Using Total Rewards to Attract and Retain in a Low Unemployment Market
Presented by Lockton Companies
Compensation Practice

Today's goals and objectives

- Definition of Total Rewards
- Multigenerational workforce
- Total Rewards value analysis
- Employee survey
- Total Rewards strategy sessions
  - Brand and culture
Why a Total Rewards strategy?

- Shortage of “skilled workers to fill projected needs
- Unable to attract and retain in a low unemployment market
- Cost-shifting in company-sponsored health benefit plans
- Flat or shrinking salary adjustment pools
- Generational workforce diversity—different perceptions and needs

Multigenerational workforce differences

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>Participation equity</td>
<td>Balance between life and work</td>
<td>Diversity/morals</td>
</tr>
<tr>
<td>Authority</td>
<td>Non-authoritarian</td>
<td>Dislikes close supervision</td>
<td>Respectful of early generations</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Optimistic</td>
<td>Highly motivated</td>
<td>Can-do attitude</td>
</tr>
<tr>
<td>Work priorities</td>
<td>To be a star</td>
<td>Fun and flexible</td>
<td>Money/career development</td>
</tr>
<tr>
<td>Training</td>
<td>Skill practice</td>
<td>Visional stimulation</td>
<td>Mentor programs</td>
</tr>
<tr>
<td>Technology</td>
<td>Willing to learn</td>
<td>Technologically savvy</td>
<td>Technologically superior</td>
</tr>
<tr>
<td>Career Goal</td>
<td>Build a stellar career</td>
<td>Build a portable career</td>
<td>Build parallel careers</td>
</tr>
<tr>
<td>Work/Life Need</td>
<td>Assistance</td>
<td>Balance</td>
<td>Meaningful balance</td>
</tr>
<tr>
<td>Compensation Benefits</td>
<td>Fixed salary/LTI/stock</td>
<td>Fixed salary/STI</td>
<td>STI/commission</td>
</tr>
<tr>
<td>Retirement and Wealth Need</td>
<td>Retirement planning</td>
<td>Portability</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Education/portability</td>
</tr>
</tbody>
</table>
The building blocks of Total Rewards

Benefits
- Medical
- Vision
- Dental
- HSA, FSA
- Basic Life
- Supplemental life
- Spousal/domestic partnership
- Dependent child(ren) life
- Personal accident
- STD, LTD (low and high option)
- Voluntary benefits
- Tuition reimbursement
- 401(k)
- Student loan assistance

Compensation
- Base salary
- Variable pay
  - Annual incentives
- Pay for performance
- Sales compensation
- SERP (executive only)

Workplace Experience
- Growth and development
- Communication
- Recognition
- Referral awards
- Member discount programs
- Flexible schedules/telecommuting

Process for creating a Total Rewards Strategy

Employee survey/pulse on employee total rewards
- Conjoint analysis

Total Rewards market analysis (published survey data)
- Compensation, benefits, retirement, PTO
  - Other non-cash benefits

What is “desired position in the market”
- At or near the 50th percentile
- Above the 50th percentile for certain elements
- Key stakeholder meetings

Inventory rewards not offered
- Determine cost impact

Develop Total Rewards strategy and communicate
Total Rewards value analysis

Identify peer group
Who do you lose to or draw from?
Scope/demographics
Geography

Benchmark
Compensation/benefits/401(k)/paid time off/other benefits

Lockton Data
Mercer, CompAnalyst, Wills Towers Watson, Compdata, HRA, ERJ

Lockton Companies |
Lockton conducted a total rewards analysis of:
- Total cash compensation (Base + STI)
- Medical, dental, vision, and life insurance
- Retirement
- Paid time off

<table>
<thead>
<tr>
<th>Total Rewards breakdown</th>
<th>[Company] average value</th>
<th>Market average value</th>
<th>Ratio % [Company] to market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash compensation</td>
<td>$90,250</td>
<td>$93,346</td>
<td>97.0%</td>
</tr>
<tr>
<td>Medical benefits</td>
<td>$4,380</td>
<td>$7,180</td>
<td>61.0%</td>
</tr>
<tr>
<td>Retirement</td>
<td>$6,000</td>
<td>$4,176</td>
<td>144.0%</td>
</tr>
<tr>
<td>Paid time off</td>
<td>$7,139</td>
<td>$9,352</td>
<td>76.3%</td>
</tr>
<tr>
<td>Market value</td>
<td>$107,769</td>
<td>$114,054</td>
<td>94.5%</td>
</tr>
</tbody>
</table>

Total Rewards employee survey
Employee Total Rewards survey process

Determine type of employee survey (conjoint or traditional) -> Finalize questions and develop online tool -> Download and analyze data -> Develop final report with recommendation

Sample overall results summary

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rewards</td>
<td>12.5%</td>
<td>18.7%</td>
<td>6.3%</td>
<td>14.0%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Career Development</td>
<td>21.4%</td>
<td>24.0%</td>
<td>21.2%</td>
<td>18.2%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Communication</td>
<td>20.8%</td>
<td>27.7%</td>
<td>44.6%</td>
<td>45.8%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Culture</td>
<td>33.2%</td>
<td>26.0%</td>
<td>13.9%</td>
<td>22.4%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>12.1%</td>
<td>1.6%</td>
<td>13.9%</td>
<td>22.4%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>
Conjoint survey—overview

- Assesses the importance employees assign to different features of a total rewards package
- Employees are asked to compare two benefits packages and choose the benefits package they most prefer

<table>
<thead>
<tr>
<th></th>
<th>Total Rewards Package #1</th>
<th>Total Rewards Package #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>No base pay increase</td>
<td>2% base pay increase</td>
</tr>
<tr>
<td>Medical</td>
<td>10% increase in health care premiums</td>
<td>20% increase in health care premiums</td>
</tr>
<tr>
<td>Retirement</td>
<td>6% matching contribution</td>
<td>3% matching contribution</td>
</tr>
<tr>
<td>Paid time off</td>
<td>Vacation buying program</td>
<td>Unlimited PTO</td>
</tr>
<tr>
<td>Work life</td>
<td>Catered lunch 1x per week</td>
<td>Paid gym membership</td>
</tr>
</tbody>
</table>

Conjoint survey—outcome

- Understand and cultivate a value proposition that speaks to the unique preferences and needs of an organization workforce
- Identify the benefits employees value most and understand which trade-offs they are willing to make

The largest delta between two features is from the most important to second-most important.
Conjoint analysis: feature importance sample

The biggest delta between two features is from most important to second-most important.

Base pay increase is 52% more important than the next most important feature.

Scores for each level can be used in an Excel-based simulation to model expected satisfaction of potential total rewards packages.
Total Rewards strategy session

Culture

- How would you describe your culture?
  - Paternalistic
  - Inclusive
  - Collaborative

- Reinforces the values of the organization
  - What the company “stands for” is very important to millennials

- Where is the organization in their life cycle?
  - Transformative
  - Stagnate
  - High growth

- How does your culture come across to the organization?
  - Positive
  - Negative
  - Needs changing/updating/enhancing
  - Merge/acquisition (unsteady)
Brand

- Do you have a brand that people want to work for?
  - How would you describe your brand?
  - Is the brand known? (if not is the culture known?)
  - How does Glassdoor describe your organization?
  - What does social media have to say about you?
  - What is the “image” you are trying to present?

- How are you communicating your brand?
  - Social media
  - Word of mouth (referrals from employees?)
  - Are we cultivating the brand and communicating to employees?

Sample SWOT analysis for Total Rewards strategy

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Which reward programs are effective today?</td>
<td>• Which plans do not work today?</td>
</tr>
<tr>
<td>• What should be kept or emulated?</td>
<td>• What and how much needs to change?</td>
</tr>
<tr>
<td></td>
<td>• What are the market conditions and are we</td>
</tr>
<tr>
<td></td>
<td>competitive?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How can we best meet the demands of key</td>
<td>• What conditions threatened business success?</td>
</tr>
<tr>
<td>stakeholders?</td>
<td>• How do existing plans fail to respond to</td>
</tr>
<tr>
<td></td>
<td>external conditions?</td>
</tr>
<tr>
<td></td>
<td>• How do existing plans fail to respond to</td>
</tr>
<tr>
<td></td>
<td>internal conditions within the organization?</td>
</tr>
</tbody>
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SWOT analysis
The employee life cycle

Lockton Companies | Market Study

Business Needs

Sample Total Rewards strategy

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RISK MANAGEMENT - EMPLOYEE BENEFITS - RETIREMENT SERVICES

Our Mission | To be the worldwide value and service leader in insurance brokerage, risk management, employee benefits and retirement services

Our Goal | To be the best place to do business and to work

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