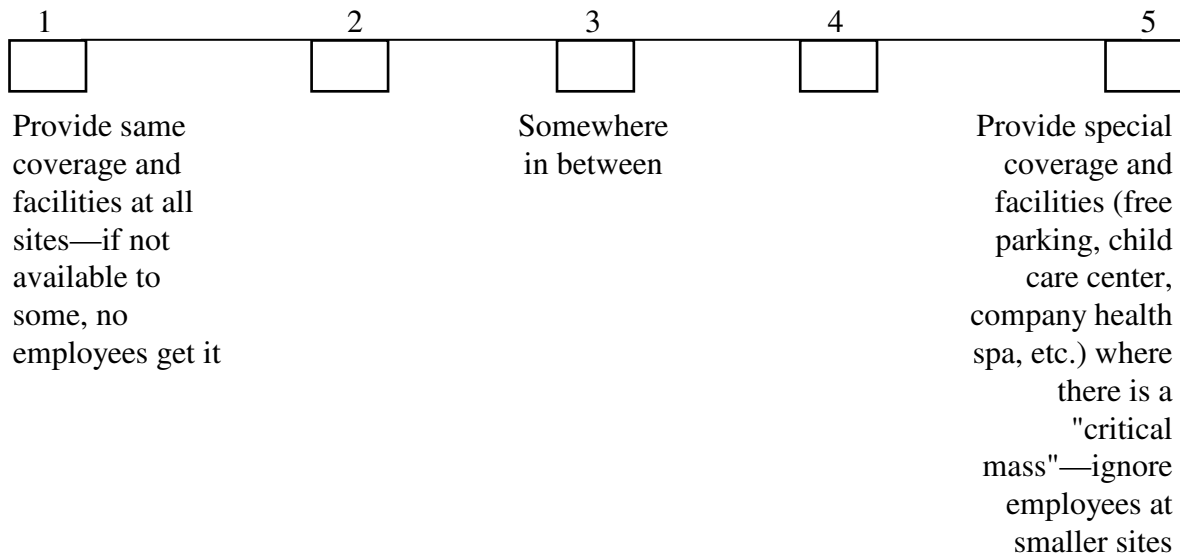


# How Should Things Balance Out in 2012?

10.

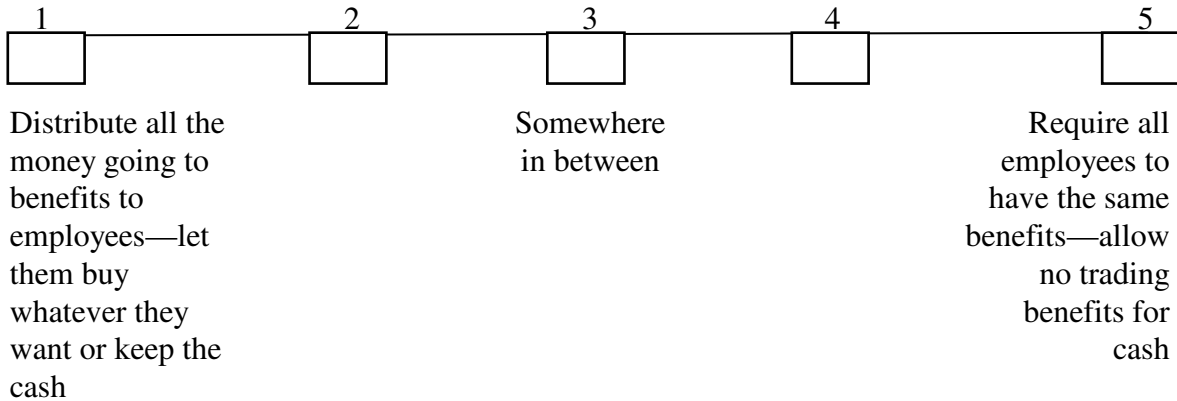


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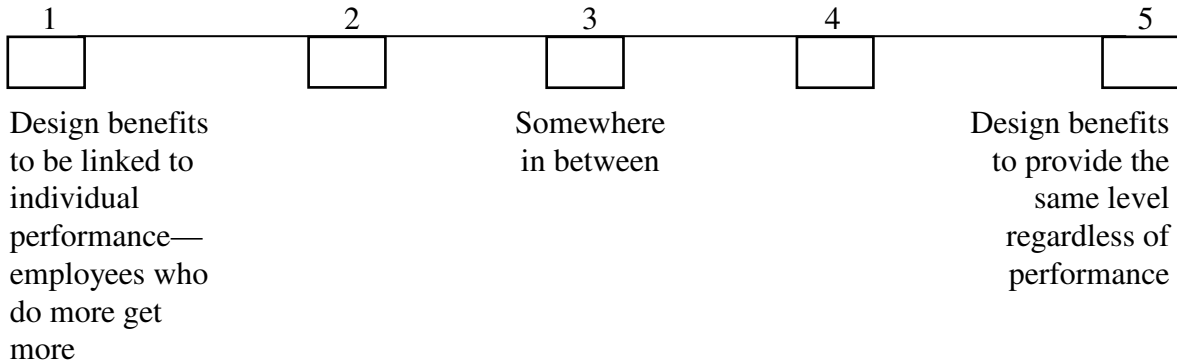


## How Should Things Balance Out in 2012?

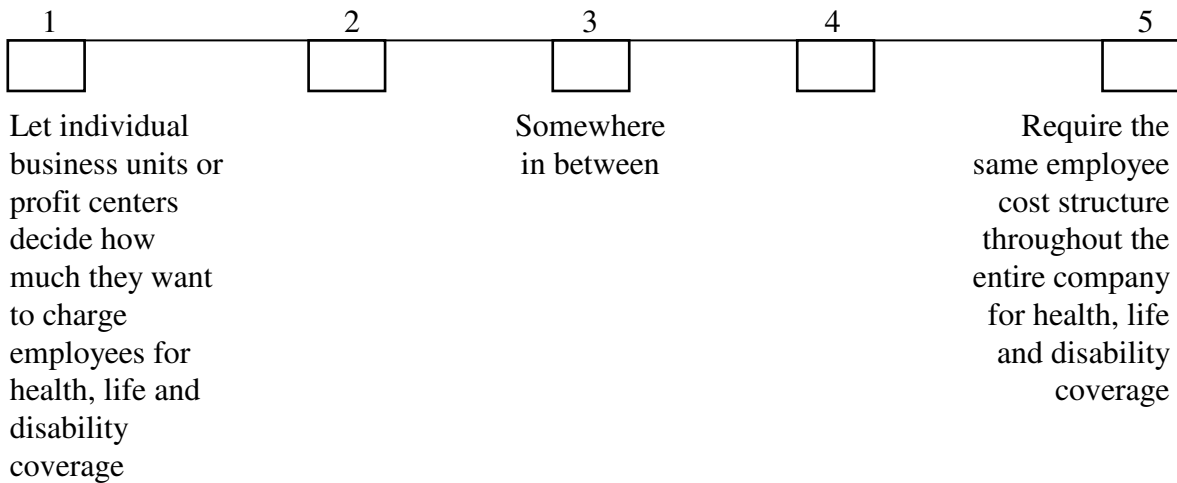
12.



13.



14.



# How Should Things Balance Out in 2012?

15.

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Design benefit program based on real value—use sophisticated cost/benefit/value analysis		Somewhere in between		Design benefit program based on employees' perception—give them what they think is valuable

16.

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communicate benefit coverage—ignore the company's costs		Somewhere in between		Communicate the company's benefit costs—ignore the benefit coverage

17.

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communicate benefits extensively—downplay pay		Somewhere in between		Communicate pay extensively—downplay benefits

18.

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Educate employees about what coverage <u>they need</u>		Somewhere in between		Educate employees only about <u>the coverage offered</u>

## 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.