Checklist for Building—and Measuring—Your Benefits Program

To make sure you get as much as possible out of your benefits investment, here are some suggestions from *The Principal 10 Best Companies*—2008 on ways to build and measure your benefits program.

BUILDING BENEFITS

- ☐ **Do you work with a broker?** Brokers help negotiate better renewals, keep you up-to-date on market trends and compliance issues and provide benchmark data.
- ☐ **Have you established your company's objectives for a benefit program?** Knowing what you hope to achieve by offering strong benefits can help you as you make decisions about how to invest in them.
- ☐ **Do your benefits align with company culture, philosophy and employment strategy?** Your benefit investment will be easier to justify and be more successful if it aligns with business goals and the culture of your company.
- ☐ **Are you making data-based decisions?** By doing rigorous research and market analysis, you'll help ensure you are choosing benefits that offer the most to your employees at a lower cost to your company.
- ☐ **Do you look to your existing benefits provider first?** By taking advantage of programs your providers already offer, you may be able to add new programs such as wellness or retirement education—without spending additional money.
- ☐ **Are you viewing your benefits provider as a partner—not a vendor?** Consider your benefits provider an extension of your organization. A closer relationship can make it easier to solve problems and find opportunities.
- ☐ **Do you benchmark your benefits using surveys?** Surveys can be a great way to benchmark your benefits and stay current on the latest trends.
- ☐ **Are you considering value, not just cost?** Don't let costs dictate quality. Picking up a lower quality plan just because it is less expensive may lessen the chances your program will help you meet your objectives.
- ☐ **Do you network with other companies?** Consider joining a network of companies in your industry. You can use information from other companies, such as what they are paying for benefits, to help guide your benefit decisions.
- ☐ **Are you measuring your benefits program's success?** Here are the most common metrics used by *The Principal 10 Best Companies*—2008.
  - ✓ Employee tenure
  - ✓ In-person feedback
  - ✓ Turnover rates
  - ✓ Benefit participation rates
  - ✓ Employee surveys

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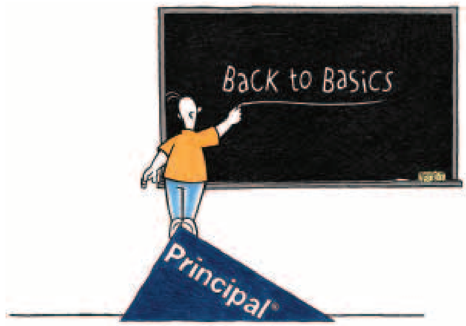


Best Practices in Building—and Measuring—Your Benefits Program

These days, employers need to get as much as they can out of the benefits they offer. *The Principal 10 Best Companies*—2008 treat their benefits programs just like any other business strategy. They benchmark against other employers. They stay up-to-date on the latest benefit trends. And they measure the effectiveness of the plans.

Here's what you can do to implement the best practices of *The Principal 10 Best Companies*—2008:

Building benefits

- **Work with a financial professional.** All of *The Principal 10 Best Companies*—2008 use a financial professional for at least part of their employee benefit program. "Our brokers are an integral part of our team and process. They help us negotiate better renewals, give us a feel for market trends, provide benchmark data and statistics and help keep us updated on compliance issues," says Janet Owens, vice president—benefits and welfare, North Island Credit Union.
- **Look at the big picture.** NORCAL Mutual Insurance Company sees the process as being fluid. "We track it based on what the benefits need to be from an attraction and retention standpoint. We look at what makes sense and what we can afford. We make independent decisions, rather than targeting a specific number," says John McClain, the company's vice president of human resources.
- **Look at your existing benefits providers first.** When 1st United Services Credit Union decided to boost their benefits education, they went to their existing benefit providers first. By taking advantage of programs their providers already offered, the organization added new wellness, retirement and workers' compensation education—without spending additional money.
- **Line up benefits with your employment strategy.** "It's our strategic position in the marketplace of the San Francisco Bay area to be the employer of choice," explains Rachel Frazier, vice president—human resources and training, 1st United Services Credit Union. "Part of the way we achieve that is the very robust benefits we offer. We feel that this increases retention of employees and puts us in a superior position."

- **Make sure benefits align with company culture and philosophy.** North Island Credit Union bases benefits decisions on a philosophy of employee satisfaction as a driver of member satisfaction and ultimately financial success. "If you want loyal, satisfied customers, you have to have loyal, satisfied employees. That's the premise of our strategy," says Mike Maslak, the credit union's president and CEO.
- **Do your homework.** Make data-based decisions. "We do rigorous research and market analysis to make sure we choose benefits that offer the most to our employees at the least cost to us," says Frazier.
- **Consider your benefits provider a team member—not a vendor.** 1st United Services Credit Union considers its benefits provider an extension of its organization. "By having a closer relationship with them, whether it's solving problems or looking at opportunities, our employees are really going to benefit," says Frazier.
- **Benchmark your benefits using surveys.** Surveys are a great way to benchmark your benefits and stay current on the latest trends. CENTRIA subscribes to several national and regional benefits and compensation surveys. They also conduct their own survey of local manufacturers in Arkansas.
- **Consider value, not just cost.** "We look at each of our benefit plans on an annual basis and we focus on controlling our costs, but we also want to make sure we're offering quality plans," explains Janet Owens, vice president—benefits and welfare at North Island Credit Union. "We wouldn't pick up a lower quality plan just because it's less expensive."
- **Compare apples to apples.** "We do thorough research on the quotes that come to us to make sure we really understand the prices," says Frazier.
- **Network with other companies.** 1st United Services Credit Union belongs to a network of credit unions. "We participate in information sharing with the other credit unions to learn what they're paying for benefits. We use that information to help guide our decision for benefits renewal," Frazier explains.

Measuring benefit success

The Principal 10 Best Companies—2008 gauge the success of their benefits programs most often by average employee tenure. Other popular metrics include employee retention rates, participation rates and employee satisfaction surveys.

- **Employee tenure.** Winners report average tenure of more than seven years and retention rates in the 90th percentile.
- **Turnover rates.** Another way to measure benefits success is voluntary turnover rate. The average turnover rate of *The Principal 10 Best Companies*—2008 is 8.2 percent versus 21.9 percent for all U.S. companies. "The fact that we offer very competitive benefits keeps our turnover rate extremely low. When people come to work for us, they usually don't leave. We've had several 30-year retirees in the last 18 months," says Mike McDonald, president and CEO, A.Y. McDonald.

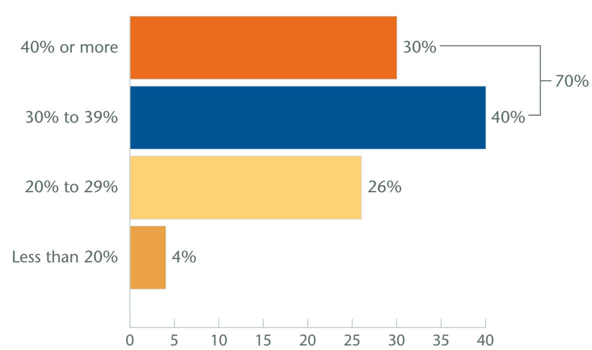
- **Employee surveys.** North Island Credit Union performs an extensive employee opinion survey every 18–24 months. Last year, the survey reported a satisfaction rating of 93.7 percent. They also send out a comprehensive benefits survey every two to three years. The company shares the analysis of the survey with employees.
- **In-person feedback.** Torch Technologies holds quarterly meetings led by the company CEO to solicit feedback directly from employees. The CEO also takes groups of 10 employees out to breakfast every two weeks. "As a result of those meetings, we have changed benefit providers so we could improve services. We've also helped individuals understand their benefits," says Scott Parker, chief administrative officer, Torch Technologies.
- **Benefit participation rates.** *The Principal 10 Best Companies*—2008 have industry-leading participation in their 401(k) plans, with an average participation rate of 91.9 percent.

Benefits as a percent of total compensation

One of the most common benefit benchmarks is the amount spent on benefits as a percent of total compensation. Based on the spending of *The Principal 10 Best Companies* over the last four years, a good benchmark is 30–40 percent of total compensation.

Benchmarking Benefit Costs

Seven in 10 devote at least 30 percent of the total compensation package to benefits.



Source: *The Principal 10 Best* 2004-2008

For an interactive checklist of best practices in building and measuring a winning benefit program, visit *www.principal.com/10best.*

Retirement Planning Checklist

Ready to help your employees get the most out of their retirement benefits? Use the following checklist to help increase participation, boost deferrals and reduce employees' confusion about saving for retirement.

- ☐ **Are you discouraging employees from taking out retirement plan loans?** Educate employees about the ramifications of taking money out of their 401(k) plan. Show them how much it *really* costs—and how long it takes to catch up again.
- ☐ **Are you showing employees what they're missing if they don't participate or participate at a low level?** It can be real eye opener to see the long-term impact of lower savings in black and white.
- ☐ **Have you considered an additional financial incentive to participate?** Consider giving employees a raise equal to the amount they contribute if they contribute up to the employer match.
- ☐ **Are you making savings automatic?** Using auto enrollment and automatic deferral increases can help employees take full advantage of the employer match—and streamline administration. Even a one percent increase in salary deferral each year can make a big difference in employees' retirement savings thanks to the power of tax savings and compounded earnings.
- ☐ **Are you offering lifestyle or lifecycle funds?** These all-in-one investments can help employees avoid common investing mistakes.
- ☐ **Do you bring in financial professionals to reassure employees during turbulent markets?** When the markets are volatile, it is easy to forget that retirement savings is a marathon not a sprint. A financial professional can remind employees about the basics of investing for the long term.
- ☐ **Do you ask your retirement plan provider for one-on-one help?** Most employees are more comfortable asking questions in a private setting than a large group. Personalized meetings also show employees that you care about their financial wellness.
- ☐ **Do you remind employees age 50 and over about catch-up contributions?** When employees turn 50, remind them that they can make catch-up contributions to the 401(k) plan. Continue to remind those employees each year at open enrollment time.

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Best Practices in Retirement Benefits

These are uncertain times. Many soon-to-be retirees won't be retiring so soon. And younger employees are just trying not to look at retirement plan balances.

The employees of *The Principal 10 Best Companies*—2008 are in the same boat. That's why these impressive companies have redoubled their education efforts and are doing everything they can to help employees stay the course.

Here's what you can do to implement the retirement best practices of *The Principal 10 Best Companies*—2008:

- **Discourage employees from taking out retirement plan loans.** Earlier this year, thirty-five percent of employees at The Spiratex Company had loans out on their 401(k) plan accounts. To reduce that number, the company shows employees how much it *really* costs them to take money out of the 401(k) plan—and how long it takes to catch up again.
- **Show employees what they're missing.** North Island Credit Union shows employees who don't participate—or who participate at a low level—how much higher their savings could be if they increased their contributions. "We always pick up a few more people each time when we do that," says Janet Owens, the credit union's vice president—benefits and welfare.
- **Make salary deferral increases automatic.** Even a one percent increase in salary deferrals each year can make a big difference in employees' retirement savings. That increase can also help them work toward the full employer match. 1st United Services Credit Union implemented automatic deferral increases to help get employees contributing at the full match level. "Employees can opt out, but so far no one has. Many decide to increase above our match," says Rachel Frazier, the credit union's vice president— human resources and training.
- **Bring in an outside financial professional.** "We talk about investing and benefits, but it makes a difference when an outside person comes in. Employees feel more comfortable talking about their issues and fears," says Cheryl Grissett, corporate human resource director, The Spiratex Company.
- **Make participating painless.** When employees begin contributing to NJ Sullivan's 401(k) plan, the company gives them a raise equal to the amount the employees contribute.
- **Offer lifestyle or lifecycle investment options.** These investment options can help employees avoid common investing mistakes. "Lifestyle investment options can help take the scariness out of investing. It has also taken a lot of pressure off us from a fiduciary perspective," says Bob Racey, president and general manager, The Spiratex Company.
- **Reassure employees during turbulent markets.** The Certified Financial Planner® (CFP®) that Torch Technologies uses comes in handy during a rough economy. The CFP has recently offered additional sessions for worried employees. "With the 401(k) roller coaster we're on, we tend to forget that we're saving for the long term," says Julia Michaux, human resources director, Torch Technologies.

- **Focus on small-group communication when freezing your defined benefit plan.** SAE International first told employees about the "soft freeze" to their defined benefit plan during a group meeting. "Because it was a group meeting, I couldn't get a feel for if employees understood it," says Carole Faust, the organization's benefits and payroll manager. "After that meeting, I offered to go to all departments to go over exactly what the soft freeze was. A lot of departments took me up on that offer. Employees walked away completely understanding what a soft freeze meant."
- **Remind, nag, carp.** A.Y. McDonald isn't afraid to remind employees—a lot—about the importance of saving early. "The world is changing, and people don't save money," says Mike McDonald, the company's president and CEO. "We preach and, quite frankly, carp at them to start saving now, not when they're 60."
- **Use automatic enrollment.** The auto enrollment feature helps employees take full advantage of the employer match—and helps streamline administration. As Owens at North Island Credit Union explains, "Before automatic enrollment, most of our people were starting around two to four percent. The biggest benefit I see now with automatic enrollment is that because we start at six percent, more employees are getting the full employer match. On the administrative side, it also runs much more smoothly."
- **Ask your retirement plan service provider for one-on-one help.** NORCAL Mutual Insurance Company uses a no-cost service from its retirement plan service provider that brings in employee benefits specialists to meet one-on-one with employees. "It's been very successful. The value of that is so great—it shows that the company thinks of them and their financial wellness. That gives us miles and miles of traction," says John McClain, the company's vice president of human resources.
- **Remind employees age 50 and older about catch-up contributions.** When employees turn 50, Jewelers Mutual reminds them that they can make catch-up contributions to the 401(k) plan. They continue to remind those employees every year at open enrollment time.
- **Show employees the big retirement picture.** A.Y. McDonald's financial professional puts all retirement income sources together in one summary—including Social Security, pension, 401(k) plan and other employee savings. "It gives employees an idea of how they may end up when they retire. People on the floor think it's a godsend," says McDonald.
- **Teach employees the basics of saving and investing year-round.** The Spiratex Company uses ongoing education to help teach employees proper ways to invest, the importance of starting to participate early with the 401(k) plan and how to take full advantage of the employer match. "Because we've done this, I think our workforce is really empowered," says Racey.
- **Help employees transition to retirement.** 1st United Services Credit Union created a packet for employees who are preparing to retire. "It has booklets from our service provider, and it has retirement income calculators," explains Frazier. "We have financial advisor information in the packet. We encourage retirees to have at least one phone conference prior to retiring."

Health and Wellness Benefits Checklist

A consistent, long-term commitment to health care education and wellness can make a lasting impact on health care costs. Here are some tips to implement a solid wellness program.

- ☐ **Do you offer a comprehensive wellness program with the following elements?**
  - ✓ A health risk assessment
  - ✓ On-site health screening that includes biometric screenings (such as blood tests)
  - ✓ Targeted health management programs for high-risk conditions (blood pressure, cholesterol, weight management)
  - ✓ Positive lifestyle and educational materials and events
  - ✓ Approaches that actively engage employees
  - ✓ No-cost or low-cost preventive care
- ☐ **Are you offering on-site nurse visits?** You may save employees a trip to the doctor's office and catch health problems early.
- ☐ **Do you tap into educational services from your employee assistance program (EAP)?** Many programs put on webinars on wellness topics.
- ☐ **Are you helping employees quit smoking?** Banning smoking at the workplace goes a long way toward helping employees cut down. Offering smoking cessation classes helps as well. Some companies offer to pay for nicotine patches.
- ☐ **Do you work with a broker?** Brokers can help you negotiate better renewals, keep you up on market trends, provide benchmark data and keep you informed on compliance issues.
- ☐ **Have you considered lifting the cap on wellness benefits?** If it's wellness, consider covering it. An investment in wellness is a long-term investment in the health plan.
- ☐ **Do you offer incentives to employees for participating in wellness activities?** Consider a reduction of premiums for employees who earn a wellness score by going through health risk appraisals and the associated biometrics blood work. Alternatively, consider a reward like a savings bond.
- ☐ **Do you make physicals free?** Removing all copays and coinsurance for annual physicals encourages employees to get regular checkups and helps catch health issues early.

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Best Practices in Health and Wellness Benefits

What's the secret to slashing health care costs in the short term? Unfortunately, there isn't one. However, a consistent, long-term commitment to health care education and wellness can make a lasting impact, according to *The Principal 10 Best Companies*—2008.

Here's what you can do to implement the health and wellness best practices of *The Principal 10 Best Companies*—2008:

- **Focus on wellness.** A comprehensive wellness program, such as the Jewelers Mutual Insurance Company program, includes:
  - A health-risk assessment
  - On-site health screening that includes biometric screenings (such as blood tests)
  - Targeted health management programs for high-risk conditions (blood pressure, cholesterol, weight management)
  - Positive lifestyle and educational materials and events
  - Approaches that actively engage employees
  - No-cost or low-cost preventive care
- **Take a long-term approach to wellness.** SAE International expects to save $19,000 in claims in just one year thanks to its wellness program. But it didn't happen overnight. The company created its wellness program over 20 years ago. "I firmly believe it's had an impact on our claims utilization over the years," says Carole Faust, the organization's benefits and payroll manager.
- **Offer on-site nurse visits.** At Jewelers Mutual, employees can make appointments with an on-site nurse once a month—saving them a trip to the doctor's office and catching health problems early.
- **Use your employee assistance program (EAP).** SAE International's EAP offers no-cost webinars on wellness topics. The organization sends out monthly reminders to employees about the latest wellness webinars.
- **Prevent workers comp injuries.** A focus on preventing workers compensation injuries helped 1st United Services Credit Union cut its workers comp costs by a whopping 88 percent. That savings helps to offset the cost of other health care benefits.
- **Compare apples to apples.** "We do extensive research on the quotes that come to us to make sure we really understand the prices, features, and benefits of all our benefit providers," says Rachel Frazier, vice president— human resources and training, 1st United Services Credit Union.

- **Help employees quit smoking.** The Spiratex Company and A.Y. McDonald, both manufacturers, took steps to ban or reduce smoking at the workplace. “We have a large population of smokers,” says Cheryl Grissett, corporate human resource director, The Spiratex Company. “We knew it would be difficult.”

  Over several months’ time, both companies helped prepare employees. The Spiratex Company offered to pay for nicotine patches. A.Y. McDonald offered smoking cessation classes. And both companies educated employees on the benefits of quitting. “Our employees came through with flying colors,” says Grissett. “We hope we’ve helped them quit smoking altogether.”

- **Listen to employees.** According to employee feedback, the provider of Torch Technologies’ flexible spending account was “struggling to administer the plan effectively,” says Julia Michaux, the company’s human resources director. “As a result of that feedback, we found another provider. Our employees are not afraid to tell us what they think.”

- **Work with a financial professional.** All of this year’s 10 Best Companies use a financial professional for at least part of their employee benefit program. “Our brokers are an integral part of our team and process. They help us negotiate better renewals, give us a feel for market trends, provide benchmark data and statistics and help keep us updated on compliance issues,” says Janet Owens, vice president—benefits and welfare, North Island Credit Union.

- **Expand wellness offerings.** Jewelers Mutual Insurance Company lifted the cap on its wellness benefits. “We believe that long term, the key to lower health care costs is to not need them,” says Connie Rank-Smith, the company’s vice president of human resources. “An investment in wellness is a long-term investment in the health plan. Now we say, ‘If it’s wellness, it’s covered’.”

- **Consider a health reimbursement account (HRA).** Jewelers Mutual began offering an HRA after analyzing benefit use and holding employee focus groups. “We had a plan in which the first $500 of everyone’s expenses are paid. The next $1,000 was a deductible. Forty percent of our employees never hit their $500 deductible. And we learned through focus groups that the $1,000 deductible was really tough,” says Rank-Smith.

  The company’s financial professional recommended an HRA. “We tested the waters with a few focus groups. Employees would rather pay a $500 deductible up front and then have the health reimbursement for $500 and then do another $500 deductible. It was an easy concept for employees to grasp,” Rank-Smith says.

- **Make physicals free.** CENTRIA recently removed all copays and coinsurance for annual physicals. “All routine testing is company-paid for physicals. That’s an important part of our wellness initiative. We think in the long term, wellness is the only way we’ll reduce health care costs and maintain benefits,” says Bob Burick, director of administration at CENTRIA.

- **Give a premium rebate for wellness participation.** When employees at Jewelers Mutual go through the health risk appraisal and the associated biometrics blood work, they get a wellness score. “That score will give them a rebate on their premium. If they choose not to participate in wellness, they don’t get a rebate. If they qualify, it’s good for a year. Sixty-six percent of people on our health plan qualified for a rebate based on their score,” says Rank-Smith.

- **Savings bonds work, too.** CENTRIA employees who participate in the health risk assessment and biometric screenings—and participate in one other wellness activity within the year—get a $100 savings bond.
- **Educate for good times and bad.** Thanks to CENTRIA's ongoing, open communication, employees have an easier time understanding things like premium increases. "When we've had to increase the cost to employees for healthcare, there was no surprise. We discussed it six to nine months ahead of time. They may not have liked it, but there was no surprise," says Mark Sherwin, the company's president.
- **Update health plan wording.** The health plan at Jewelers Mutual Insurance Company specified it would pay for routine mammograms. "If a woman has a questionable mammogram just once, they will never have a 'routine' mammogram again. Therefore, the following year when they go back, the mammogram wouldn't be covered," Rank-Smith explains. The company changed the plan wording to address that issue.
- **Give out free pedometers.** The instant feedback of pedometers can help employees walk more. During its employee recognition week, 1st United Credit Union gave away free pedometers. "The pedometers were a huge hit. We see employees walking throughout the day," says Frazier.
- **Customize wellness programs based on utilization.** Work with your health insurance provider to identify your organization's biggest health challenges. Then create wellness programs to help employees address those issues. Based on their group's data, 1st United Credit Union's provider designs programs—such as smoking cessation, weight loss and lowering cholesterol—for their employees.

Risk Protection Benefits Checklist

The Principal 10 Best Companies understand that a well-rounded benefits package can provide employee financial security and protection from risks, including disability and premature death. Use this checklist to see if you are doing everything you can to help ensure employees are protected financially in the event of the unexpected.

- ☐ **Do you offer a mix of employer-paid and voluntary (employee-paid) benefits?** First meet employees' basic protection needs and then offer voluntary benefits to supplement.
- ☐ **Do you make it easy for employees to pay for voluntary benefits?** Offer payroll deduction to make it more convenient for employees to pay for supplemental insurance.
- ☐ **Are you making dental and vision coverage available to employees?** Dental insurance is one of the most desired benefits according to The Principal Financial Well Being Index℠.
- ☐ **Is your long-term disability coverage truly long term?** Consider making long-term disability coverage last through retirement age.
- ☐ **Do you provide one-on-one meetings to educate employees about their risk-protection benefits?** Many employees do not appreciate the need for voluntary (employee-paid) benefits until they need additional insurance coverage. Individual meetings can help employees see how these benefits really make a difference in their long-term financial security.
- ☐ **Are you looking for risk protection benefits that come with value-added services such as travel and accident coverage, employee assistance programs, will preparation?** This is an affordable way to show employees how much you care about their personal financial protection.
- ☐ **Have you looked into increasing the amount of life insurance coverage?** It is a very inexpensive benefit to provide, but goes a long way toward helping employees feel financially secure.
- ☐ **Do you include survivor support services in your life insurance coverage?** Companies that do find it is greatly appreciated by employees who experience a loss in their families.

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Best Practices in Risk Protection Benefits

The Principal 10 Best Companies—2008 understand that a well-rounded benefits package helps provide employee financial security and protection from risks, including disability and premature death.

"We believe the less our employees have to concern themselves with unplanned incidents, the more productive they will be. We believe certain critical plans like short-term disability and long-term disability shouldn't be optional but rather be provided by the company," says Bill Roark, CEO of Torch Technologies, Inc.

"We think we have a responsibility in the design of our plan to give employees a comfort zone," said Bob Burik, director of administration, CENTRIA. "They need income protection."

Here are some practices from *The Principal 10 Best*—2008 that help ensure employees are protected financially in the event of the unexpected.

- **Shake things up – offer a mix of employer-paid and voluntary benefits.** First take steps to meet employees' basic protection needs and then offer voluntary benefits to supplement. All of *The Principal 10 Best Companies*—2008 offer voluntary benefits. "It seems that individuals who need disability insurance the most would be the ones who wouldn't buy it if it was strictly voluntary. Employees sometimes don't truly appreciate what they have until they need it. We've taken it as our responsibility to make sure those things that are in place," saysCheryl Grissett, The Spiratex Company.
- **Take the hassle out of paying for voluntary benefits.** The Spiratex Company and Torch Technologies offer payroll deduction to make it more convenient for employees to pay for supplemental insurance.
- **Put some bite into benefits with dental and vision coverage.** Dental insurance is one of the most desired benefits according to The Principal Financial Well-Being Index℠. All of *The Principal 10 Best*—2008 winners supplement their medical insurance coverage with dental and vision coverage.
- **Make sure long-term disability coverage is just that—long term.** Several winners offer long-term disability coverage to retirement age. "If you have a true disability, your financial situation would still be difficult after one year. It is really nice to have the security of 60 percent of your gross wage basically for life because Social Security would kick in after age 65," says Janet Owens, vice president of benefits and welfare, North Island Credit Union.
- **Consider paying premiums for long-term care.** While a number of companies make long-term care insurance available as a voluntary benefit, NJ Sullivan pays 100 percent of the premium for its employees. "It helps employees have a little less stress," says Christie Hope Greenland, controller, NJ Sullivan.

- **Provide one-on-one meetings to educate employees about their risk protection benefits.** Many employees do not appreciate the need for voluntary (employee-paid) benefits until they need additional insurance coverage. North Island Credit Union had low participation until the insurance provider held one-on-one meetings to explain the voluntary benefits. The participation level increased 500 percent. "Employees focus on now, not the future. We find communication is a key factor. There is no point in offering a benefit that employees don't understand or realize is available," says Janet Owens, vice president of benefits and welfare, North Island Credit Union.
- **Offer benefits that offer more –** Look for risk protection benefits that come with value-added services such as travel and accident coverage, employee assistance programs and will preparation. CENTRIA and NORCAL Mutual Insurance make business travel insurance available as a supplement to their 100 percent premium-paid life insurance. Most of *The Principal 10 Best Companies*—2008 offer employee assistance programs. "We had two robberies a few years ago. Our employee assistance program was a tremendous help," says Rachel Frazier, vice president, 1st United Services Credit Union.
- **Consider upping the amount of insurance coverage:** "Our life insurance and AD&D benefits cover three times the annual income," says Connie Rank-Smith, vice president of human resources, Jewelers Mutual Insurance. "That is a very inexpensive benefit to provide." But it goes a long way toward helping employees feel financially secure.
- **Add survivor support services to life insurance coverage:** A.Y. McDonald offers this benefit as part of its 100 percent, employer-paid life insurance coverage. "The number one benefit is the survivor support service, which is a counseling component. I know those individuals who have personally been in situations have found it tremendously helpful," says Chad A. Huntington, vice president of human resources, A.Y. McDonald.

Employee Stock Ownership Plans (ESOPs) Communication Checklist

If you have an ESOP or are planning to add one, here are some steps you can take to make sure employees fully understand the benefits of participating.

- ☐ **Do you have a communication plan?** This can help ensure consistent, timely communication.
- ☐ **Are you offering training classes?** Periodic informational sessions may help employees fully understand how employee ownership works.
- ☐ **Do you readily share information about company financials and operations?** An open-book management approach can help create a highly educated and business savvy workforce.
- ☐ **Do you incorporate information about the ESOP even before employees are hired?** You cannot start educating employees too early about how the ESOP works. Consider providing information about the ESOP in orientation and even to prospective employees as part of the interview process.
- ☐ **Are you encouraging questions?** In group meetings, everyone learns when one employee asks a question.
- ☐ **Is your communication frequent, detailed and year-round?** Effective communication means quality, quantity *and* frequency of information. ESOP education is a process, not an event. Continue to educate employees on a regular basis year-round.

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Best Practices in Employee Stock Ownership Plans (ESOPs)

If you really want to get employees involved in the success of your business, consider an employee stock ownership plan (ESOP). Current and past winners of *The Principal 10 Best* who offer ESOPs say the plans help them control costs, boost morale and increase revenues.

Winners also say that communication is crucial to the success of ESOPs. Use these best practices in communication for your company's ESOP:

- **Create a communication plan.** This will help ensure consistent, timely communication.
- **Offer training classes.** Torch Technologies offers periodic ESOP informational sessions and is adding more in-depth training in 2009. "The training has been very important for people who know ESOP means employee ownership but don't know how it works," says Bill Roark, CEO, Torch Technologies.
- **Share information.** "We use a pretty open-book management approach," explains Roark. The company uses much of the information from its quarterly board of directors' meetings to brief employees. This helps create a highly educated and business savvy-workforce, according to Roark.
- **Start early.** Employees start learning about the Torch Technologies ESOP in the interview process—before they even start working for the company. "We go through a great deal of detail on what the ESOP is and how it works," says Roark.
- **Encourage questions.** In group meetings, everyone learns when one employee asks a question.
- **Be thorough.** Effective communication means quality, quantity *and* frequency of information. "We give out a great deal of detail and have routine communication meetings about the ESOP, all the way from the very beginning when we rolled it out, what it is, how it works, how it compares to other forms of equity," Roark says.
- **Keep it going.** ESOP education is a process, not an event. Continue to educate employees on a regular basis year-round.

Benefit Education and Communication Checklist

For *The Principal 10 Best Companies*—2008, rigorous education and communication go hand-in-hand with their benefit programs. Check out these ideas from the winners to see how you can bolster your education and communication efforts.

- ☐ **Do you help employees through economic turbulence?** Ease employee worries and forestall knee-jerk reactions by bringing in a financial professional to provide expertise to answer their questions.
- ☐ **Can your employees meet one-on-one with a financial or benefit professional on company time?** One-on-one meetings allow employees to ask questions and express their concerns without fear of embarrassment.
- ☐ **Have you considered making personalized meetings mandatory?** Sometimes employees need an extra push to get them to take advantage of one-on-one meetings.
- ☐ **Do you send employees a total compensation statement?** By sending employees a customized total compensation statement at least once a year, you will let them see the total value of their pay and benefits—a real retention aid.
- ☐ **Are you focusing education on under-used benefits?** Boost education on benefits that have low participation. A lack of awareness and appreciation may be the only thing keeping employees from taking advantage of the benefit.
- ☐ **Have you considered letting employees tell why benefits are important?** Consider having employees give testimonials about the difference a particular benefit has made in their lives and include it in your employee newsletter.
- ☐ **Do you listen as well as talk?** Consider employee focus groups to get feedback on benefits and provide education at the same time. Employees will feel more ownership of the programs you offer if they have had the chance to give input.
- ☐ **Do you beef up education during benefit changes and reductions?** Ongoing, open communication helps employees better understand and accept things like premium increases.

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Best Practices in Employee Education and Communication

What happens when employees don't understand their benefits? Fear, apathy and under-appreciation, for starters. That's why education must go hand-in-hand with any benefits program. As Janet Owens, vice president—benefits and welfare at North Island Credit Union, explains, "There's no point in offering benefits if employees don't value them."

Here's what you can do to implement the education and communication best practices of *The Principal 10 Best Companies*—2008:

- **Help educate employees through economic turbulence.** If employees seem worried about their retirement investment direction, bring in an outside advisor to talk with them and answer their questions. Several of *The Principal 10 Best Companies*—2008 used this tactic and found that their employees felt more in control after talking with someone.

- **Make it fun.** When A.Y. McDonald realized employees weren't using the benefits intranet site, they created an unusual campaign. Timed with the release of the *Pirates of the Caribbean* movie, they called their campaign "Pirates of A.Y. McDonald Treasure."

  The campaign drove traffic to the intranet to participate in treasure hunts. Printed materials about the site were distributed. The company's VP of sales even "became" Johnny Depp's character. "It increased the traffic to the site, and people realized that there was a resource available to understand their benefits," says Chad A. Huntington, vice president of human resources at A.Y. McDonald.

  Get personal. All of *The Principal 10 Best Companies*—2008 offer one-on-one education, either through an outside financial professional or an inside HR representative. One-on-one meetings allow employees to ask questions and express their concerns without fear of embarrassment.

- **And make it mandatory.** The Spiratex Company requires that employees attend two one-on-one retirement benefit meetings—one with a human resources representative and one with an employee benefits specialist from the company's retirement service provider.

- **Create a total compensation statement.** Many of this year's winners show employees a customized total compensation statement at least once a year. Letting employees see the total value of their pay and benefits can be eye-opening—and aid in retention.

- **Give extra education on under-used benefits.** When North Island Credit Union management found that participation in its voluntary health insurance programs was low, they got to work. According to company CEO Mike Maslak, "We had the representative come out to each of our branch locations to make one-on-one meetings available to employees during their break time. The representative also came to our corporate office to provide meetings over a week's timeframe. Our participation level in the plans immediately increased by 500 percent."

- **Let employees tell their own stories.** Jewelers Mutual Insurance Company features employee testimonials in the "benefits corner" of their employee newsletter. The testimonials feature employees explaining the difference a particular benefit has made in their lives.
- **Brag about your good deeds.** When Jewelers Mutual Insurance Company decided to absorb a 30 percent increase in health insurance costs—instead of passing the increase along to employees—the company made sure to let employees know. "It was one of the first employee benefit meetings I've been in where there was applause," laughs Connie Rank-Smith, the company's vice president of human resources.
- **Use focus groups.** Employee focus groups have been a "resounding success" for Jewelers Mutual Insurance Company. "They've been a great opportunity to get feedback on benefits and educate at the same time. We usually have nine or 10 employees in a group, and I hold more than one group. I mix the groups up as far as ages, tenure and department," says Rank-Smith.
- **Cross-train HR staff.** All of the human resources staff at 1st United Services Credit Union are cross-trained on major HR duties. That allows any one of the staff to answer most benefit-related questions, even if the "official" benefits person isn't available.
- **Teach employees the basics of saving and investing year-round.** The Spiratex Company uses ongoing education to help teach employees proper ways to invest, the importance of starting early with the 401(k) plan and how to take full advantage of the employer match. "Because we've done this, I think our workforce is really empowered," says Bob Racey, president and general manager, The Spiratex Company.
- **Beef up education during benefit changes or reductions.** Thanks to CENTRIA's ongoing, open communication, employees have an easier time understanding things like premium increases. "When we've had to increase the cost to employees for health care, there was no surprise. We discussed it six to nine months ahead of time. They may not have liked it, but there was no surprise," says Mark Sherwin, the company's president.

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