



Cliff McCurry

Kent Callahan

# A COMMITTED

CONSISTENT  
COMMITMENT  
TO BENEFITS  
PAYS OFF

**Brasseler USA is a privately held manufacturer of dental and medical instruments based in Savannah, Georgia. It is also an example of how a mid-size company can deliver extraordinarily competitive benefits in a cost-effective way. *PLANSPONSOR* talked to Paul McMillan, director of human resources at Brasseler; Cliff McCurry, chairman of HRH of Savannah, the Savannah-based advisor for the Brasseler plan; and two Transamerica Retirement Services executives—Kent Callahan, president and CEO, and Stig Nybo, senior vice president and national sales director.**

**PS:** Brasseler has about 500 employees, which in terms of scale makes you a typical mid-size company. Yet, your benefits structure—and your 401(k) plan in particular—is anything but typical.

**McMillan:** It's self-evident to us that our success at Brasseler is tied not only to the skill sets of our employees, but also to their welfare. We are a very hands-on company when it comes to developing compensation and benefit packages that work both for the company and for our employees and, to us, that means being innovative and working with top-notch partners like HRH and Transamerica. We have about 225 employees here in Savannah, about 125 employees in Ventura, California, and the rest are sales reps scattered through all 50 states. Our goal is to tear down geographic and other boundaries between our employees so that we're all pursuing a single goal, and to make sure that we're meeting the individual needs with regard to retirement savings of all employees, regardless of whether they are highly compensated sales reps or hourly workers. That's our fiduciary responsibility, and we take it very seriously.



Paul McMillan



Stig Nybo

# RELATIONSHIP

**PS: How important is your benefits package as a tool to minimize turnover?**

**McMillan:** It's very effective in that regard. We have turnover in our sales force, of course, both by recent restructuring and simply by attrition but our operational and administrative turnover is minimal, with an average tenure of 10 years plus. We are coming up on our 30th anniversary next year, and there are a large number of employees who have been with us from the beginning. They've made that commitment to us because we have made it to them, and we do that by working with our partners to provide benefits packages that truly are beneficial to them and their families.

**PS: Really well-run 401(k) plans don't get there overnight. What have you done to the plan in the last five years to make it the benefit it now is?**

**McMillan:** We regard the 401(k) as one of the most important benefits we can offer our employees, and we're always working with our partners to improve it. I came to Braseler in 2001; we already had relationships with HRH and Transamerica in place. I quickly came to understand the true value of both these relationships, and felt that working

together we could continue to enhance the plan. One of the first things we tackled was eligibility: In 2001, you couldn't enter the plan until you had worked for the company for a year, and we reduced that immediately to 90 days and now are considering immediate eligibility. Interestingly, immediate eligibility was one of the suggestions that came up when we surveyed our participants. Likewise, in the past, we had funded the match on an annual basis, but our participants told us they preferred us to fund the match along with the deferrals every pay period. So, we went ahead and did that, too. We're now looking at automatic enrollment in the plan, and analyzing the benefits that brings for employees vis-à-vis the cost to the company. That's an ongoing part of what we do; have the best plan for employees and with the most efficient cost structure. HRH and Transamerica have been instrumental in achieving that.

**PS: Why do you feel it is so important to have a top-flight 401(k) plan?**

**McMillan:** We view it as a vital part of our total compensation structure. Every year in March, for each and every employee, we generate an eight-page booklet that we call our total compensation report. We devote a whole page in

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*—McCurry*



that to retirement, precisely because we believe retirement planning is such an important part of the mix. To us, it’s a very clear virtuous circle—if you recognize employee needs and you reward performance through a number of clearly communicated programs, then you improve the business and get optimal returns from any investment you are making in the overall compensation platform.

**PS: A question for Cliff and Kent: Do you find this level of result and commitment to a retirement plan at many mid-size companies?**

**McCurry:** I think what makes the Brasseler case so different is the level of involvement that characterizes every strategy that we seek to execute—you really need a level of involvement on the employer’s part. From the very beginning, the CEO was involved in the plan, and in looking at innovative ways to compensate employees. There is a general expectation here from a management standpoint that these benefits need to be first-rate and they need to be communicated exceptionally well.

**Callahan:** We believe that, with the right plan design, coupled with unique and effective enrollment support and an enabling technology to bring everything together, we are going to produce optimal results for our clients. But, all that said, you also need initiative and willingness on behalf of the plan sponsor, which you are hearing loud and clear here. The willingness to embrace all these approaches is, unfortunately, not as common as it should be. In that regard, Brasseler is the exception—they have done just about everything right. You’ve seen a persistent growth in participation and in the annual deferral percentage and, when issues arise, they are dealt with. Five years ago too many assets were in the stable value fund—at one point, about 50% of assets—and we’ve managed through education to shift those assets, and now we’re looking at 8% to 9% in stable value. That’s an educational success story!

**PS: Are these the kinds of results to which any plan sponsor can aspire?**

**Nybo:** We have about 14,000 plans in the US, so we see results and commitment that vary dramatically by company. It’s great to see an organization as committed to its 401(k) plan as Brasseler; they’ve put a lot of horsepower behind it. Brasseler’s emphasis on communication, coupled with Transamerica’s commitment to

## A CEO's Perspective

Don Waters is president and CEO of **Brasseler USA**. He is a lawyer by training, and a former tax partner at PricewaterhouseCoopers. He talked to *PLANSPONSOR* about his ideas for motivating employees.

**PS:** Not a lot of CEOs spend time on their company's 401(k) plan—you obviously do. Why?

**Waters:** Key to our success is employee acquisition and retention, and our benefit structure is vital to that. We happen to be based in a small town like Savannah, but the talent we want is all over the country, and our benefits need to be competitive enough to attract that talent. A very competitive 401(k) plan is, in my view, a given, and that's just the start. At the same time, we adopted a cash bonus program for all employees as a supplemental driver of the behaviors we were trying to encourage. These programs are driven by quarterly reviews of performance, driven by metrics that everyone can understand. The aim is to build real strength in this organization from top to bottom, and to break down barriers that impede our performance. We have manufacturing, packaging, distribution, sales, marketing, finance, and HR, and our performance metrics and compensation and benefits structure need to—in fact, have to—get all these disparate groups working toward common and clearly defined goals and objectives. Now, an accountant might tell us all this is expensive, but we believe it drives and sustains the growth of our company, which saw a 27% sales increase last year.

There is another aspect to the 401(k) plan that fits into our view of how best to run a company. The ethic that we are trying to promote is one that every employee can understand: If you work hard to grow this business, then we are going to share the success with you. I actually helped write Brasseler's first 401(k) more than a decade ago, as an advisor to the family that started the firm. We started with no assets and now, thanks to the help of Cliff and Transamerica, we have \$20 million, and I love the fact that we have done that. This is a very real achievement that promotes exactly the type of employee behavior we're trying to encourage. We never intend to make a promise to a single employee that we can't keep.

**PS:** The type of performance metric and benefit structure you have created seems much more typical of a very large company rather than a mid-size one.

**Waters:** Some ideas, no question about it, have been borrowed from companies like GE, but the principles are the same. Big or small, it is about a 'people first' environment, and it is about convincing your people that what they do really matters and, if they do it well, they will be rewarded. It took us a while to get this on track, and there is still work to do, but it's clear to me that I can think whatever I like but, if the 58 managers and the 477 employees aren't really believers, then it's not going to happen. That's why we communicate the way we do, and reward the way we do.



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## The Transamerica<sup>1</sup> Plus 15<sup>SM</sup> Participation Guarantee

Transamerica Retirement Services promises to increase plan participation by 15%<sup>2</sup> or they'll waive first-quarter plan administrative fees. This unique guarantee gives clients:

- Pinpoint focus on key participation drivers
- Plan design and ERISA expertise provided by Transamerica or a local TPA
- Award-winning communication and educational tools<sup>3</sup>
- Comprehensive plan analysis
- Customized report with key participation driver recommendations

### Qualifications for the Plus 15 Participation Guarantee

- Current plan participation less than 75%
- 100% of eligible nonparticipating employees must attend an Enrollment Workshop
- No material decrease in plan benefits
- Verification of current participation data
- Must select a minimum of four Transamerica-recommended participation drivers

<sup>1</sup> Transamerica or Transamerica Retirement Services refers to Transamerica Financial Life Insurance Company (TFLIC). TRS markets the products and services of TFLIC and its affiliates. Transamerica and its representatives do not give ERISA, tax, or legal advice. This document is provided for informational purposes only and should not be construed as ERISA, tax, or legal advice.

<sup>2</sup> Plan participation is defined as the number of employees actively contributing and/or receiving employer Safe Harbor contributions under Internal Revenue Code Section 401(k)(12). Plus 15 participation will be assessed in comparison to the status of the plan participation data of the current plan immediately prior to transitioning to Transamerica.

<sup>3</sup> Transamerica Retirement Services' communication materials have received awards from various organizations, including the Profit Sharing/401(k) Council of America (PSCA) in 2004, the Insurance and Financial Communicators Association in 2005, DALBAR, Inc. in 2005, and Dalton Pen Communications in 2005. For more information, please refer to the Web site [www.TA-Retirement.com](http://www.TA-Retirement.com).

education, has served them extremely well. This is an excellent example of client, broker, and provider working together to produce results.

**Callahan:** I'd like to think that we were hired by Brasseler not because of any particular product we were selling but because of what we were able to demonstrate both to the firm and to HRH: how much you could achieve with innovative and cost-effective plan design and employee education. In that sense, we were selling solutions to a number of challenges that Brasseler was facing then, solutions backed up by powerful and advanced product and technology. We know how to shift the needle on participation—we know how to prompt better asset allocation.

**McCurry:** We think the Transamerica approach really produces for our clients and, in fact, we have brought in Transamerica to many of our local clients. At Brasseler, we were able to move quickly from an unsatisfactory participation rate to 94% participation and, in a relatively short period of time, we have seen assets grow from \$10 million to \$22 million. Obviously, as I said before, the commitment from Brasseler matters a great deal, but you need everything to be working very smoothly to get these sorts of results—it's a three-legged stool with the plan, the advisor, and the provider.

**PS: Talking about cost, I would imagine that a lot of plan sponsors will read this and, while applauding the Brasseler plan, will imagine that this level of success and commitment is simply out of the question, because it would be too expensive.**

**McMillan:** In fact, all our analysis shows us that it has been relatively inexpensive to provide this type of retirement benefit—moreover, we believe it pays for itself many times over. It does help that most of our employees are in only two locations, so the face-to-face meetings are not overly expensive. While the communications might look tailored and customized—which they are—the fact of the matter is that, if you're going to spend the money to deliver good benefits, then you ought to spend a portion of that money in communicating what the benefits are. We think it is important that each and every employee gets a graphic picture of his savings and investment allocations, and then understands what that actually means to him when he retires. It is all part of a general tie-in we're trying to create between the overall success of the company and the personal financial success of each employee.

**PS: You mentioned that you survey your participants. Do you do that regularly?**

**McMillan:** We think it's a really important thing to do. In fact, with Transamerica's help, we've just finished a survey. I guess the common wisdom is that a response rate of 5% to 10% is pretty good but that didn't satisfy us and, by various inducements—a cash reward for every 20th respondent, for instance—we were able to get about a 33% response rate. It gives us confidence that the themes that come up in these surveys really are representative of our workforce, and when we sit down with Cliff and Transamerica to make changes, they will be widely valued.

**PS: What else comes out of this latest survey?**

**McMillan:** There is the age-old issue of employees looking for help—specifically, they want to know where to invest their money and, of course, we can't tell them that. The surveys also told us that participants wanted investment advice. So,

we're working with Cliff and Transamerica to map out the best solution. Like every plan, we are looking to do something about participant inertia; we've rolled out lifestyle funds, and they were well received, but there hasn't been a rush of funds into them. We are at the early stages of talking about defaulting participants into these funds, particularly if we go down the automatic enrollment route, but we don't intend to make a hasty decision in that regard.

**Callahan:** Brasseler's approach to surveying its participants was in line with their whole approach to participant education—a belief in making it easy for employees. The survey was an electronic one, and very easy to access and answer—likewise, they make it very easy for employees to get to enrollment and education meetings. There is never a feeling that time spent on the 401(k) plan is somehow distracting employees from their work.

**McMillan:** In fact, many of the tools that we use to communicate with our employees to complement the face-to-face meetings are part of processes that Transamerica has shown us. The survey was one, and the 30-second video spots we created for our employees in Transamerica's Los Angeles facilities are another. I believe in partnerships, and we can't deliver the services we do to our participants without that level of support.

**PS: Do you feel you also need to have an impact on what participants do with their defined contribution when they retire or roll it over?**

**McMillan:** We have been talking with Transamerica about developing a customized set of communications about what to do at retirement to make sure that the time and effort put into all those years of accumulation are not threatened by a decision made with a lump sum when they retire. While many of our employees are astute enough to make that decision entirely on their own, some need help and we intend to start to do something in that regard.

**PS: We hear so much about the growing cost of health care. Hasn't the increasing cost of providing health care to your employees gotten in the way of spending on the compensation platform?**

**McMillan:** Not at all. In fact, to the contrary. We are very concerned with rising health-care costs, and are exploring some consumer-driven designs that we believe will help cut costs. To offset any increases in what our employees are going to have to pay for health care, we are actually looking at making the 401(k) plan richer by increasing the company match. So, while we are trying to encourage health-care consumerism, we are looking to ensure that our employees understand that we're looking to do more for them with regard to their retirement needs.

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