About Gallagher

Quick Facts:

• Founded in 1927
• AJG (NYSE:AJG) is one of the world's largest and most respected insurance brokerage and risk management firms
• 21,000+ employees
• 650 offices in 33 countries, serving clients in more than 140 countries
• Recognized 6 years in a row by Ethisphere Institute as a World’s Most Ethical Company®
• Named by Forbes magazine as one of America’s Best Employers

Gallagher Benefits & Human Capital Management Consulting:

✓ 3,300 employees
✓ Over 180 offices
✓ Global Benefits

Comprehensive Brokerage Services:

- Alternative Risk & Captives
- Casualty
- Claims Advocacy
- Commercial Surety & Bonds
- Cyber Liability
- Environmental
- Financial Products
- Fine Arts
- Loss Control
- Management Liability
- Multinational Client Services
- Private Client & Personal Insurance
- Property
- Risk Management
- Small Business
- Terrorism
- Trade Credit & Political Risk
- Workers Compensation

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Agenda

- Wellness Market Update
- Evolution of Wellbeing
- Connecting Wellbeing, Culture & Employee Engagement
- Financial Health and Impact on your Bottom Line
Connecting Culture, Wellbeing & Employee Engagement for High Performance

Kathleen Schulz, MS, CHES
Regional Vice President, Northeast & Southeast Wellbeing & Engagement Practice Leader
Wellness Goes Mainstream

Employers that invest in wellness programs emphasize the importance of:

1) Reducing healthcare costs (62%)
2) Creating a desirable culture (41%)
3) Improving employee experience and satisfaction (34%)

Wellbeing Disconnect: Prioritization vs. Strategic Confidence

- Promoting and improving employee health and wellbeing is a top priority for most employers (69%)

51%
Have confidence in the organization’s wellbeing strategy

Yet only half are confident their organization has a strategy to effectively meet that objective
- 15% disagree or strongly disagree that they do

Top 5 Reasons Why Employees HATE “Wellness” Programs

1. My job is killing me
2. My manager doesn’t get it
3. The program isn’t fun
4. I’m concerned about my privacy
5. It feels more of a hassle than a help
Whatever you are thinking About wellness…

Think bigger
Wellbeing & Engagement

Our Philosophy: Business success is a function of the people you employ and how engaged they are with your organization

- **Our Mission**
  We help our clients develop broad, integrated strategies that help employees become more engaged and *thrive* at work, at home and in their community.

- **Our Approach**
  Position wellbeing & engagement as a *broad organizational solution* that helps clients execute on their *employee value proposition* and become a *destination employer*. 
The Multiple Dimensions of Wellbeing

The WHOLE person comes to work every day...

&

each employee’s wellbeing influences individual and organizational performance
Defining Employee Engagement

engagement

\textit{noun | enˈgæg·ment \textbackslash in-ˈgāj-mənt, en-\}

a pronounced state of enthusiasm characterized by \textit{effort}, pride and passion that fosters a mutually \textit{committed} relationship between employees and their employers, resulting in the enduring pursuit of organizational and personal \textit{goals}.

\textbf{So What?}

- \textbf{10\% ▲ Profitability}
- \textbf{21\% ▲ Customer Metrics}
- \textbf{22\% ▲ Productivity}
## Connecting Career, Engagement & Health Risks

<table>
<thead>
<tr>
<th>LONG HOURS</th>
<th>JOB INSECURITY</th>
<th>INJUSTICE/FAIRNESS</th>
<th>WORK/FAMILY CONFLICT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood Pressure</td>
<td>Stress</td>
<td>Migraines</td>
<td>Sleep Disorders</td>
</tr>
<tr>
<td>Obesity</td>
<td>Risk Heart Attack</td>
<td>Blood Pressure</td>
<td>Sickness related absence</td>
</tr>
<tr>
<td>Diabetes</td>
<td>Opinion of Health</td>
<td>Burn Out</td>
<td>Risk Heart Attack</td>
</tr>
<tr>
<td>Injury</td>
<td></td>
<td>Depression</td>
<td>Opinion of health</td>
</tr>
</tbody>
</table>
Impact & Opportunity

Wellbeing and Employee Engagement are strongly linked

Engaged, thriving employees are more likely to ...
- Be agile and resilient
- More likely to volunteer their time
- Recover quicker
- Report excellent performance
- Stay with their employer
- Have fewer health problems & lower healthcare costs
- More likely to participate in workplace wellness efforts

Simultaneously address wellbeing & engagement to build a culture that supports the behaviors leading to a healthy and engaged workforce and supports your EVP.

The Opportunity...
Culture & Motivation…

Who is most likely to motivate you to improve your health?

- Colleagues: 58%
- Spouse/Partner: 53%
- Friends: 41%
- Children: 32%

Build a strong culture, let employees influence each other…
What Happens When Culture, Mission, and EVP Don’t Align?

One employer’s value statement:

Respect

“*We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness, and arrogance don’t belong here*”.

Integrity

"*We are satisfied with nothing less than the very best in everything we do."

Excellence

“*We work with customers and prospects openly, honestly, and sincerely*”.

Comms

“*The great fun here will be for all of us to discover just how good we can really be*”.
The Impact of Disconnect

Enron had these values displayed in their lobby:

- Respect
- Integrity
- Excellence
- Communication
Tactics Are Changing…

Wellness
- HRA
- Biometrics
- Flu Shots
- Disease Management
- Vendor Management

Wellbeing
- Employee Engagement
- Leadership
- Community/CSR
- Environment
- Mindfulness
- Resiliency
- Family Leave
- Social Challenges
- Strategic Recognition
- Financial Wellbeing

Are You Ready?

Connect
Optimize
Accelerate
Financial Wellness: *Preparing for Retirement*

Michael S. Levin, AIF
Area Senior Vice President
Retirement Consulting Services
What Is Financial Wellness?

Financial wellness is the balance between having a healthy state of well being today while preparing financially for tomorrow.

It is not necessarily about being wealthy, but it is a state of psychological well being in which one feels they have control over their current finances and financial future.
Headlines: Financial Wellness

- The Secret Shame of the Middle Class
  - Atlantic Monthly

- A New College Loan Targets Parents
  - Wall Street Journal

- Report: Elder Care Costs Keep Climbing
  - Associated Press

- A New Savings Tool? The feasibility of HSA’s as a retirement savings strategy
  - PlanSponsor.com

- Uncovering a Blind Spot: The Company cost when employees can’t retire - and what can be done
  - Plan Sponsor Magazine
Finances –
Top Stress Factor For Employees

MOST COMMONLY REPORTED SOURCES OF STRESS. ¹

- 71% Money
- 69% Work
- 59% Economy

86% Employees reporting at least some level of financial stress. ²
92% Americans losing sleep over their finances. ³

¹ American Psychological Association, Stress in America™ 2013 Highlights: Are Teens Adopting Adults’ Stress Habits
³ ComPsych Poll: Vast Majority of Employees Losing Sleep Over Financial Worries, ComPsych, October 27, 2008
Financial Stress and Your Bottom Line

- Delayed Retirement
- Higher Compensation Costs
- Higher Healthcare Costs
- Higher WC and/or Disability Claims
- Increased Absenteeism
- Increased Turnover
- Lower Productivity
Pre-Retiree Financial Concerns

- Managing expenses
- Investing wisely
- Buying a home
- Saving for retirement
- Putting kids through college
- Post-retirement health care
Silver Tsunami Statistics

Figure 32
Trend in Workers’ Expected Retirement Age

Financial Stress Impact on Health

- High Blood Pressure: 33% (33%), 26% (26%)
- Insomnia/Sleep Trouble: 39% (39%), 17% (17%)
- Severe Anxiety: 29% (29%), 4% (4%)
- Severe Depression: 23% (23%), 4% (4%)
- Migraines/Headaches: 44% (44%), 15% (15%)

Source: AP-AOL Health Poll: Debt Stress: The Toll Owing Money Takes on the Body

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## Aging Workforce Impact: Health Care Spend

<table>
<thead>
<tr>
<th>Age</th>
<th>Current</th>
<th>Older Workforce</th>
<th>Younger Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>60+</td>
<td>30%</td>
<td>55%</td>
<td>10%</td>
</tr>
<tr>
<td>40–60</td>
<td>45%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>&lt; 40</td>
<td>25%</td>
<td>10%</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Cost**
- 60+: $6.73 million
- 40–60: $8.10 million
- < 40: $5.06 million

**Increase/Decrease**
- n/a
- +20%
- -33%

**Assumptions:**
- 1,000 Employees
- Avg. annual health expense per employee age 60+ = $10,000
- Avg. annual health expense per employee age 40–60 = $6,500
- Avg. annual health expense per employee age < 40 = $3,250

*Source: APEX.HRM-Gallagher Benefit Services, A Division of AJG*
Days Away From Work Injury or Illness


Age 65+ workers median lost time is 3X that of workers age 25-34
Aging Workforce: Absence for Injury or Illness

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<td>25%</td>
<td>10%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Days Missed

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Old Workforce</th>
<th>Younger Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,500</td>
<td></td>
<td>14,350</td>
<td>10,300</td>
</tr>
</tbody>
</table>

Cost of Days Missed

|                   | $825,000 | $947,100      | $679,800          |

Assumptions:
- 1,000 Employees
- Ave. annual days missed per employee age 60+ = 17
- Ave. annual days missed per employee age 40 – 60 = 12
- Ave. annual days missed per employee age < 40 = 8
- Work year = 250 days
- Average Compensation = $50,000
- 1/3 of workforce realizes median days missed

Source: US Bureau of Labor Statistics, Nonfatal Occupational Injuries and Illnesses Requiring Days Away From Work, 2014 (Table 10) *per 10,000 full-time-equivalent workers
Employer Impact

• A look at some numbers:
  – 13% postpone retirement
  – Annual Compensation = $65,000/$30,000
  – Annual Health & Welfare = $10,000/$3,250
  – Annual Days Missed = $3,400/$1,600
  – 1000 Employees
  – Differential - $43,350 (130) =…..
  – $5,635,500 per year

• So what….?
Understand Your Workforce

Workforce Evaluation

Career Path Priorities

- Entry Level
- Mid-Career
- Established
- Pre-Retiree

- Steady Income
- Affordable Health Insurance
- Time with Family
Workforce Evaluation

Evaluating Employee Needs & Preferences

- Gallagher’s proprietary methodology helps employers assess the effectiveness of their employee benefits program
- A new way of looking at an employee population to discern underlying trends that affect employee loyalty, job satisfaction and benefit and compensation costs
- Creating a framework that enables employees to grow with your organization is important to job satisfaction, benefits appreciation and loyalty.

Evolving Priorities of Workforce Segments

- Determining how different workforce segments are represented in an employer’s organization
- Measuring their relative levels of engagement with the total rewards programs you offer
- Gallagher identifies four distinct workforce segments based on life and career stages. Each segment is characterized by a set of prevailing needs, financial priorities and learning styles

Why Does It Matter?

- Challenges with recruiting and retaining sought-after talent is a significant threat to business growth
- The fastest growing jobs require advanced skills
- Employers need to reposition total rewards in a way that improves their ability to attract and retain employees, within budgetary constraints
Workforce Evaluation: Demographics

Workforce Demographics

Male

Female

Annual Compensation

under $25,000  $25,000 to $50,000  $50,000 to $75,000  $75,000 to $100,000  $100,000 to $125,000  over $125,000
Workforce Evaluation:
Gap Analysis

Gap Analysis

<table>
<thead>
<tr>
<th>Annual Compensation</th>
<th>Key Employees</th>
<th>Non-Key Employees</th>
<th>All Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>under $25.000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>$25.000 to $50.000</td>
<td>52%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>$50.000 to $75.000</td>
<td>47%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>$75.000 to $100.000</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>$100.000 to $125.000</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>over $125.000</td>
<td>31%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>All Employees</td>
<td>44%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>
Workforce Evaluation: Retirement Readiness Analysis

Income Replacement Ratio

Key Employees | All Other Employees | All Employees
--- | --- | ---
86% | 84% | 82%
82% | 82% | 72%
72% | 72% | 69%
69% | 69% | 64%
64% | 64% | 57%
57% | 57% | 59%
59% | 59% | 62%
62% | 62% | 74%
74% | 74% | 75%

Projected income replacement at age 65:
- Under $25,000: 0%
- $25,000 to $50,000: 0%
- $50,000 to $75,000: 0%
- $75,000 to $100,000: 0%
- $100,000 to $125,000: 0%
- Over $125,000: 0%
- All Employees: 75%

Annual Compensation

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Financial Wellness Solutions

- Health Benefits
- Consumerism
- Debt Management
- Employer Match
- Savings Rate
- Voluntary Benefits
- Defined Benefit Plan
- Asset Allocation
- Short Term Savings
- College Savings Plans
- Income Replacement
- Long Term Care
- Nonqualified Deferred Compensation
- Budgeting
- Income Stream Education
- HSA/FSA

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Our Framework

Meeting you where you are and creating a path forward

Assess Culture

Understand Demographics

Evaluate Risk

Build Plan, Monitor & Measure

Understand your unique culture, workforce, strategic business model and organizational objectives.

Create and execute a long-range philosophic vision focused on total wellbeing & engagement.

Efficiently deploy resources which make the most impact on your overall employee value proposition.

Culture Behavior Risk Impact
Thank You!

Questions?