Case Study

Corporate Splits

A global health care company decided to separate its pharmaceuticals division and become two independent companies, providing similar pay and benefits to employees transitioning to the new company — but with many unknowns, the project could easily have gone off the rails.

Our Best Practices Toolkit and experience with corporate splits kept everything on track.

The challenges were legion.

We were the benefits administrator for the company's 50,000 defined benefit pension plan participants and 35,000 health care plan members, and was the record keeper for 16,000 retirees.

The challenges in delivering what the client needed were legion:

• An exact close date hadn't been determined.
• No one was certain what a “soft” local country close implied for the benefits transition.
• It wasn't clear which countries the new company would operate in, nor the final headcount by location (making it difficult to accurately calculate costs, identify participants by plan, and so on).
• The company hadn't decided whether or not to use the same HRIS and IT systems for the new company.
• The new company's name and brand were unavailable, as was the location of its headquarters.
• Benefits would need to be “turned off” for the new company's employees, but they couldn't then pop up as COBRA or terminated employees.
• Employees' history records would need to be transferred and the data reconciled.
• Managing the complexity of data for ACA when the legislation was still coming to fruition.
• Not all of the new systems were ready at the day of the split, requiring complex records and systems management.

Keep the focus on ongoing operations.

With the team’s experience managing company splits, we brought our Best Practices Toolkit to the table. This gave everyone the confidence to handle the complex steps needed to complete the transfer, including:

• Detailed planning considerations such as financial transactions, go-forward HR systems, impacted populations, changes to policies and programs
• Requirements and scope documents
• Data extract split and transfer protocols
• Impact analysis
• Program and staffing models
• Development processes for replicating databases and applications
• Quality assurance and test plans
• Well-defined program governance

The team was able to identify and work with internal and external vendor project managers through weekly and bi-weekly meetings, identifying project goals and developing a comprehensive project plan. The plan included the need to conduct data feed testing with each of the 30 vendors involved.

Together with the client, we decided to use one HRIS system for both companies with an 18-month transition service agreement — even though this introduced further layers of complexity related to data privacy and oversight of certain data elements.
“You’ve been a great partner for us for more than 20 years. Last year we spun off our biopharmaceutical division and you did an absolutely fantastic job helping us through it.”

– Director, HR Operations

The team then replicated all benefit plans; minimized changes to existing processes; kept the plan designs, administration and contracts, and communication materials in place; carried over complex data to the new company; executed necessary contract amendments and addenda for each vendor; and hired and trained benefit team personnel for the new company.

**Successful projects depend on key factors.**
With very few issues, we were able to help the company deliver on its promise to provide similar benefits to the new company’s employees. Key to this success were strong vendor partnerships and a deep understanding of the client’s culture and business objectives, strong project management and a successful point of contact to provide consistent and timely responses and establish a clear escalation path.

The split of the companies went live on July 1. The team was able to manage the complexities of two open enrollment periods the following October, and ensured accurate ACA calculation for both companies, including all full-time employee determination data and IRS filings.

**Let’s talk.**
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