

# Case Study

## Ocean Spray



Like so many employers, Ocean Spray was experiencing a dramatic increase in its pension plan expenses – discount rates were plunging, and the stock market was tumbling. As a grower-owner cooperative, Ocean Spray had a dilemma: How could it promise its grower-owners steady returns each year when its pension plan expenses for salaried employees were so unpredictable?

Ocean Spray partnered with Aon Consulting to redesign its retirement strategy. Together, Ocean Spray and Aon Consulting developed a strategy that would protect longer-service employees who were nearing retirement, while at the same time offering a competitive plan that would attract and retain top talent, and reduce the volatility of the company's Financial Accounting Standards (FAS) expense. Significant to the project's success was making sure that Ocean Spray's stakeholders were part of the entire process. Employees needed to understand that the change was not a cost-savings initiative but a fundamental, strategic shift in the retirement program.

Ocean Spray and Aon Consulting began by examining demographic information on salaried employees, looking at a number of factors including years of service, age, and salary history. Aon Consulting next developed the anticipated retirement replacement ratio under the current plan for all salaried employees. The team reviewed the employees' anticipated retirement replacement ratio and determined that the current plan was quite generous in that an average replacement ratio in excess of 90% was being provided.

As a result of the analysis, Ocean Spray and Aon Consulting created a twofold solution: 1) "grandfather" longer-term/older employees into their current plan to protect their future, and 2) freeze the pension plan for "non-grandfathered" employees and new hires and develop a more competitive 401(k) plan for the younger, more mobile workforce. Working together, this solution allowed Ocean Spray to achieve each of its goals in its revised retirement strategy.

Communications played a key role in helping employees embrace the plan design changes. Employees needed to understand how grandfathering worked and their own status as "grandfathered" or "non-grandfathered." Transparency also was needed so that employees could clearly see how the plan redesign affect them and that while demonstrating the change was not a cost-cutting initiative.

The communications campaign began with brochures and letters from Ocean Spray's President & CEO, Randy Papadellis, being distributed to all employees, specifically designed to address either their "grandfathered" or "non-grandfathered" status. An Ocean Spray corporate benefits professional and an Aon Consulting professional teamed up to meet with employees at each location to explain the specifics of the new retirement program and answer questions. Later in the year, employees received a Total Rewards Statement showing the full value of their benefits package.

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The feedback from all stakeholders, Ocean Spray's Board of Directors, senior management and employees, was phenomenal. Each group felt that their needs were considered, valued and that their long-term assets were protected. Grandfathered employees were pleased that they would continue to benefit from the Cooperative's defined benefit pension plan. Non-grand-fathered employees embraced the enhanced 401(k) plan and were pleased to be more in control of their retirement assets.

Nongrandfathered employees received employer contributions totaling 12.48% for 2008 versus 6.83% before the change, through a combination of fixed and variable features, demonstrating that the new strategy was very successful and added stability to the FAS expense.