



## 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 1<sup>st</sup> 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, 1<sup>st</sup> 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.** 1<sup>st</sup> 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.** 1<sup>st</sup> 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 90<sup>th</sup> 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

