Ayco InnerCircle 2019 on June 18–19 featured two days of practitioners and thought leaders in the HR industry discussing the latest trends in compensation, benefits, talent and culture. Panels were carefully curated to provide attendees with real-world solutions, marrying the theoretical and the practical, with a focus on innovation.
“InnerCircle offers insightful intercompany dialogue on the latest in compensation, talent, benefits and culture, and unparalleled networking opportunities drawing on Ayco’s deep relationships in corporate America. I invite you to candidly discuss the real challenges you’re facing, because the experts, peers and industry leaders who have solutions are in this room.”

—Larry Restieri, President & CEO, Ayco and Managing Director, Goldman Sachs

Welcome to InnerCircle

Larry Restieri, President & CEO, Ayco and Managing Director, Goldman Sachs

Larry Restieri opened InnerCircle with a short update on the latest innovations at Ayco.

During the conference, Larry spoke with Employee Benefit News about some of the themes tying the panels together.

Key Takeaways:

- At the request of our corporate partners, Ayco launched a new Planning program to help emerging leaders handle increased financial complexity.
- Goldman Sachs recently acquired United Capital. Their offices around the country will help Ayco better serve corporate partners in more locations. In April, Goldman Sachs also acquired Rocaton Investment Advisors, making a comprehensive suite of services available to institutional investors.
- Ayco’s new headquarters is under construction just outside of Albany, NY. The new office will bring more Ayco associates under one roof, making it easier to work together and bring resources to bear for clients.
Keynote Address

Ajay Banga, President & CEO, Mastercard
Moderated by Shelly Stone, SVP, Family Office, Ayco

Ajay Banga was joined onstage by his Ayco advisor Shelly Stone for an intimate discussion of the Mastercard CEO’s perspectives on leadership.

Ajay’s thoughtful words set the stage for the rest of the conference, compelling attendees to be introspective about how their leadership can create the environment necessary to foster inclusion and spark innovation.

Key Takeaways:

- Ajay highlighted the attributes and practices he believes are critical to the DNA of a leader: openness, passion, candor and most importantly the ability to listen.
- A good leader empowers their colleagues to surface information without bias. This is best accomplished by building trust and providing a safe space for dialogue. A leader should listen to the logic of others, demonstrate curiosity, accept feedback and work to increase transparency in communications. Townhalls, blogs and employee “write-ins” can also help surface the type of honest feedback a leader needs to hear.
- It’s very important to be responsive to internal thoughts and concerns. Ajay noted he responds to emails from employees within 24 hours.
- A “Decency Quotient” (DQ) is vital to the success of a company and a leader. It provides the framework for acting with a genuine desire to do the right thing for employees, business partners and customers. The DQ informs a company’s purpose, passion and approach to inclusiveness, ensuring all feel respected and valued. Employees want to work at a company and for leaders who make a DQ the core of what they represent.
- Innovation is closely tied to diversity. Employees are best able to innovative when they are empowered to take control of their own destiny in a workplace free from bias—creating the confidence to take risks and push the boundaries into new frontiers. When employees are surrounded by others who look, speak and act differently than them, it breaks down blind spots and pushes teams out of their comfort zones toward innovative solutions.
- Inclusion will be a major hurdle to a “cashless” society. The costs of cash (i.e., printing, circulating, securing and tax evasion) can be mitigated by transparent digital systems that manage monetary exchanges. In order to equalize access, everyone will need a form of identity, which many in marginalized groups currently do not possess.
- Ajay closed with a few words of wisdom: engage with others from a legitimate interest in them, speak from the heart, stay grounded and confront the mistakes you make along the way. All employees should feel empowered to make a difference; leaders are responsible for encouraging that mindset and behavior.

“Innovation and diversity topics are intertwined very deeply. Real innovation comes from empowering people inside the company to feel that they are adequately in control of their destiny to be willing to take risks and to try out new things.”

—Ajay Banga, President & CEO, Mastercard
“In HR, we get to work with the business and for the business. We work very closely with IT and finance and we also are parlaying into the venture world. In order to work in the innovation space, you have to know the business unlike you’ve ever known it before.”
—Dionne Wallace Oakley, EVP, HR & Strategy, Erie Insurance

For decades, Ayco has partnered with HR executives at hundreds of companies to deliver financial wellness to their employees. Over the years, we’ve noticed a shift in the responsibilities of our counterparts in HR.

To further explore this trend, Ayco brought together CHROs from three leading companies to discuss the evolution of the position, and Human Resources departments generally, over the past decade. The panelists highlighted the increased importance of data, the business focus of HR and a new mandate as the driver of innovation.

Key Takeaways:

- CHROs are increasingly reporting directly to the CEO and joining companies’ leadership groups, providing increased potential for influence and the ability to operate seamlessly in accomplishing the organization’s goals. Alongside this change, HR is increasingly being viewed as a “business division” tasked with making the company more efficient through their HR expertise. HR is also taking on responsibility for ensuring goals are aligned across the company.

- Leaders in HR need to stress that they are not there to compete in the development of innovative advancements, but rather to work side-by-side with the business areas and employees they seek to assist. For a successful integration, HR must take the time to understand the business and communicate why a suggested change will make the company better.

- Without innovation, market penetration declines. Through its natural integration with people, processes and technology, HR can be the driver of this innovation. By bringing new people into the firm and helping guide talent advancement, HR is organically at the center of innovation. This includes championing a cultural focus on innovation. For example, HR at Clorox asks their employees to “be bolder” and think outside the box.

- Innovation stemming from HR has already impacted the companies represented on the panel. At Erie Insurance, innovation is firmly under the purview of HR to keep it in a “neutral” zone. As a result, HR at Erie has further integrated with, and deepened their understanding of, other business units to assist with their innovation initiatives.

- At DaVita, an in-house learning model in design thinking was moved under HR, where it transformed into a consultancy business unit. Referred to as “Mind Spark,” the initiative focused on building systematic processes to drive innovative thought. Innovation champions were also designated throughout the company.

- HR’s new focus on strategic innovative development requires key stakeholders throughout the business to understand that the role of HR has changed.

- HR-centric innovation initiatives should be prototyped and tested prior to their release to the broad employee population. Partnering with internal groups and an analytics team to prove out benefits can be an effective tool to promote successful companywide onboarding.

- HR departments as a whole are dealing with increased regulatory complexity in recent years.

- In a tech-heavy world, HR departments should be uniquely focused on “keeping it human.”
“There has been a lot of interest in Congress to address (employee benefits). Members of Congress still like winning elections and to do that, they need to accomplish things. The employee benefit space is certainly one area as shown by the 417-3 vote where there is bipartisanship, where there is interest, where it does affect all of their constituents. I think there is a lot to get done there and we’ll see next year where this pans out.”
—Chris Gaston, Sr. Policy Director, Davis & Harman LLP

Chris Gaston, Sr. Policy Director, Davis & Harman LLP

Every InnerCircle since the first conference in 1988 has included a policy briefing on recent legislative changes and government decisions impacting the HR industry.

This year’s briefing focused on retirement plans, diversity and inclusion.

Key Takeaways:

- A new sub-committee in the House of Representatives has been formed to focus on diversity and inclusion. The committee has been very active, bringing in leaders from different economic sectors to elaborate on corporate America’s current practices.

- A bipartisan retirement bill, called the SECURE Act, passed almost unanimously through the full House on May 24. The SECURE Act includes provisions to:
  - Encourage small businesses to offer retirement plans through the establishment of multiple employer plans and related business credits to spark their creation
  - Increase the 401(k) auto-escalation cap to 15%
  - Encourage 401(k) lifetime income products through fiduciary protections in provider selection, lifetime income disclosures in statements and enhanced portability of lifetime income features
  - Increase required minimum distributions (RMDs) to age 72
  - Allow IRA contributions past age 70½
  - Allow 401(k) withdrawals for adoption or birth of a child
  - Mandate 401(k) coverage for certain long-term, part-time employees
  - Expand use of 529 plan funds
  - Provide nondiscrimination testing relief to assist defined benefit plan participants of frozen plans, enhancing their ability to continue to accrue benefits
  - Limit “stretch” IRAs and defined contribution plans to help pay for the changes; post-death distributions will have to occur within 10 years of death, with some exceptions

- Senior members of the Senate Finance Committee have developed the Retirement Security and Savings Act with many similar provisions to the SECURE Act. Key differences between the Senate and House legislation include details regarding RMDs and provisions covering matching contributions to 401(k) plans for student loan payments.

- State-level retirement regulations have begun to roll out. Employers with employees in multiple states will need to educate their benefits team on the different plan structures. Representative Richard Neal is looking to enact a federal mandate that would homogenize state regulations on the issue and alleviate the burden on employers.
Convergence of Employee Benefits

Barbara Brickmeier, VP of Benefits, IBM
Lori Lucas, President and CEO, Employee Benefits Research Institute (EBRI)
Tanya Rizzuto, Director, Retirement, Willis Towers Watson (WTW)
Moderated by Lauren Uranker, VP, Enterprise Relationship Management, Ayco

The idea that employee benefits converge, and sometimes overlap, is often overlooked—even given the impact it can have on ROI. For this panel, we gathered three leaders with different perspectives (an HR executive, a benefits research leader and a benefits consultant) to shed some light on how employers can maximize their investment in employee benefits.

Key Takeaways:

• When employee benefits are uncoordinated, it increases inefficiencies and cost to the company.
• With certain benefits on the decline (i.e., defined benefit retirement plans and retiree medical insurance) and others on the rise (i.e., Health Savings Accounts), there has been real concern that the employer-employee relationship would weaken. In practice, it has actually not been the case. Employers have even begun to reevaluate some previous benefit decisions based on what is best for employees overall, not just what’s most cost-effective. Evidence suggests employers are still trying to consciously stay connected to the needs of their employees through the benefits they offer.
• IBM maintains a “client” focus when it comes to their employee benefits. The company created guidelines for how it provides benefits and how employees can use those benefits to positively impact themselves and their families. Dubbed the “5 Dimensions of Health,” the framework encompasses Physical, Mind, Financial, Social (balancing life and work, having healthy relationships) and Purpose (aligning values with life and work).
• In this vein, EBRI’s research indicates 1/3 of companies are interested in offering financial wellness benefits. Student loan debt assistance is the main financial benefit on the rise. Employers are seeking not only to help employees manage debt, but also to help mitigate the stress that comes along with it. IBM has been particularly interested in helping employees take control of their financial futures. Financial wellbeing has also been a very popular topic in the conversation. WTW has had with employers.
• The panel discussed connecting the dots between financial wellness solutions and a company’s bottom line. Through research, WTW had shown that the impact of financial stress is measurable. However, program success is heavily dependent on a well-developed communication campaign.
• Companies are often forced to juggle disparate employee needs when selecting benefits. It’s important for HR departments to dig into the analytics and uncover employee pain points. Panelists found success developing personas and examining their needs in comparison to existing benefit offerings. The gaps revealed can inform future benefit offerings.
• Certain benefit options may appear to only affect a subset of an employee population, but when implemented they can impact populations beyond the initial expectation (i.e., baby boomers taking advantage of student loan debt benefits). Companies should aim to provide programs that satisfy the needs of as many populations as possible, while maintaining financial viability.
• To tackle the disparate benefit needs of its employee population, IBM created an online portal with access to all available benefits options and a survey to further explore gaps in population segments where there are unique needs. When expanding options, IBM carefully crafts communications to drive action and prevent employee frustration that can result from coordinating a large number of choices and moving pieces. Companies can also consider offering wellness credits as an incentive.
• Employers are using creative solutions to meet the needs of employees, on an often tight budget. Pilot programs are an effective tool to demonstrate the results necessary to obtain budget for full implementation. Leveraging existing providers, and sometimes even non-profits, can also help keep costs down. A thorough evaluation of benefit partners should be conducted to determine how effectively they can meet employees’ needs.
• The panel stressed the need to stay ahead of the curve with regard to the current available benefit solutions, as technology and means of effective delivery evolve. Behavioral science is an emerging tool that can help maximize return from benefit offerings.
• Moving forward, gender identity is an area of concentration that requires considerable thought in the benefit space.
• With the decline of standard defined benefit pensions and retiree medical programs, employers need to place an emphasis on how to help employees smoothly transition to the next phase of life.

“I think everybody realizes that corporations are now, in many cases, the moral compass that a lot of people look to. That is just a crazy thing to me! But that’s what’s been happening over the last couple of years.”

—Barbara Brickmeier, VP of Benefits, IBM
“Many of you have heard the rumblings about what happened during the 2018 tax season. You’ve probably heard ‘listen, my refund was way down, I owed a lot more than I thought I would.’ When they pushed through tax reform, they weren’t ready to update the W-4. They put out a W-4 that didn’t necessarily take in consideration all the tax law changes and that is why we saw the discrepancies.”

—Jonathan Barber, VP, Tax Policy & Research, Ayco

Tax Reform’s Hidden Impact on Total Rewards

Jonathan Barber, VP, Tax Policy & Research, Ayco

Corporate America is still navigating the impact of the 2017 Tax Cuts and Jobs Act (TCJA). While several reforms resulted in significant confusion and misinterpretations, there are also new planning opportunities to consider.

Ayco’s Jon Barber helps the benefits teams at our client companies interpret new legislation and regulations. He offered his experienced perspective on how employers can help employees navigate the recent changes.

Key Takeaways:

- Legislative changes affecting taxpayers require support and education by employers to avoid residual financial consequences. Misunderstandings that negatively impact finances often result in leakage from qualified plans (via 401(k) loans and hardship withdrawals) financial stress, increased absenteeism and other unfortunate consequences. Financial wellness initiatives are often impacted directly or indirectly.
- For example, the TCJA’s impact on the IRS W-4 withholding form lowered withholding for many taxpayers, resulting in more take-home pay. However at filing time, some of these taxpayers received a lower refund than anticipated—and the financial hardship that went with it. The W-4 form will be completely overhauled for 2020; employers should begin considering how education could help employees mitigate negative consequences.
- Tax code and legislative changes could significantly impact debt management and retirement savings:
  - An extension was added to the amount of time an employee has to rollover a 401(k) loan balance if they leave a company, helping to avoid the immediate taxation of the loan’s taxable balance, which could also be subject to the 10% additional tax. This gives employees a better opportunity to replenish their retirement plans.
  - The government made hardship withdrawals easier and took away the tax deduction for “home equity” debt, potentially increasing 401(k) plan loans.
  - Provisions included in legislation currently making its way through Congress include the ability to take withdrawals from a 401(k) for child birth and adoption, providing short-term assistance but reducing funds otherwise dedicated for retirement.
  - Employers should keep in mind that certain tax-law provisions are not mandatory. The benefit offerings and plan designs a company decides to adopt will influence employee behavior. An employer-sponsored savings/ emergency fund—potentially in coordination with an employee’s 401(k) contributions—or alternatively an employer-sponsored “friendly” loan to avoid participants turning to their 401(k), could positively impact employee behavior.
  - Student loans are getting a lot of attention, in particular from Congress. The IRS is planning to release guidance on integrating student loan repayment with defined contribution plans. There has also been consideration given to expanding this concept of 401(k) match integration with other types of debt repayment, such as mortgages. Additional legislative changes could be forthcoming.
  - The current low tax rate incentivizes 401(k) participants toward Roth contributions. Uncertainty surrounding the future tax rates makes “tax diversification” of retirement savings (i.e. contributing both before-tax and Roth) an attractive alternative. Roth contribution opportunities are still causing planning confusion for employees. Employers can help participants understand Roth advantages by reviewing examples that show the potential benefit.
  - There is a growing popularity of 401(k) designs with in-plan Roth conversions of standard after-tax plan contributions, combined with an auto-conversion feature. Participants can avoid taxes on any potential after-tax account earnings using this conversion approach.
  - Employers should work to educate employees on the use of HSAs for retirement. These highly tax-efficient accounts often used for short-term medical needs offer triple-tax advantages, making them ideal for long-term saving. Auto-enrollment is an option for companies, with particular consideration to the underlying tax complexity tied to the accounts. Company matches can also be used to encourage HSA adoption.
  - With the performance-pay exception to Internal Revenue Code §162(m) eliminated, post-separation payments to covered executives are now subject to the $1 million deduction limit. A growing number of executives should consider this when making the decision to participate in a Non-Qualified Deferred Compensation (NQDC) plan. Stretching otherwise non-deductible payments during post-separation years through the use of deferrals can help capture the deductibility of covered senior executive compensation. Alternatively, NQDCs accrued on or before November 2, 2017 can be grandfathered, allowing deferrals to skirt the $1 million annual deduction. Companies should also consider making certain compensation deferrals mandatory in their plan design. Further education on the benefits and risks of these plans is critical.
  - The decline in corporate tax rates created an opportunity for Incentive Stock Options (ISOs) to once again be considered as a favorable avenue for compensating employees. Companies still do not receive a compensation deduction for qualified exercises but the tax deduction lessens the concern. From the employee’s perspective, given changes made to the Alternative Minimum Tax rules, the option “spread” (or profit) has a greater chance of being taxed at favorable long-term capital gains rates.
  - Employers should review retirement plans to consider the infusion of favorable provisions in performance cash and equity awards. For example, accelerating vesting upon achievement of a certain age or years of service helps encourage “good” retirement behavior—with the added benefit of allowing retirement decisions based on broader considerations than simply the potential loss of awards.

Watch Jon Barber explain changes to the W-4
“From a standpoint of AI, I think the best word that comes to mind would probably be ‘inevitability.’ It is coming whether we like it or not.”

—Jeffrey Howell, President, Panasonic Industrial Devices Sales Company of America

AI’s Impact on HR

Jeffrey Howell, President, Panasonic Industrial Devices Sales Company of America
Richard Hughes, SVP, Chief Strategy Officer, Global Human Capital, UnitedHealth Group
Brian Marcotte, President & CEO, National Business Group on Health
Moderated by Joe LeRoy, VP, Institutional Business Solutions, Ayco

In the war for innovation, artificial intelligence (AI) is the frontline. Experts at PwC believe AI will boost global GDP $15.7 trillion by 2030. Companies that fail to adopt this new technology into their businesses will be left behind.

We gathered three experts who are blazing this trail to discuss the impact of AI on HR and businesses as a whole.

Key Takeaways:

• AI is inevitable and will have a huge impact across business units.
• In its current state, AI would be better described as “augmented”—not artificial—intelligence. AI is not currently capable of the creative, imaginative thinking we associate with the human mind. Rather, it is a system for ingesting human engagement and driving outcomes based on the observations.
• AI’s ubiquity will soon make the utilization of enhanced data a prerequisite to maintaining expertise in the HR field.
• AI is already helping HR professionals with employee selection and advancement. UnitedHealth Group uses AI to connect an applicant’s profile with job openings, even determining the likelihood a person with that profile would obtain a particular job. The technology has brought clarity to the job application process for the company’s 16,000 openings.
• AI’s ability to predict the likelihood of future events offers many benefits. UnitedHealth Group is using AI to identify the characteristics that make a good leader, allowing the company to identify and groom future potential leaders earlier in their careers. The company has also developed methods for assessing employee flight risk potential through the data points that trigger turnover. Identifying these triggers early helps reduce cost by providing time to introduce proactive solutions and mitigate attrition.
• In the future, AI will significantly change many job functions, particularly in the administrative space. Companies and their HR departments should proactively explore solutions for the employees that will be negatively impacted.
• In the health care space, AI is already more prominent than most people realize. Top providers have integrated AI into their apps, customer service, marketing pushes, administration, wearable monitoring technology, customer care, provider recommendations and illness management.
• Unfortunately in health care, the level of change at well-funded large providers is outpacing the localized, fragmented health care delivery system. Emerging remedies to integrate these fragmented services will allow for additional data input, more predictive analytics and in turn, more actionable messaging to patients and employees on company-sponsored plans.
• Intelligent engagement platforms and AI chat-based solutions have extended beyond the health care space, surfacing answers to consumer’s questions in a number of sectors. The technology is rapidly improving toward anticipating future needs and presenting solutions before the questions even arise.
• Panasonic has encountered business partners using AI to obtain more cost transparency and develop evolved pricing formats. These companies benchmark pricing by measuring the cost of component pieces (such as energy use).
• Panasonic is using similar predictive analytics to enhance their ability to introduce new products to the marketplace, improving from 20 to 140 new products to market in a year.
• As with any new technologies, there are cautions. At its base, AI is still based on underlying data and bias can inadvertently creep in. For example, in health care the solutions gained from AI need to be used with the right population(s) for successful application. AI cannot be the “be-all, end-all.” Human supervision and intervention remains important.
Leading Through Change

John Waldron, President & COO, Goldman Sachs

Moderated by Dane Holmes, EVP & Global Head of Human Capital Management, Goldman Sachs

In 2018, Goldman Sachs welcomed a new CEO. With the new leadership came systemic changes to a number of areas across the firm. John Waldron and Dane Holmes offered InnerCircle attendees the insights they gained leading through this time of change.

Key Takeaways:

- It is important to invest in your leadership team, creating opportunities for individual success to help drive corporate success.
- Global companies must take caution to avoid a narrow geographic focus during times of change. Colleagues around the world can become disillusioned if communications do not include adequate consideration and attention.
- Leadership change is an opportune time to re-evaluate culture. Efforts to increase ethical behavior, communication, collaboration, diversity, inclusion and firm-wide alignment can all be revisited during times of changes. To support these efforts, leaders can consider rewarding individuals who successfully balance positive cultural attributes with profitability.
- When major changes occur, it’s important to ensure employees across divisions understand how their respective roles are aligned to promote efficient collaboration and ensure client experience is not diminished.
- Change sparked by external forces—particularly when there is crisis—often requires action in a compressed time frame, under increased scrutiny. Internal change typically offers more time for deliberation and a thoughtful decision-making process. In times of crisis, leaders should push back against pressure to make changes that run contrary to company culture.
- The next generation of employees require unique change management considerations. They value a diversity of experiences, place a greater emphasis on mobility and are increasingly interested in a company’s guiding principles. Companies that can offer a range of geographic options, products and services should work to educate employees on all that is available to them. A company’s mission, purpose and public voice should all be carefully deployed for maximum impact.
- Strategic change requires evaluation and evolution in almost all facets of a company. HR can be utilized as a central hub to support the change, altering its own processes as necessary.

“We’ve strategically resisted the urge to do things that we were pressured to do, whether a transaction or by other external forces, and done a good job of staying true to our core essence. Being resolute on what you think is right for your organization, being true to who you are, is important.”

—John Waldron, President & COO, Goldman Sachs
The current wage gap between men and women in America is around 20%. It has closed very slowly over time. Further research to make a truer comparison between similarly situated men and women based on geography, career track and other identifiers only narrowed the gap to 17.5%.

The gender gap is especially prevalent in high-paying senior positions. Women make up 40% of the S&P 1500 labor force, but only 6% of CEOs. This inequity is further underlined by statistics showing more better-educated women entering the workforce, and fewer leaving.

The gender gap should be considered in succession planning. Companies should no longer be debating whether diversity will enhance their performance; it should be viewed as an established fact. Companies will benefit if their practices naturally surface diverse perspectives and allow the best talent to advance. Companies should reinforce opportunities for advancement to ensure they stay attractive to women and fewer leaving.

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Unconscious bias is a common contributing factor to the root causes of the gender gap. It’s important for everyone across corporate America to internally evaluate unconscious biases that could drive decision-making.

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- In states where laws make requesting pay history illegal, there has been a significant narrowing in pay discrepancy. Salary should be based on peer and market data. Companies should continually evaluate an employee’s salary throughout the stages of advancement to ensure that compensation is fair.

“You have to be really comprehensive across all your systems and say, how is it that I become attractive to women and am able to retain them so that they can develop, advance and progress inside of my organization. Not only the diversity and inclusion office needs to think about this, but also your benefits partners, your compensation partners, and your business unit heads all need to place value on this.”

—Magda Yrizarry, SVP & Chief Talent & Diversity Officer, Verizon
Workplace of the Future

Matthew Gabree, Sr. Director, Global Real Estate & Office Experience, TripAdvisor
Luc Kamperman, Managing Partner, Veldhoen + Company
Lowinn Kibbey, Global Head, Johnson & Johnson Human Performance Institute
Moderated by Stacey Barrick, VP, Human Capital Management, Ayco

A company’s ability to spark innovation is not wholly a function of talent. Creating a culture of innovation is equally important, and that culture is greatly influenced by the environment a company occupies.

To better understand how workplace design maximizes employee productivity, we gathered three seasoned professionals who are focused on building the workplace of the future.

Key Takeaways:

• HR should be deeply involved in any decision to create a new workspace. Their expertise can help plot out the impacts to the overall employee experience, including collaboration, educational opportunities and organizational development.

• When considering a new workspace, companies should conduct research with the employee population to ensure designs capture their needs and are not solely based on cost reduction. Elements to spark innovation should be infused throughout a facility and not isolated to specified areas.

• The process of going through a workspace evolution can be more critical to successfully effecting change than the actual end result. The change is about people, not a building and the goal should be to “enable human energy.”

• Companies should use workplace evolutions as a catalyst for examining what they want their future environment to be. HR should take care to communicate how changes are part of a strategy to improve the company and provide a better space for employees to achieve success.

• Change management needs to happen well in advance of a workspace change. Leadership should clearly spell out what types of changes they want to see in their employees with the new facility.

• The workplace design process involves grace and guts. The self-awareness necessary to understand and properly accommodate how others will experience the change requires grace; undergoing the change with the knowledge that every employee will likely have to work through some level of discomfort reflects the “guts” part of the process.

• The goal of redesigning a workplace should be to create a space that people want to work in. Real estate is a tool to help attract and retain talent, and enhance collaboration and productivity. The new space should facilitate the way employees actually need to work. Infusing company culture into the design can help achieve these aims.

• After the workplace transition, it is important to measure the effectiveness of a new facility. Initial feedback should be gathered to understand how the building could improve to better support employees. Feedback should be compared to the original goals for the workplace evolution in order to properly measure the success of change.

• Employees should be encouraged to use a new facility as the design intended, while also providing flexibility to individualize employee experiences. Leadership should understand there will be friction after the initial transition. Flexibility will improve adoption over time.

“When we’re thinking about design, we want to make sure that we are allowing people to have space for collaboration but also to reenergize on their own or focus in on the customer in the right way. You’re looking at not just trying to create one space, but small spaces within that space that activate human energy in the best way possible.”

—Lowinn Kibbey, Global Head, Johnson & Johnson Human Performance Institute
The “Right” Way to Compensate Executives

Yonet Assayag, Partner, ClearBridge Compensation Group
Randy Powers, former Manager, Compensation, Benefit Plans & Policies, HR, ExxonMobil
Chris Wightman, Partner, PJT Camberview
Moderated by Paul Clickman, SVP, Corporate Development, Ayco

In recent years, executive compensation has received increased scrutiny in the media and social circles. The attention has sparked a debate about the “right” way to compensate executives in 2019.

Our panelists offered their perspectives on how companies can navigate the competing interests of shareholders, executives, proxy advisors and the board of directors.

Key Takeaways:

- Compensation committees believe Say-on-Pay has had a positive impact, noting dialogue with shareholders around compensation has increased.
- When a board of directors evaluates compensation program design, the interests of shareholders, proxy advisors and the company all need to be considered. Aligning these disparate interests with the unique business model of a company presents significant challenges.
- A “no” vote recommendation from proxy advisors, and the significant reduction in the Say-on-Pay vote that follows, will force challenging conversations. If the affirmative voting level drops below 80%, companies should expect significant interaction with shareholders and prepare proactive responses. Proxy advisors will want to know details about the shareholder interactions.
- Companies need to consider which shareholders are spoken to and who will represent the company in conversations (typically the chairman or compensation committee chair). It’s critical to proactively speak with shareholders and/or proxy advisory firms about compensation program components that might raise concerns, with particular emphasis on how the program aligns with the company’s business goals and strategic direction. These conversations can help inform how to best communicate the issues with the wider group.
- It is important to meet major shareholders and representatives from the proxy advisory firms face-to-face. The personal/professional dialogue will lead to a more constructive relationship.
- Shareholder activism on executive compensation is clearly alive and well. Index fund managers are driving a significant portion of the conversation. Management companies have made executive compensation one of their primary areas of focus in evaluating corporate governance.
- In the hedge fund space, “activists” raise a lot of questions about the allocation of corporate capital, including how executives are paid. Raising such issues can have an influence on their own capital flow and ability to pull in investors from other areas.
- There is concern the increased public conversation is diluting the principles behind compensation structures. Compensation design should be unique to the business, as performance time horizons differ based on investment lead times in capital structures. If a company receives a poor Say-on-Pay vote, it may be due to a “unique” program design dependent on this time lag. If the compensation structure sought is backed by the business strategy, the issue may only be temporary and could alleviate itself in time. In these cases, it’s imperative that shareholders and proxy advisors are ultimately convinced that the proposed structure is the right thing to do.

“If you believe that you are doing the right things, and it goes against the grain of what the average investor and proxy advisor are telling you to do—but you are backing it up with your business strategy—that is 100 percent the right thing to do.”

—Yonet Assayag, Partner, ClearBridge Compensation Group
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