



RETIRING TIMES

Trends in Pensions, 401(k) Plans

By Symone C. Skrzycki

Retirees are never far from management's mind at Roche Diagnostics in Indianapolis.

And often, they're back on its sprawling 159-acre northeast side campus, which houses 29 buildings.

Retirees receive flu shots at the on-site wellness center. They dine at the cafeteria. And some fish at the employee park.

"It's that overall experience we try to create for our employees," reveals head of total rewards Judy Embry. "It's the whole continuum, right? From when they walk in the door and even after they leave, because they are our ambassadors of Roche. We value them."

A large portion of Roche's retirement program centers around options. As more and more companies cut back on various retirement benefits, Roche has been one of the exceptions.

"We still offer a variety of plan options, of which we have a pension, 401(k), retiree medical, long-term care," shares vice president and site head HR Bridget Boyle. "Many companies, what we see, is that they're starting to cut retiree medical. They're starting to cut pensions and that's something we absolutely haven't done. In fact, not only have we continued to offer those benefits, but we continue to offer them at an above-market level, so we're very proud of that."

The Roche Group, headquartered in Switzerland, is active in over 100 countries. Roche Diagnostics employs nearly 3,500 Hoosiers and more than 4,600 associates nationwide.

Weddle Bros. Construction, founded in 1946, also provides generous retirement

benefits (to non-collective bargaining employees). Lee Carmichael, president and CEO, asserts they absolutely play a role in attracting and retaining talent.

"You have to take it with your total benefit program, but it really makes an impact. As we recruit candidates, they're looking not just at salary ranges anymore. They're looking at the benefit packages, the cost of those benefit packages to them and how they're going to be able to retire to fit their lifestyle. It's been key as we've gone out and recruited."

Based in Bloomington, Weddle employs approximately 330 people. It also has offices in Indianapolis and Evansville.

Painting a picture

ProCourse Fiduciary Advisors is a retirement plan advisory firm headquartered in Carmel.

A common challenge employers face, remarks chief executive officer Doug Prince,

is identifying exactly what they want their retirement plan to accomplish.

“The biggest question is, ‘Why do we have this retirement plan? What do we want to use the retirement plan to help us achieve as an organization and how can the plan do that?’” he observes. “That’s an interesting question and that’s one that we enjoy helping companies come to a conclusion (about). A lot of employers look at the retirement plan as, ‘We have to have it to attract and retain employees,’ but there’s more to it that the employer can use to help them accomplish business objectives.

“A couple of other trends we’ve seen is that employers are starting to think about their retirement plan as a tool to help them in business. For example, I think a lot of the tech companies out on the West Coast have what are called boomerang employees. They work there, they leave, they go somewhere (else) and because of the fight for tech talent, (the employers are) using their retirement plan to maybe try to keep them in the plan so they know where to get ahold of them. And using the plan as a method to help with recruitment down the road with some of their former employees.”

Over the past 10 to 15 years, many businesses have begun to phase out or eliminate defined benefit pension plans.

“They’re very expensive for employers and it’s a two-way street,” comments Pat Foley, president of individual insurance and retirement services at OneAmerica Financial Partners.

“They’re great for the employees if you work at a company for many, many years. But they’re expensive and in today’s workforce, people are so mobile, they don’t seem to stay with a company very long. Thus, they don’t always see the benefits of them.”

Sometimes an organization will freeze pensions.

“And if the employee is vested – meaning that they’ve earned the full benefit – they just freeze it and keep that in place,” Foley details. “That’s actually a real growth business for us as well and it’s called pension risk transfer in the sense that companies say, ‘OK, I’ve got this liability to these employees, but I’d like somebody else to administer it’ – and that’s what we do as well as accept the liability there and they pay us to do that.”

A place for pensions and 401(k)s

Despite waning popularity, pensions remain an effective tool at some businesses. Sometimes, they’re combined with 401(k) offerings. Take Weddle, for instance.

“We have a two-prong retirement benefit for our employees,” Carmichael outlines. “The first is we are employee



Roche treated retirees to a tour of its updated Indianapolis campus’ new buildings and sought input during a Q&A session.



Weddle Bros. Construction is a three-time honoree on the Best Places to Work in Indiana list.

owned. We’ve been ESOP (Employee Stock Ownership Plan) since 2013 and it’s been a great program.

“The other thing we do is we have and have had for a long time a 401(k). We do a pretty good match to that and that’s been very successful for folks as well. Dollar for dollar for the first \$1,000 that our employee puts in – we’ll match 100%. After that first \$1,000 (up to the IRS maximum), we’ll match 10% of anything above that.

“The ESOP and the 401(k) are our pension program. We thought when we went with the ESOP that we’d probably

discontinue any other pension offerings, but with the market for talent (it’s an attractive benefit). And the nice thing about a 401(k) is that it allows people to invest in their own future (as far as) what they can do at this point in time. That has remained a very popular benefit to have so we’ve continued that as well.”

Embry explains Roche’s three offerings for employees: 401(k), retiree medical and long-term care.

“They range anywhere from the very traditional plan that you would call a defined benefit all the way to a defined contribution

plan, where an extra percentage of your pay is deposited into (your) 401(k) account. It does offer a breadth of flexibility of different benefits that can appeal to any sort of generation here.”

Roche has over 95% participation in its 401(k) plan.

Planning ahead

Medical is a key piece of Roche’s retirement offerings.

“Once you reach, say age 65, and you’re on Medicare, we have two different kinds of accounts,” Embry comments. “One that can either pay a portion of your Medicare supplement or another one that’s more cash based.

Depending on how many years you’ve been here, you’ll earn money into that account and you can use that in any way (you desire). But the fact that we still provide that – that’s not really the trend today. More companies are really cutting back on that. But we feel it’s a valuable benefit to offer to our employees.”

Foley points to the long-term care area as one of OneAmerica’s fastest-growing segments.



“The biggest question is, ‘Why do we have this retirement plan? What do we want to use the retirement plan to help us achieve as an organization and how can the plan do that?’ ”

*Doug Prince, chief executive officer
ProCourse Fiduciary Advisors*

“We’re fortunate in that we have a very unique product line and one that allows people to cover potential needs in the long-term care area on an unlimited basis with a guaranteed cost structure or a guaranteed premium,” he notes.

Boyle sheds light on how Roche is able to continue providing competitive retirement benefits.

“We just make it a priority,” she emphasizes. “We definitely have to make tough decisions around our health plans in general for our active employees and our retirees. And we re-evaluate that every year to say, ‘What are the costs of health care and how are we managing the costs while still being highly competitive?’ We’ve made a commitment that we want to take care of our employees and we want to have high engagement ...”

Carmichael’s voice is heavy with pride as he describes Weddle’s success as an ESOP, which he terms “a game changer.”

“Since the inception of the ESOP, our shares have increased, on average, over 100% each year. That trend can’t continue forever, but it’s been a great trend.”

RESOURCES: Bridget Boyle and Judy Embry, Roche Diagnostics, at www.roche.com | Lee Carmichael, Weddle Bros. Construction, at www.weddlebro.com | Doug Prince, ProCourse Fiduciary Advisors, at www.procourseadv.com | Pat Foley, OneAmerica Financial Partners, at www.oneamerica.com

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