



CHRISTIANSON

CPAs & Consultants

Workforce Management: Benefit Trends and Insights August 16, 2018

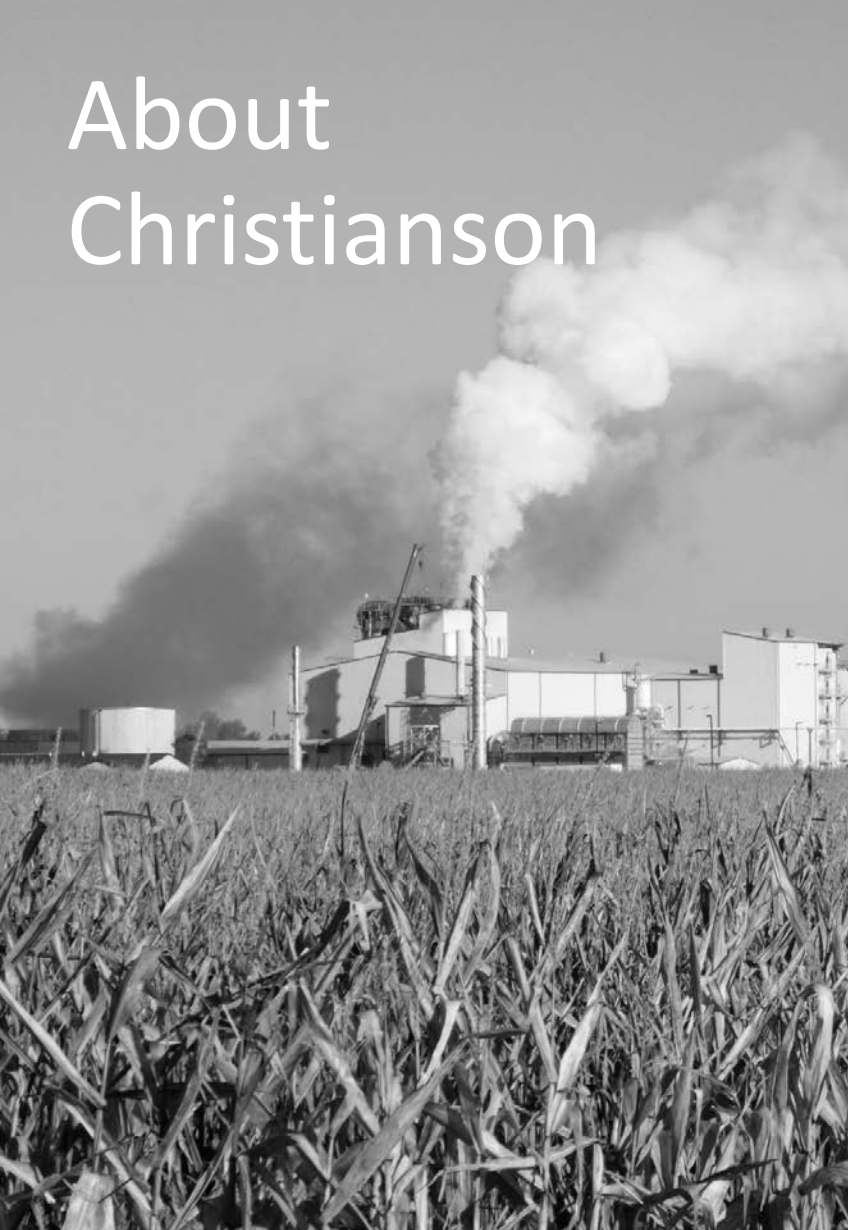
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Creating clients for life

About Christianson



Who We Are

- > CPA and professional services firm offering:
 - > Regulatory compliance consulting:
 - > RIN consulting (renewable ID numbers)
 - > LCFS consulting (Low Carbon Fuel Standard)
 - > FSMA consulting (Food Safety Modernization Act)
 - > Integrated ERP software solutions (Microsoft Dynamics GP™, Intellego™, business process analysis)
 - > Consulting services: feasibility studies, grant writing, benchmarking analysis, HR and benefits consulting, strategic planning services
 - > Financial accounting, planning, and tax services:
 - > Internal control analysis
 - > Enterprise risk assessment
 - > Financial and estate planning

Attracting Talent

> Culture

> Show them the true culture in your organization, if it's not good enough to show....FIX IT!

> Strong Compensation & Benefits Package

> Recruiting – Go To Them!

> Ambassadors = Free Recruiting

> A Good Experience in Your Recruiting Process

> Timely Response

Retaining Talent

- > Effective Onboarding Process
 - > 33% of employees know whether they'll stay with their employer long-term after the first week on the job
- > Top 3 “must haves” Outside of Pay
 - > Good Communication
 - > Voice at Work
 - > Personal Growth
- > Empower them
- > Get feedback...and USE IT!
 - > Stay Interviews
 - > Performance Review
- > Recognition – How often do you say Thank You?

Source: TLNT

Retaining Talent

- > Average Plant Manager tenure: 8 years (vs 9 years in 2016)
- > Average GM/CEO tenure: 10 years (vs 10 years in 2016)
- > Average production employee: 5.1 years (vs. 5.5 years in 2016)

	2016	2017	2017 Range
Production Turnover	19.55%	19.38%	0-54%
Administrative Turnover	16.85%	20.63%	0-50%

Source: Christianson Ethanol Labor Survey

Creating a Culture of Sticky Employees



Creating a Culture of Sticky Employees

- > It's not something you change, it's a byproduct of something else you change!
- > Culture is created by the things we say and do every single day
- > Optimized culture is one where the stated & realized experiences are the same
- > A universal "best culture" doesn't exist. You can only work to create the best culture for **YOUR** organization

Build a Team Within

- > How Strong is Your Bench?
- > Encourage Employee Development
 - > Growers
 - > Keepers



Key Executive Turnover

Example: General Manager Key Person Replacement Cost	Average Amount
General Manager Total Annual Wages	\$270,250
Average Retraining Time	2 years
Annual Wages x Retraining Time	\$540,500
Cost to Fill Position	\$4,000
Total	\$544,500

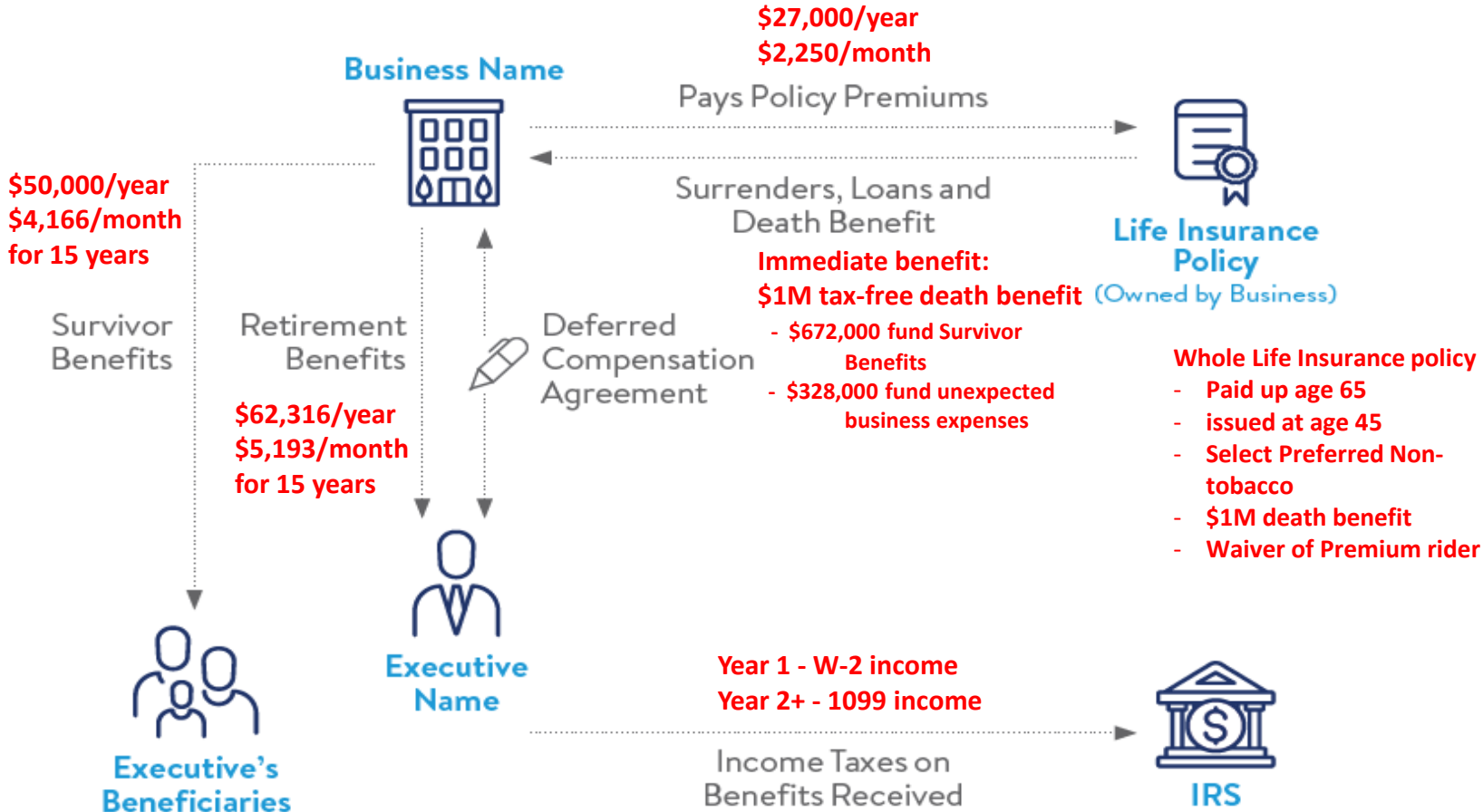
Source: Christianson Ethanol Labor Survey; Glassdoor.com

Attract. Retain. Succeed.

Non-Qualified Deferred Compensation Arrangement (NQDC)

- > Supplemental Executive Retirement Plan (SERP)
 - > Attracts top executives by providing additional incentives to 'key employees'
 - > Retains valued employees until retirement or specific date
 - > Cash Values in a corporate owned life insurance are assets of the company and can be used to offset the impact of benefit liabilities or unexpected loss of a key employee
 - > Deferred compensation shifts income for peak income years to later years where income taxation is lower for the executive
 - > Partial salary may continue to dependents in the case of a premature death

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)



Comparisons & Accomplishments of the NQDC – Supplemental Executive Retirement Plan (SERP)

Scenario 1:

Executive is retained until retirement

- > Executive receives \$62,316/yr. over 15 years = \$934,740 at retirement of deferred compensation
(Golden Parachute)
- > Business receives remaining benefits
 - > Executive at age 80
 - > Death benefit = \$345,777
 - > Cash value = \$106,655

Scenario 2:

Executive resigns prior to retirement

- > Executive forfeits ALL retirement and survivorship benefits.
- > Business receives ALL the cash value of the insurance policy.
 - > Executive age 55
 - > Cash Value = \$243,828
 - > Cumulative Premiums = \$270,000

Comparisons & Accomplishments of the NQDC – Supplemental Executive Retirement Plan (SERP)

Scenario 3 :

Executive disable due to illness or accident

- > 'Waiver of Premium' rider triggers to fund future policy premiums
- > Executive still receives \$62,316/yr. over 15 years = \$934,740 at retirement of deferred compensation
- > Business receives remaining benefits
 - > Executive at age 80
 - > Death benefit = \$345,777
 - > Cash value = \$106,655

Scenario 4:

Premature death of the Executive

- > Executives family receives partial income replacement ex. \$50,000 for 15 years = \$750,000
- > Business receives \$1M tax-free death benefit to fund resulting business expenses and beneficiaries continuation of income

Overview:

- > Created an attractive Supplemental Retirement plan for the Executive without causing any immediate income tax liabilities.
- > Created a limited disability and survivorship plan
- > Protected the business entity against additional expense due to an unexpected loss of a key employee

Attract. Retain. Succeed.

Attracting & Retaining Employees

- > Problem:

- > Turnover Rate in the Industry - ~20%

- > Solution:

- > Offer Comprehensive Benefits Package

- > Be Creative!

How Do You Compare?

Most Common Benefits	
Benefit	How Often Is it Offered?
Health Insurance	100%
Dental Insurance	100%
Vision Insurance	76%
Short & Long-Term Disability Insurance	91-93%
401K	96%
Paid Time Off, Vacation and/or Sick Leave	100%

Source: Christianson Ethanol Labor Survey

Which Package Would You Choose?

Package A

- > Health Insurance
- > Retirement
- > Dental
- > Disability

Package B

- > Health
- > Retirement
- > Dental
- > Disability
- > Life
- > Vision
- > Accident
- > Critical Illness
- > Cancer
- > Hospital

3 reasons to say 'yes' to voluntary insurance



Even with major medical insurance, out-of-pocket costs can be high.

Deductibles, copayments, coinsurance, prescription drugs, plus the regular bills that keep coming even when you're sick or hurt and out of work...it can all add up quickly. Consider this:

For the 2018 plan year, the out-of-pocket limit for a plan through the federal government is

\$7,350
for an individual...



and **\$14,700**
for a family.¹



The average cost of a 3-day hospital stay is around

\$30,000²



The median per-patient prescription drug cost for treating cancers such as lymphoma and leukemia can be more than a

quarter million dollars
a year.³



Many employees aren't financially prepared for unplanned expenses.

Voluntary insurance pays the policyholder,⁴ not the doctor, helping keep your finances healthy even if you're sick or injured. That's important for a lot of workers because:



58% of employees have **less than \$1,000** to pay out-of-pocket expenses associated with an unexpected serious illness or accident.⁴

20% couldn't go more than one week without a paycheck.⁴



26% have avoided going to the doctor due to high costs.⁴



Hard-earned savings deserve protection.

If you're in the minority of employees who have sufficient savings, an unexpected health issue could set you back. Don't walk away from the things you've been saving for:

The average price of a new car is approximately **\$35,000**⁵



The median cost of a new home in the U.S. is approximately **\$325,000**⁶



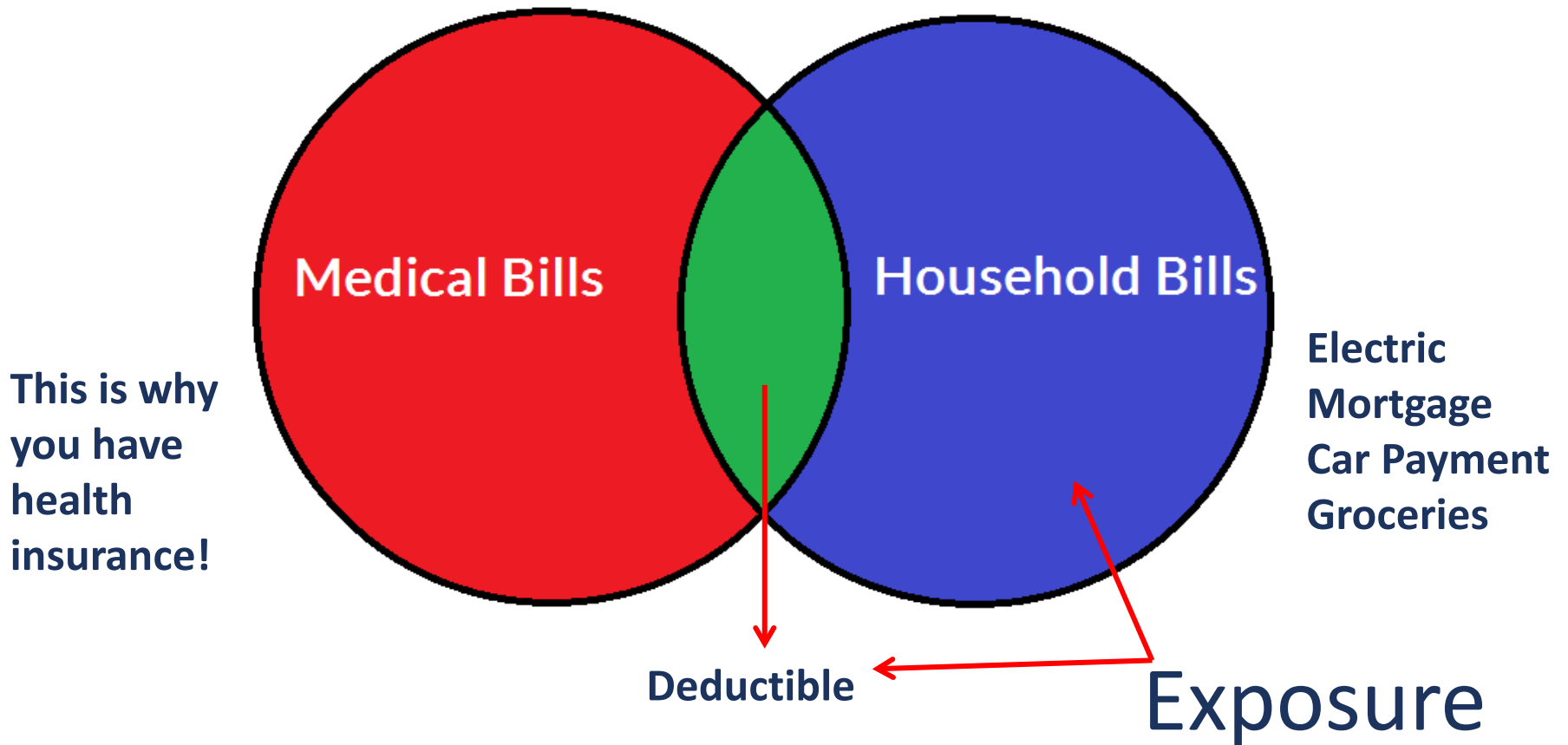
Retirement advice varies, but some recommend having enough to replace

70-90% of your annual pre-retirement income through savings and Social Security.⁷



Source: Aflac

Health Insurance vs. Supplemental Coverage



Supplemental Coverage

> Accident

- > The average medical expenses for an accidental injury \$5,600
 - > \$6,500 deductible = health insurance pays nothing!

> Cancer

- > Men – slightly less than 1 in 2
- > Women – slightly more than 1 in 3

> Critical Illness

- > Every 34 seconds an American suffers from a Heart Attack
- > Every 40 seconds someone in the US has a Stroke

Source: Aflac

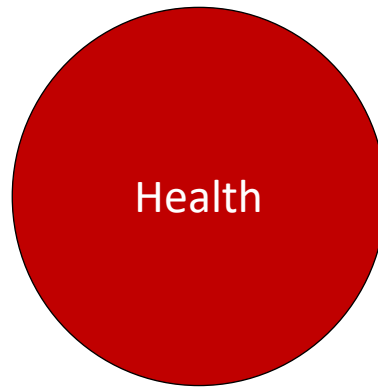
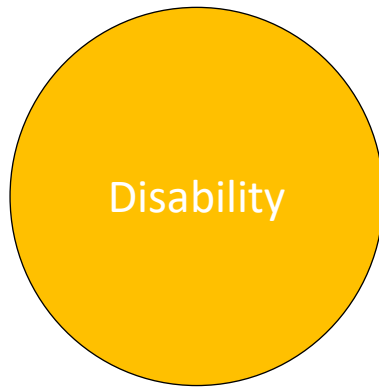
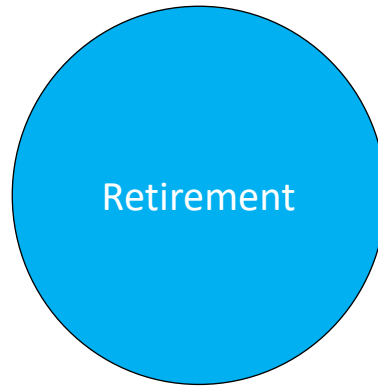
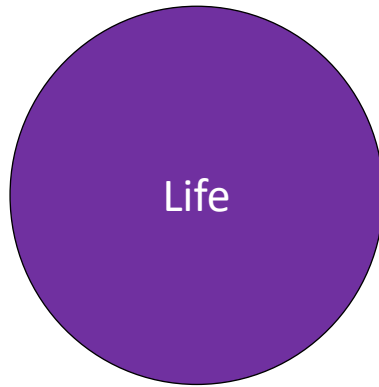
Advantages of Disability Insurance

- > Proactive vs. Reactive
- > Reduce Monday Morning Claims
- > Reduce MOD Rates

Lost Time Accidents	2017
Plants with Lost Time Accidents	29%
Average Lost Time Hours	215
Average Number of Incidents Per Plant	2

Source: Christianson Ethanol Labor Survey

Defined Benefit Contribution



None of these benefits are effective if employees don't understand and APPRECIATE them!

Questions?



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Thank you!

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