

## A SUB-Pay Plan Helps Pharmaceutical Company Reduce Severance Costs by 58.3%

### *The Challenge*

A \$1.8 billion pharmaceutical company with 10,000 employees in eight states asked Total Management Solutions ("TMS") to implement a Supplemental Unemployment Benefit ("SUB-Pay") plan for its planned staff reduction. The SUB-Pay Plan needed to be implemented within 30 days.

### *The Solution*

With over 25 years of experience implementing SUB-Pay Plans for Fortune 1000 companies, TMS was able to guide the company through the custom design and implementation of their plan within the required 30 days.

### *The Results*

By implementing a SUB-Pay Plan instead of a traditional severance plan, the company:

- Reduced its severance costs by 58.3%;
- Provided its separated employees with more than \$375,000 in additional separation benefits from tax exemptions on their separation payments;
- Outsourced its SUB-Pay Plan implementation and administration to TMS at a cost of only 9.5% of the total savings generated by the plan; and
- Was relieved of the workload, burden and stress of dealing with former employees. TMS' Client Services Department handled all inquiries with former employees and also provided services in Spanish to accommodate plan participants.



## SUB-Pay Plan Assists Billion Dollar Acquisition

### *The Challenge*

A major printing company purchased a competing printing company that had emerged from Chapter 11 bankruptcy protection. The acquisition created a combined company with annual sales exceeding \$5 billion. With more than 28,000 employees in the combined entity, staffing redundancies were necessary during the integration process and a SUB-Pay Plan played an integral part of the company's staff rightsizing process.

### *The Solution*

The acquiring company utilized SUB-Pay Plans to significantly reduce severance costs for the company while providing downsized employees with additional separation benefits.

### *The Results*

- Reduced its traditional severance plan costs by 39.3%;
- Provided the downsized employees with more than \$4.4 million in additional benefits from tax exemptions on their separation payments.





## **SUB-Pay Plan Helps Fortune 500 Company Reduce Severance Costs by 44.8%**

### ***The Challenge***

During the peak of the economic recession, a \$5 billion media and publishing company lost significant advertising revenue and sought to lower its operating expenses. As part of its restructuring, the company planned a major staff reduction.

### ***The Solution***

On the recommendation of its "Big Four" accounting firm, the company hired TMS to design, implement, and administer a SUB-Pay Plan. The logistics and administration involved simultaneously downsizing a large number of employees, located in 50 offices in 42 states. The company was also concerned about the potential for separated employee criticism relating to the transition of its separation package from a traditional lump-sum severance plan to a SUB-Pay Plan.

Within days, TMS completely removed the burden of this major downsizing from the client and:

- Prepared and shipped fully-customized and comprehensive separation packages to each location for simultaneous distribution to each downsized employee;
- Established a toll-free phone number, secure website, and voice-activated response call service to handle all employee inquiries or issues regarding their termination process or benefit payments;
- Directed each terminated employee to contact TMS, relieving the company of this HR task;
- Worked directly with each former employee on a weekly basis for the entire time that they were receiving separation benefits from the company;
- Personally assisted downsized employees, many of whom had never filed for state unemployment insurance benefits, with filing their initial claim.

### ***The Results***

By implementing a SUB-Pay Plan instead of a traditional severance plan, the company:

- Reduced its severance costs by 44.8%;
- Provided its downsized employees with millions in additional separation benefits from tax exemptions on their separation payments;
- Was relieved of the workload, burden and stress of dealing with former employees; and



The company has acknowledged that their TMS SUB-Pay Plan has been one of the best business decisions it has made.