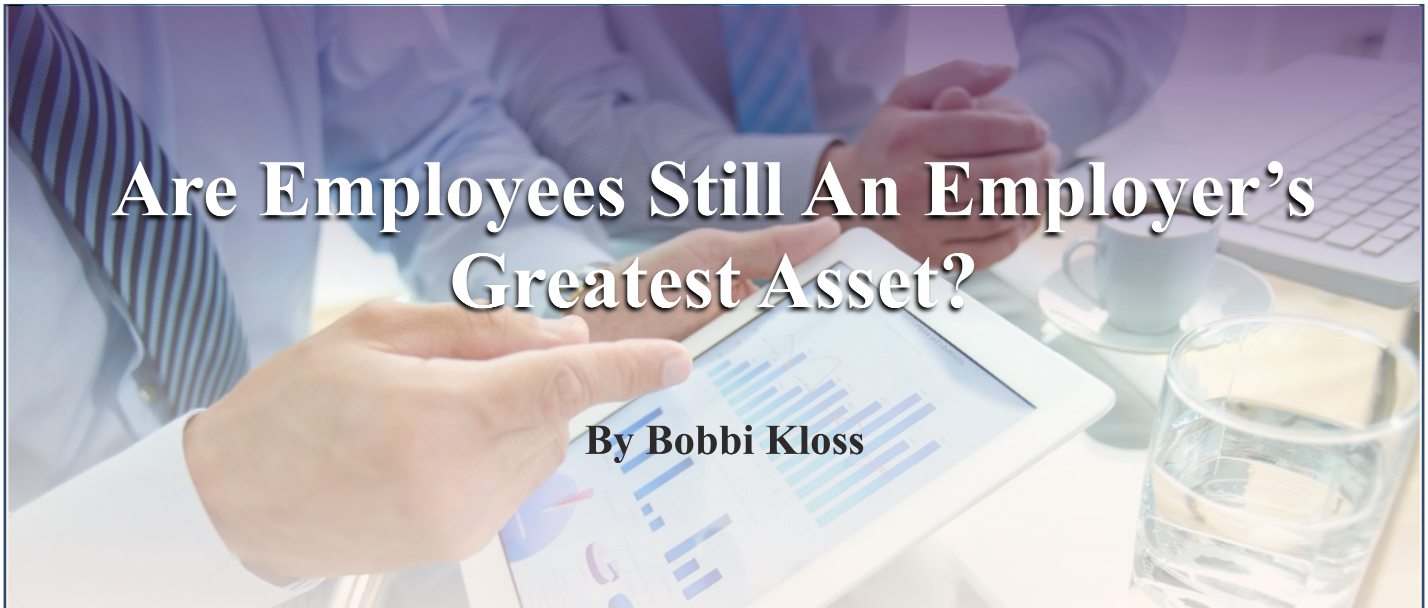

Are Employees Still An Employer’s Greatest Asset?

By Bobbi Kloss

The human relations movement, or the idea that an employee is an asset, an individual with needs and not just a productivity tool, was a major shift in the practices and principles that guided an organization’s culture. Based upon the finding of the 1930’s Hawthorne studies a correlation was found between employee satisfaction and workplace productivity. The more satisfied employees were, the higher their productivity. Policies and procedures were created to provide a worksite culture conducive to promoting employee retention, such as, enhanced compensation packages, paid time off, wellness programs, and anti-discrimination policies.

An *asset* - as defined by Investopedia - is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide future benefits. *Assets* are reported on a company's balance sheet and they are bought or created to increase the value of a firm or benefit the firm's operations.

When you look at this from the perspective of an employer’s workforce, the financial definition of an asset can almost be viewed as an oxymoron. While an employee brings specific skills, qualities, and traits that further the business goals of the organization, the employee asset comes with its own set of expenses: recruiting costs, wages, health insurance, taxes, paid time off, office space, technology, and tools needed to perform tasks, etc. While employers work towards increasing their assets, they contrarily seek to reduce their expenses. This can be easier said than done with employees. Does this make the employee any less than an asset?

Employers routinely adjust their employee related expenses whether by a competitive push, an increase in payroll taxes or through the rising costs of healthcare premiums, to name a few. These adjustments may initially seem hard to swallow, are actually only minimal changes and only for a short time the equilibrium is unbalanced.

Over the past eight years, however, with the Democratic administration, there were regulations and initiatives that forced companies to view employees at a deeper societal level - and went well beyond tipping the expense side of the balance sheet. These included:

1. Increase in minimum wage;
2. Attempt to increase the minimum salary for white collar workers;
3. Defining benefit eligible employees at 30 hours;
4. Defining Applicable Large Employer and Pay or Play (offering benefits or pay a penalty);
5. Employers implementing work-life balance policies (i.e. remote worksites, job sharing, flexible work schedules);
6. Employers implementing practices for student loan debt and paying down the 1.3 trillion dollar student loan debt;
7. State and local mandated paid or unpaid sick leave, family leave, and school leave.

The impact on employers was a repeated and forced increase in the expenses of an employee. For many employers – large and small - they found that the value of an employee as an asset subsequently decreased as they worked arduously to find the balance in their budget once again. Employee's hours were cut, employees were terminated as tasks were redistributed, and benefits were cut altogether prompting employees to seek employment elsewhere.

With all these changes though, two key questions still remained for every employer whether large or small, profit or non-profit, public or private entity: "How to attract top talent?" and "How do I appropriately manage and develop my workforce?"

Employers appear to be in a push-pull struggle between effectively managing its employees against increasing expenses and employees demanding more of employers, more in technology, in work-life balance, in communication, and in recognition and rewards. While talent attraction and retention is always balanced against an organization's budget and competitive position, an employer will find that the strongest predictor of a company's probability of surviving is its level of investment in its workforce.

In Conclusion

We are now in a new political era. Suffice to say, the big question on all employer's minds today is, "How is the Trump Administration going to affect these trends?" Change is inevitable and unavoidable. With a Republican President and a Republican Congress, we are surely going to see policy changes. The impact for employers will come with newly appointed Tom Price as Secretary of Health & Human Services, and the Department of Homeland Security, Secretary, John F. Kelly and whomever will fill the seat of Secretary of

Labor. The nomination and subsequent withdrawal of Anthony Pudzer for Secretary of Labor may cause the Republicans to rethink their labor strategy. Additionally, we cannot even begin to predict new developments as to the intervention, or the lack of, with the federal government in the workplace that we had seen continue to grow over most of the 20th century and then develop into ever-increasing state intervention into the 21st century.

No matter where or how the changes come from an employer's ability to continuously and strategically adapt to its ever changing surroundings is critical to its long-term success. A company's ability to survive and profit increasingly hinges on the degree to which it can manage its employees more successfully than its competitors. In that regard, employees are still the most valuable asset an employer has.

Recognizing that employees are the most valuable asset of a workforce, HR Management has been elevated to an essential organizational core competency that generates a significant and sustainable competitive advantage. The continued complexity of workforce regulations impacting employee benefits and policies, along with the need to attract and retain quality employees, is motivating employers to provide the necessary resources - financial, people, and technology - to support their workforce.

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FOR IMMEDIATE RELEASE

Newly Formed Alera Group Brings Together 24 Employee Benefits, Property/Casualty, Risk Management and Wealth Management Firms

Historic M&A Deal Creates the Nation's 14th Largest Private Insurance Firm, Seventh Largest Private Employee Benefits Firm

DEERFIELD, IL (January 4, 2017)— Today, 24 independent employee benefits, property/casualty, risk management and wealth management firms announced that they have joined to form Alera Group, an independent national insurance brokerage and wealth management firm with over 20,000 clients. The new organization has $158 million in annual revenues and more than 750 employees in 40 offices across 15 states. This merger marks the first time that 24 independent firms in this industry have combined forces.

"Our clients' needs are changing and, frankly, our industry has been slow to respond," said Alan Levitz, CEO of Alera Group. "We brought together this hand-picked group to do more – and to be more – for our clients and employees. Clients will see two benefits rarely delivered by a single organization. First, they will get the combined resources, technical experience and best practices of a larger firm. Second, they will continue to receive the personal service and independent decision-making power of a local business. Our goal is to set a new, higher standard for their experience."

Alera Group is the 14th largest privately held insurance firm and 7th largest privately held employee benefits firm in the U.S. It was formed with investment from Genstar Capital, LLC, a leading middle market private equity firm, and brokerage assistance from consulting and investment banking firm Marsh, Berry & Company, Inc. Industry veterans Alan Levitz (Chief Executive Officer), Billy Corrigan (Chief Financial Officer), Rob Lieblein (Chief Development Officer) and Peter Marathas (Chief Legal Counsel) will be serving in key leadership roles within the executive team of Alera Group. The group brings a combined 100 years in the insurance and financial services industry to the new organization.

"We are partnering with an exceptional leadership team founded on the reputation of excellence, which is fostered within these 24 foundational firms," said J. Ryan Clark, president and managing director at Genstar. "Our prior investments and experience in the insurance distribution space will help accelerate the growth of Alera Group as we provide capital to support the strategic and financial objectives of this new company."

Rob Lieblein, chief development officer of Alera Group, adds, "Our committed focus on clients will lead to growth both organically and through strategic acquisitions. Alera Group's business model provides a unique opportunity for other entrepreneurial financial services firms to grow their business. This is a chance to be part of a larger, innovative organization while retaining equity in Alera Group."

These are the founding insurance and financial services firms within Alera Group:

A&B Insurance and Financial, Inc., Tampa, FL
American Insurance Administrators, Inc., Mechanicsburg, PA
Ardent Solutions, Sugar Land, TX
Beacon Retiree Benefits Group LLC, Plantsville, CT
Benefit Advisors Network, Solon, OH
Benico, Ltd., Huntley, IL
CBP, Stamford, CT
C. M. Smith Agency, Inc., Hartford / Central CT
Centennial, Costa Mesa, CA
Coury Health Services, Inc., Pittsburgh, PA
CPI-HR, Solon, OH
Forum, Greenville, SC
GCG Financial, Inc., Deerfield, IL/ Greenwood Village, CO
Group Services, Inc., Bettendorf, IA
HMK Insurance, Bethlehem, PA
INGROUP Associates, Inc., Lancaster, PA
JA Counter, New Richmond, WI
Pentra, Inc., Villanova, PA
PWA Insurance Services, Gold River, CA
Relph Benefit Advisors, Fairport, NY
Shirazi Benefits, Greeley, CO
SIG, Baltimore, MD
TRUEbenefits, LLC, Seattle, WA
Virtus Benefits, LLC, Nashville, TN

"We are honored to be the investment banking firm brokering this transaction and assisting the management group in closing this momentous transaction," said John Wepler, chairman and CEO of Marsh, Berry & Company. "We support the Alera Group and its undoubtedly bright future."

Terms of the transaction were not disclosed.

About Alera Group
Based in Deerfield, IL, Alera Group's over 750 employees serve more than 20,000 clients nationally in employee benefits, property and casualty, risk management and wealth management. Alera Group was created by merging 24 high-performing, entrepreneurial firms across the U.S. It is the 14th largest independent insurance agency and the 7th largest independent employee benefits firm in the country. For more information, visit www.aleragroup.com or follow Alera Group on Twitter: @AleraGroupUS

About Genstar Capital
Genstar Capital is a leading private equity firm that has been actively investing in high quality companies for more than 20 years. Based in San Francisco, Genstar works in partnership with its management teams and its network of operating executives and strategic advisors to transform its

portfolio companies into industry leading businesses. Genstar manages funds with total capital commitments of over $5 billion and targets investments focused on selected sectors within the financial services, industrial technology, software and healthcare industries. For more information, visit www.gencap.com.

About Marsh, Berry & Company, Inc.

Founded in 1981, Marsh, Berry & Company's primary objective has been to help insurance agents, brokers and carriers as they work to maximize their value through industry specific services, including merger & acquisition advisory, management consulting, organic growth consulting, intellectual capital and peer exchange networks. Ranked as the top M&A Advisor by SNL Financial for the past 17 years, Marsh, Berry & Company has advised on more than 5,000 transactions since 1999 and completed more than 250 diagnostic and confirmatory due diligence projects over the last 12 years. For more information, visit: www.MarshBerry.com

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