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COMMUNICATION OF BENEFITS TO EMPLOYEES

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- o Are employee benefit programs being satisfactorily communicated to employees?
- o What role does communication play in the financial success of benefit programs today?
- o What new approaches are being used to communicate benefits?

MR. STANLEY H. TANNENBAUM: The topic for this session is "Communication of Benefits to Employees"; it may also be stated, "Communication of Benefit Programs to Employers." *Sometimes I wonder about the purpose of communications. Hopefully, by the end of this session, we will all be able to appreciate successful communications programs and to make constructive suggestions to improve upon programs which fail to achieve their objectives.*

We have identified this session as having three particular topics:

1. Are benefit programs being satisfactorily communicated to employees?
Actually, the question is: Do we know what benefits we are communicating?
If we don't know what the program is, how can we communicate it?

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2. Also, does communication have a positive or negative effect on the financial success of the program? If we tell employees about the benefits, does it save us money or does it cost us money?
3. What new approaches are being used to communicate benefits?

The first speaker will be Louis Chuck Kleber who has been a benefits consultant for many years. He is currently a Vice President of Advance Retirement Systems Corporation in Thousand Oaks, California. In his career, he has worked for accounting firms, for corporations, and he is currently working for a consulting firm. He is experienced both as a speaker and as a written communicator. He has written articles for many journals and publications, he has spoken at many conferences and conventions. Chuck will approach the subject of communication of employee benefits from the point of view of a non-actuarial consultant, whose job is to go into a corporation, assuming they have a program, and assist them to communicate this program to their employees, and possibly explaining to them what the program they have is.

MR. LOUIS CHUCK KLEBER: The classic definition of communications is the transfer of meaning and that is really where the rub comes. I forget the name of the authors, but they are two Englishmen, probably Ogden and Richards, who actually wrote a book called "The Meaning of Meaning." There are sixteen different meanings to the word "meaning." Think about it for a moment -- you have: "What do you mean?"; there is a "mean average"; in Britain when you say "You are mean," they mean you are cheap; and here, of course, we mean "you are cruel," and on it goes. So it's no easy task.

A lot of people like to say they know just enough about something to be dangerous. I've been working with actuaries for years as a pension benefits and communications consultant and I am not easily fooled, but I would say that I know enough about actuarial science not to be dangerous. In other words, I like to think I know when to shut up, having recognized the problem and say, "You don't need to talk to me, you need an actuary."

In one of my favorite cartoons a person says, "You want to know why we cannot communicate?" The other says, "Because you have actually nothing to say,

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that's why we can't communicate." It's good, but there is a real moral to this story, and what it concerns is something that is overlooked by a lot of people. Employers will often say, "We have not been communicating much recently," and the answer to that is, "Hogwash"! You cannot not communicate -- it's not possible. We are always, always communicating. Think about it for a moment -- how many times have you been in a restaurant and watched a man and a woman sitting at a table and half an hour or 45 minutes go by without a word between them -- except to order from the menu. They are communicating with devastating effectiveness! Dr. Norman Sigband, professor of Management Communications at the University of Southern California, says, "Silence is suicide" in employer/employee relations. The question is not -- "Have you been communicating?" The question is -- "How well have you been doing it?"

I would like to talk, not just about employer/employee communications, but about how I think an actuary can really become a hero.

Supposing I was the Financial vice president of a major corporation, and I got a letter from you explaining actuarial cost methods; what they are, how they work, and how they might apply to my firm. If I understood that letter, I would call you and say, "This is fantastic! I really understand what you are talking about! Let's meet and discuss it."

This brings us to jargon -- there is a method to this madness. Several years ago, an official in Washington, D.C. was so fed up with wordiness that he developed three sets of buzz words with nine words in each set. By picking any one word out of each set, he could develop a phrase like "systematized logistical projections." He didn't have the faintest idea what the phrase meant -- and neither did anyone else. But no one wants to look dumb, so no one questioned him. That's what we have to get rid of in communications. We must say things in plain English. That's easy to say, but not so easy to do.

Look at this extract from a British booklet for employees. This is the real thing; I did not make it up. Go home and think about it for several months, and if you can understand it, please call me.

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Subject, as aforesaid, the Trustee shall hold a sum assured upon trust of the Member's spouse, if she or he shall survive the Member, or for such of the Member's spouses in equal shares (if more than one spouse is permitted by local law or custom) as shall survive the Member or if she, he or they shall have predeceased the Member upon trust for such of the children of the Member as shall survive him or her if more than one in equal shares.

I think this is a gem! To use a British expression, the whole bloody booklet reads like that. If we, as people in this business have to stop and stare at it, what happens to the poor clerk out there who reads this?

This is the basic picture of communications. If I were an actuary, I would like to think of myself, not only as an actuary fulfilling that responsibility to my firm and my client, but also as a communicator.

First, there is a corporate objective and philosophy. If the issue is benefits, one thing I might say to a client would be, "What sort of a posture do you want to take? Do you want to be a front-runner in your benefits program? Do you want to be in the mainstream? Why?" Answers to questions of this type help to guide the communication program.

For many years, the main consideration was levels of benefits. There has been an almost 180 degree turn, and now the bottom line in corporate benefits planning is financial. In the classic sender-message-receiver picture of communications, we've got a host of media we can use. Incidentally, let me suggest that these media should be thought of as an advertising campaign. Ogilvy and Mather put out a wonderful ad in several publications a few years ago on the 32 things you should remember in advertising. A lot of advertising theory and practice applies to benefits communication.

Think of benefit communications as an ongoing process. Chrysler doesn't advertise cars once and forget them for the rest of the year -- it's got to be a repetitive thing.

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There is always a reaction. There will be knowledge, there will be action, there will be an attitude. We are trying to form all of these things, obviously in a positive way. If communication is not done in a positive way, what will the reaction be?

I'll tell you briefly of something I once did with deliberation to illustrate a point. I was asked to speak to a group. I stood up after being introduced, and for about a minute, I was shuffling papers, looking over at the man who introduced me, picking up my pencil and putting it down, and openly getting more nervous by the moment, until finally I could not stand it any longer (and I don't think anybody else could either) and I said, "Is anybody wondering what's wrong with me?" There were nods. I said, "I have been communicating."

I had been communicating that I didn't know how to communicate, or that I had forgotten my material, or I was paralyzed with fright -- something was wrong. But I surely was communicating! The reaction proved it.

Why communicate benefits beyond the basic requirements of the law? For many years, benefits increased faster than wages. Now, according to the United States Chamber of Commerce, benefits cost in the region of 40% of payroll, including pay for time not worked, and Social Security. If that 40% were capital goods, you wouldn't have any trouble getting the ear of the financial vice president, or the CEO. How can you get a return on this investment? There truly is only one way. The only way to get a return on that investment is through an effective communications program. CEOs, according to a recent survey conducted by the American Society for Personnel Administration and TPF&C, rate communications second in the list of corporate needs. With a whole battery of concerns for CEOs, I thought this was very encouraging. Employee communications came right after productivity. Now, whether you are an actuary or a consultant, it really does not matter. You should have a ready ear from the CEO when it comes to communications.

I would like to stress one communication medium in particular that has been overlooked, and that is the supervisor. Surveys show that employees often rely on supervisors for information. So, may I suggest that if today we were going to communicate a change in benefits, an acquisition, a merger or cutback in

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benefits, we should talk to our supervisors and bring them into the process of communicating. Employees will ask, "What do you think about it?" -- Well, if Supervisor Fred doesn't understand it, the normal human reaction is to be negative. Who needs that?

If you have a hundred employees, communication is quite different in terms of what approach you use, as opposed to having 50,000 employees. Changes in programs, special situations, mergers, the employer's financial position (Are they on the edge of Chapter 11?) -- all these things and more have to be considered in any strategy to be followed so as to get a return on the investment in employee benefits.

ERISA says you have to explain benefits programs in a manner "calculated to be understood by the average plan participant," but the law does not say anything at all about marketing benefits. Many employers are still calling employee benefits "fringe benefits," and if anybody out there has a benefit booklet that says, "Here is our fringe benefits program," it sends that message to employees. If you think 35% to 40% of payroll is a fringe expenditure, then call it fringe. But, certainly, that is not going to help your image as an employer, or as a consulting actuary or as a communications consultant.

According to a survey of 1,385 members by the International Association of Business Communicators, employee benefits topped the list in issues covered by communications.

There is something that, I think, is very useful. It's an Employee Benefit Communications audit. Is there a written philosophy about communicating benefits? I dare say, 9 out of 10 companies do not have that. What have you got in the present benefits program? Dental Care, Vision Care, Thrift Savings Plan, Major Medical -- you can go down a whole list of plans. Find out what you are doing and what you are not doing. This is very useful. Are your materials up to date? The Department of Labor is coming down hard, and increasingly so, on employers who misinform employees through poor communications.

Do you know what needs to be done? Who performs communications? The company, insurance organizations, communications consultants, or a combination of them?

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Is there a planned program or no program at all? Is there a budget? Finally, who has the responsibility for all of this?

I have found in some seminars I have conducted that employers often don't know the answers to several of these questions. A lot of corporations delegate the communications responsibility to someone way down the line in the firm. That not only is not fair, it's dumb.

Here is a case of poor communication:

When Century Manufacturing Company established a profit sharing plan in 1965, employees were advised that approximately 50% of (that) pre-tax profits would be contributed to the plan up to a maximum of 15% of participants' pay. Employees were not told, however, that bonuses amounting to about 33% of net income would be paid to two officers before profit sharing and taxes were paid. The bonuses reduced the profit sharing plan contributions from 50% down to about 33% of net profits, and a class action suit was filed after the employees became aware of this in 1980. A U.S. Court of Appeals upheld a District Court ruling to award the employees more than \$9 million in compensatory damages, and \$500,000 in attorneys' fees and punitive damages. This is a matter of public record. There are many similar cases.

In closing, I would like to mention retiree health care. Court cases are cropping up again and again and the awards are almost universally going in favor of the employees. In a recent case, *UAW v. Cadillac Malleable Iron Company*, a verbal statement which was confusing to employees is now hitting the company. It was talking about pensions and welfare benefits, but it did not separate the two adequately, so that the employees got the drift of the speech to mean that, yes, there will be a pension for you after you retire and there will also be welfare benefits. That was not what the company meant, but now it appears to be stuck with it.

MR. TANNENBAUM: As background information, Mr. Kleber and I used to work together in the New York City area. As an actuary, I used to write reports and I would give him a copy and say, "Do you understand this? Would the client understand it? How do we improve it? How could it be misconstrued?"

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Maybe some actuarial firms could use a benefits audit or a communications audit to find out if we are like shoemakers who do not have any shoes for their children. Do we have good programs? I am sure that in Chuck's firm they have a wonderful program. I am also sure that it's totally communicated. Another company that has extensive programs is Foodmaker, Inc. Foodmaker is a former subsidiary of Ralston Purina.

Our second speaker is Judy Baum, Director of Personnel for Foodmaker. She previously held this position when Foodmaker was part of Ralston Purina. Foodmaker owns the Jack-in-the-Box Restaurants. There are approximately 22,000 employees in several states in the Sunbelt region. You can imagine that in a Jack-in-the-Box Restaurant type of environment, communications must be at the employee's level. You cannot direct communications to the CEO. You must talk to the employees. You must make sure they understand. When you spend substantial sums of money on a program, this is not a fringe benefit. But if your plan is not appreciated, you're wasting your money. You may actually be harming the corporation because the employees say, "My friends have something better." They probably don't, except that somebody told them they do and they believe it.

Judy Baum of Foodmaker will discuss "The Whole of Employee Benefit Communication."

MS. JUDY BAUM: I have been with Jack-in-the-Box Foodmaker for seventeen years. I know their employee group very well; it's their story that I tell best, so I am not going to speak personally for myself but will talk about Jack-in-the-Box and how we have evolved into our communications programs.

I was not selected because I am a benefits expert, either. I am not. I am still learning, as we all do, throughout all our careers, but I am here because I have spent over ten years communicating with employees. To give you an example, one of the hardest things I ever had to do last year was to write a memo. For twenty years, Foodmaker gave away turkeys at Christmas time. Well, guess what? Last year they decided not to give away turkeys. It was the hardest thing I have ever written.

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Such a stupid topic! How do you say in a nice way -- "No turkeys!?" I put a lot of time and effort into that memo; it had so much heart in it that, when the employees finally read it, they did not dare to complain. So we pulled it off pretty well. As you see, I am a turkey expert in communications.

I am going to share our benefits picture with you, and the communication methods that we use. If there is only one thing I can instill in you today, it is a lesson I have learned: "Keep it simple." Know your audience, but always keep it simple.

For the next few minutes, I am going to tell you a little bit more about Foodmaker and who we are. I'll share with you what our benefit package is, so that you have an idea of the scope of our benefits; how we have communicated them in the past, and how we would like to communicate them in the future; what our goals will be; some of the problems we have had in the past and how we intend to address them in the future; what's new in communications and benefits, and what's old. It does not matter whether it's new or old. The question is: "What works?" I'll be sharing with you some of the things that work best for our corporation.

I would like to take a minute to share with you a very new area in benefits -- the Corporate Wellness Program that we have here at our office in San Diego. I think this is one of the best in town and I would like to brag about it. It's a good example of a universal benefit, how it's communicated, and what the results are.

Who are we? As you found out in the introduction, we are Jack-in-the-Box Restaurants. There are probably a lot of you who have never heard of Jack-in-the-Box Restaurants before; it's O.K. if you want to compare us to McDonald's, because we are right up there with them. Wendy's, Burger King, Carroll's, Taco Bell -- those are the companies we consider our competitors, but our menu, in my opinion, is much better.

We have 22,000 employees across the country. Only about 3,500 of those are administrative employees and the bulk of our benefits are designed for them. It takes quite a while for the hourly, minimum-wage worker in a restaurant to

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qualify for benefits; nevertheless, we still have to educate them as to what will be available to them when they do qualify.

Most of our restaurants are still company-owned and the rest of them are franchised.

We used to be a subsidiary of Ralston Purina. It's an excellent company. In October, 1985, a leveraged buyout went through. Since then, we have spun off all our benefits from the Ralston system to our own. That was a massive project. Foodmaker does not have the expertise in benefits that Ralston had. We did it with the staff we had and with the consultants that Ralston used. Our goal was to transition all of the benefits packages within a few weeks, so the employees had no idea that there was even any change. We did not want to cause panic. We did not want them to think that something had suddenly been taken away. We made the transition without receiving any complaints. It was very smooth, so we feel good about it.

Yet, we have a challenge ahead of us now. Ralston Purina is an older organization and has basically some long-term employees. The Jack-in-the-Box employees' average age is 27.5, which is a very young group. We are going to spend six months surveying all our benefits, to come up with a strategic plan. We have a 3-year target date for implementation of whatever we feel we might need to roll into our benefit system.

Our Corporate Management uses benefits as a return on investment in its people. Unfortunately, our Field Management views communications as a pain. They don't like to let employees from the restaurants come to our meetings. They don't like to allow time for them to read anything. It's a real challenge in our kind of industry.

We are located all over the country. The demographics of our group shows quite a variety. For example, we have to be very careful when we talk about "dependents" under our plan, because there are some cultures that believe a dependent is whoever lives in your household. People will send in medical bills for their grandmother because she happens to live with them. Therefore, our

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communications have to be very plain. They explain and list who dependents are -- i.e., child, husband, etc.

We also have a variety of reading abilities, and we have to be very careful that our communications are at the level of our audience. We have language barriers as well. We have people from all over the world who seem to like the fast food business because it offers a good career and pays pretty well. We also have to be careful of the sophistication level in understanding of benefits. For example, in a 401(k) plan or a Savings and Investment plan of some sort, don't ever call it "Salary Reduction." They would panic over that.

All of these factors create a challenge for Foodmaker over the next three years. Our benefit program is: Health, Life, Long-term Disability, Company Travel, Personal Accident, a Savings and Investment Plan [the 401(k)], Pension, Tuition Reimbursement and Corporate Wellness.

We were talking at lunch today of another benefit. The highest perceived and cheapest benefit you can give is time off. At the corporate office in the summertime we offer "summer hours," whereby we extend our worktime Monday through Thursday 1/2 hour, and let everybody out at 1:00 p.m. on Friday. This is typical here in San Diego and it's an excellent benefit.

How do we communicate benefits? What we probably use most effectively in our organization is video. Our group is very young and they have grown up with video. That is how they learn. They don't learn real well by reading. Video is their thing. So, we have a video studio right on our premises where we can do some of our own filming. Once we have developed a video, there are some rules we have to follow: Simplicity, entertainment (including music if we can find appropriate music) and never ever any longer than 15 minutes.

A very important step is sometimes left out by organizations: Don't forget to train the person who will be conducting the meeting where the video is being shown. The benefits people and the consultants develop this wonderful video. It's understandable by the employees but there is no one there at the presentation trained to answer or address questions. There can be a danger and a liability in having someone there who does not answer the questions properly.

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Therefore, we do a lot of "train the trainer" for the people who will actually be conducting the meetings where we use the videos. We never assume that the trainers understand the benefits. You have to assume they don't understand anything and things have to be explained to them.

A secondary choice is the obvious medium of print. We use a lot of booklets. We use a lot of brochures. Unfortunately, we have to use them most often because they are cheaper than video, they don't require a meeting format and they can be mailed out. There are a lot of advantages, but the disadvantage is that people just don't read them very well.

Summary Annual Reports (SAR) don't count very high on my list, but we have to do them. People don't understand them. They are difficult to read. In fact, one company placed the following message right in the middle of their SAR, and I quote: "Bring this booklet to the Personnel Department and receive a cash bonus."

They sent out thousands of them. Not a single person brought one back to Personnel.

We offer a toll-free 800 number to our Benefits Department, so any employee from the company can call and have his questions answered.

Over the next six months we are embarking on a fresh new study and the result will be a major communications campaign. A large part of the success of our new benefits program will depend on whether we communicated it right. We use consultants heavily. I happen to believe in them. They are dear to my heart. But we won't get anything back in return if our communications are not done properly. Therefore, we need our strategies outlined, our communications planned, a calendar of events and action steps. The whole thing must be developed. We want our program to educate, inform, but most of all, personally involve the employees. Any way we can think of to make that communication personal so that they can tie themselves to it becomes one of our goals.

We'll be measuring our success based on whether the program did build credibility for the benefits. Did it build awareness, understanding and appreciation?

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On the credibility side, if employees do not feel secure about what you are telling them, you are not getting your money's worth out of your benefits.

We have had some problems with communications in the past. Simplicity has been an issue. We need to make communication pieces easier to understand. One technique that I learned in one of Chuck's classes is called "the fog index." Basically it's this: if you count the words in a sentence, the syllables in a word and the letters in a word, there is a mathematical formula that will tell you what educational level the benefit material is appropriate for. We are going to do that for all our new communications. We'll have an opportunity to have better communications for the administrative group, but simpler ones for the hourly group.

Another problem is the expensive administrative burden that occurs if the employees do not understand their benefits. They fill out the forms wrong. They wait too long to file something. It's just continually catch-up work for us when employees don't know how to use their benefits appropriately.

Another problem we have is what I call "orientation overload." Do you remember your first day at your current corporation? When they introduced you to your benefits package, you were probably thinking about a lot of other things that day. Among these were, how you are going to get along with your new boss and what your new office will look like. You were also thinking about what it was going to be like to work there, how the people were going to be and were you going to be a success. Benefits are some of the last things employees think about on that first day. Unfortunately, we bombard our new employees with benefits information. So, we'll probably change that. We'll develop a video for orientation day, give them brochures to take home and get them to fill out the basic cards (since there are some plans you need a signature for, or the employee won't be covered). Get their signatures that first day and educate them later. Hopefully, 30 days later on a one-to-one basis they will meet with someone from Personnel or Benefits. We'll also run some orientation programs when they become eligible. For example, the Savings and Investment Plan has a one-year eligibility date. So we'll review this Plan at the eligibility date.

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What's new, what's old? Better yet, what works? We have looked at some new things but decided not to use them because of who we are. We have looked at interactive computers. With 800 different locations across the country, only a few employees at each location are Management. An interactive computer was not ideal for our company. Electronic newsletters, again, because of our geographic locations, would not work well. For us, in the limited space that we have in restaurants, the cost of the equipment, etc. is not cost efficient.

What's old? Annual employee benefits statements are one of the best things we have because they are the only thing that personalizes benefits. It places benefits into a dollar perspective employees can appreciate.

Newsletters are always effective. Newsletters should be professional. They should be designed for managers. They should tell what's going on in the company and what's new in benefits. Employees want to know about career planning, potential in the organization, and other information.

Newsletters are a very effective way to communicate benefits as well. Case studies are excellent. Testimonials from real people are great; real stories about those who have had problems and how a benefit pulled them out of a jam or helped them in some way reinforce your program.

Cartoons are always effective -- pictures are worth a thousand words. I had one consultant tell me that a president of a major corporation was very upset because his employees did not understand R.O.I. One of their benefit plans had R.O.I. tied into it and they had a lot of complaints from the employees. People tend to put down what they don't understand, so the employees were putting down their benefits program because they did not understand R.O.I. The consultants developed a comic book with a story which told with humor what R.O.I. was. Apparently, it worked very well. They had no more complaints and everybody loved to be in the program.

Bulletin boards are classic. Why are they effective? It's the only thing you can waste time on and not get into trouble for. You can stand and read a bulletin board and nobody cares. It's O.K. to stand there for five minutes.

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So, put something up there that's worth while for them to read. We always have something about benefits on our bulletin board.

The grapevine is probably one of the best ways to get information out. It could also be one of the worst ways to get information out. The challenge is to either feed the grapevine or to pre-seed it, because it always attracts employees' attention.

Encourage people to tell about benefits in your recruitment advertising. It really strengthens the perspective of new employees about their benefits. A lot of things are coming out these days. Applicants are asking questions about whether you will accept rollover of 401(k) money. They must know and appreciate your benefits package before they are hired.

My favorite benefit that we have here in San Diego at Foodmaker is our Corporate Wellness Program. It's a Fitness Center that we have on site here. It's 3,500 square feet, has locker rooms, showers, and everything you'd expect from a Family Fitness Center. We have aerobics classes. We are open five days a week. We have a full time professional staff. It has been an excellent addition to our Benefits Program.

We marketed the Fitness Center before it was even open. We had newsletters, parties, cake cutting, and a ribbon cutting. We have a lot of team support -- runners, baseball teams, volleyball teams, walkathons. We sponsor them all, give them T-shirts, whatever we can do to promote ourselves in the community as well as promoting the Fitness Center.

We run a lunchtime lecture series. Every month we have a different topic in terms of nutrition and weight control. We have obesity clinics, posture analysis, and back control. We are trying to keep up with the times. (We have also added an Employee Assistance Program, a referral program for drug and alcohol abuse counseling, financial and legal counseling.) Our usage of the Fitness Center is a record breaker in the industry. For the Corporate Wellness Program we have a 45% weekly average usage by our employee group. We have heard of no other corporation with higher usage.

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So we feel we are really getting a return on our investment; our health care costs are substantially going down for that group, we have improved morale, and we have a healthier workforce.

In summary, my message to you is to: Know your company well, know its employees well, understand the demographics and geographics of the workforce, and remember that there are different sophistication levels within an organization.