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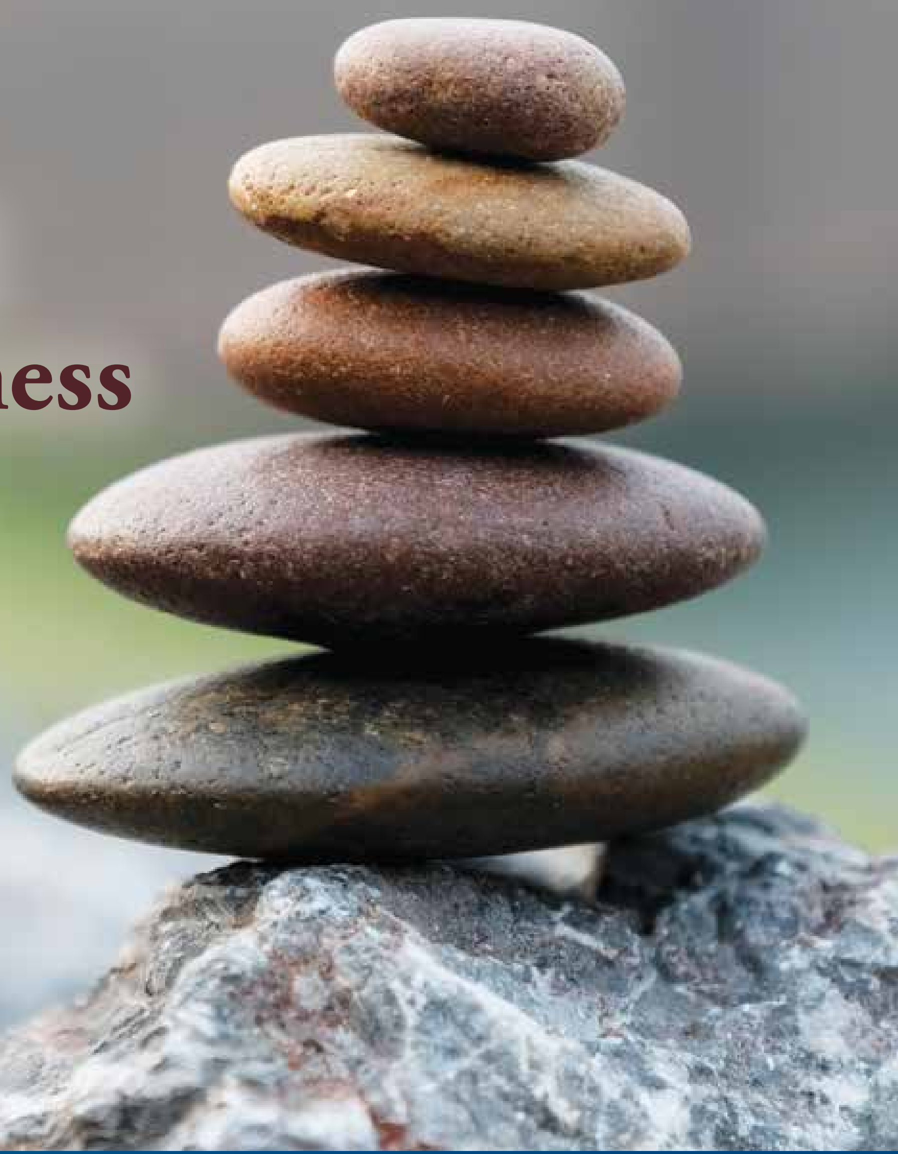
Benefits Quarterly

Vol. 38 | First Quarter 2022



Special Section on Financial and Overall Wellness

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Supporting Employee Financial Wellness

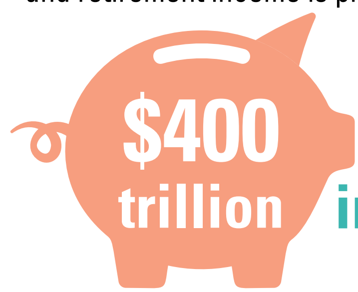
Organizations need to be aware of how the social landscape and rapidly changing climate conditions are altering the way people live and work as well as how they will retire. In her article, "Investing and Retiring in an Unknown Future: How Companies Can Support Employees Today and Tomorrow," Martine Ferland describes the current environment and offers steps for supporting employee financial wellness.

Highlights from the article include the following.

TOP 4 Employee Stresses

1. General economic conditions
2. Personal health
3. Not saving enough for retirement
4. No guarantee of future employment

The global gap between retirement savings and retirement income is projected to reach



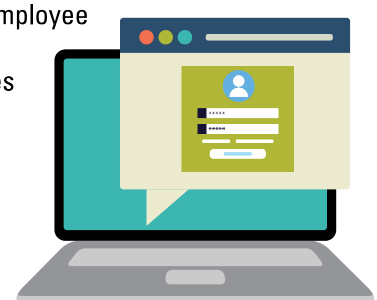
in 30 years.

Benefits of an Effective Financial Wellness Program

- Bolstered productivity
- More predictable workforce flow and trends
- Improved physical health measures
- Increased employee engagement and retention
- More affordable retirement opportunities for all employees
- Enhanced career advancement paths for younger workers

Strategies for Driving Employee Engagement in Retirement Plans and Financial Well-Being Programs

- Consistently offer virtual benefits fairs to provide employees with 24/7 access to benefits information.
- Provide digital onboarding to allow employees to easily enroll in retirement and benefits programs.
- Connect employees with financial professionals through periodic financial advisor visits.
- Gather employee feedback through surveys and focus groups to help define benefits programs.
- Use data including employee demographics and benefits take-up rates to make informed decisions when designing benefits.



Investing and Retiring in an Unknown Future: How Companies Can Support Employees Today and Tomorrow

by **Martine Ferland** | *Mercer, a Marsh McLennan business*

The coming decade will be dominated by the challenges of aging populations, diversifying workforces, technological transformation and increased debt—all overlaid by a significant climate crisis that will affect how and where people live. Even before the COVID-19 pandemic, these issues were already on course to have lasting implications for investors. In a postpandemic world, it will become even more important to think critically about what investing means, motivations behind investments, time frames and what returns might look like.

Against this evolving backdrop, organizations should be aware of what impact this uncertainty will have on retirement planning for their employees—and take action to future-proof benefit and investment offerings accordingly. When done effectively, companies can maximize the value of their offerings and generate sustainable advantages, both internally and externally.

A New Business Directive: Benefits That Contribute to Healthy Societies

The evolving and more culturally aware social landscape coupled with rapidly changing climate conditions are altering the way people live and work and how they will retire. From staying healthy and productive into older age to reinventing careers multiple times and reimagining retirement, lives are being completely reshaped.

The reality is that most economies, governments and employers are not prepared for the changes ahead. More than

AT A GLANCE

- The evolving and more culturally aware social landscape coupled with rapidly changing climate conditions are altering the way people live and work as well as how they will retire.
- Upheaval in the economy and marketplaces presents companies with a mandate—and a meaningful opportunity—to discover the value of creating programs that contribute to their employees' financial wellness and, by extension, their mental well-being.
- With a focus on reimagining employee benefits, employers can make a meaningful difference in the lives of their employees—and society at large—now and in the future.

ever, society needs to examine not only how to live but also how to live long and well. At the World Economic Forum Davos Agenda 2021,[1] a virtual session discussed the inadequacies of safety nets for the majority of the world's working population.

As part of the evolving social contract, a new directive is emerging for leading organizations to foster vigorous, strong workplaces and promote *healthy societies*—ones that advocate for the health and well-being of everyone within a community through sustainable means that protect both people and the planet. Imperative to this directive is employers adapting strategic benefits to mitigate the current retirement crisis and address the issues that today's workers face when it comes to working, investing and saving.

Identifying the Retirement Crisis

Economically speaking, growth in the past decade has driven a relatively strong economy. However, the world could now be entering into a sustained period of low growth, inflation and higher interest rates. Existing trade tensions might be made worse by economic uncertainty as a result of the ongoing COVID-19 pandemic.

At the same time, according to the World Economic Forum,[2] the global gap between retirement savings and retirement income is projected to reach $400 trillion in three decades—a figure that represents more than five times the size of the entire global economy. A joint report that Mercer presented with the World Economic Forum found that, if current policies are kept in place, retirees in six major economies will outlive their savings "nest egg" by an average of eight to 20 years.[3]

These sobering facts are not lost on the workforce. According to the Center for a Secure Retirement, more than half (52%) of Baby Boomers still in the workforce fear that they may never retire—thanks to the pandemic.[4] Younger workers also are concerned, with 61% of older Millennials predicting they'll still be working at least part-time even after they retire, according to a July 2021 survey from CNBC.[5]

Women who left the workforce during the pandemic to care for their children or parents are particularly vulnerable to the retirement crisis. Many lost access to benefits offered by their employers, including retirement plans and saving options. In addition, many small- and medium-sized employers, by far the largest type in the U.S., offer no access to benefits. And, in a society that's largely characterized by pervasive racial inequities, it can be an uphill climb to close the gap that's continuing to widen.[6]

Organizations can take action to help close persistent gaps in health, wealth, pay and career progression for people of color. In particular, Black Americans experience lower rates of health insurance coverage and access as well as higher rates of chronic disease, illness and death across a wide range of health conditions. White American families' median net worth is nearly eight times higher than that of Black families ($188,200 versus $24,100) and, alarmingly, the wealth gap has grown over the last 50 years. White employees earn 126% of what Black employees earn in weekly wages, and Black people are underrepresented in higher career levels (manager, senior manager and executive levels).[7]

Employees with disabilities and those who face significant medical bills also suffer. More than two-thirds of those who file for bankruptcy report medical issues as the primary reason, according to a study published in the *American Journal of Public Health*.[8] Researchers estimate more than 500,000 in the U.S. file each year because they cannot pay their medical bills.

Concerns about the future are well-founded since 2020 marked the first year since 1982 that the U.S. government had to draw from Social Security trust funds to pay retirees their benefits.[9] Furthermore, the government is also tapping into Medicare reserves to cover program costs.

While those who remain in the workforce worry about retirement, others retired early during the pandemic. An estimated three million employees chose early retirement, according to a *New York Times* analysis.[10] For many of those fortunate enough to have healthy pensions and investments, the choice was voluntary, but for the more than 55% of those with an income at or below the national median, retirement was often involuntary.

The stresses related to the retirement crisis have created a climate of uncertainty and worry around how workers can retire respectably—or if they can even retire at all. Identifying the retirement crisis and its impact on the emotional well-being of employees is the first step in creating benefits packages, programs and policies that empower employees with a greater sense of financial security. As such, companies play a critically important role when it comes to both helping resolve inequities as well as taking the opportunity to be part of the solution.

Supporting Employee Financial Wellness

The burden of financial and retirement concerns can have a profound impact on an employee's mental well-being. In a Mercer survey,[11] more than 40% of employees cited general economic conditions as their top stressor with regard to their financial security, followed closely by personal health (40%), not saving enough for retirement (32%) and no guarantee of future employment (25%). Shouldering the immense burden of such financial insecurity takes a toll on employees and their families, and these stresses can be counterproductive.

Employers that develop and implement a financial wellness program recognize the responsibility to empower employees to find balance and to control their finances. Offering financial education programs that resonate with every employee group is critical since diverse situations and needs require different solutions. Education is successful only when employees feel confident taking action. Programs that offer flexible opportunities make it easier for employees to confidently choose their right path toward financial success today and tomorrow.

Forward-thinking leadership accepts the challenge of supporting employees' financial well-being throughout their entire careers since it is good for everyone involved. This empathetic approach results in reduced absenteeism and lower turnover rates.[11] Simultaneously, improved levels of financial wellness correlate with higher employee satisfaction and a stronger employer brand.

More significantly, by supporting financial wellness, employers can help bridge the gaps across societies when it comes to building wealth. This effort is powerful when paired with a concerted effort by employers to close gender and race gaps in pay and retirement programs.

Minorities and women are particularly at risk for financial insecurity. While the net worth of typical Black households trails those of white households, women around the globe also face significant gender pension gaps. The WEF *Global Gender Gap Report 2021* revealed the gap is as high as 50% in Japan and ranged from 35% to 42% in countries such as the United Kingdom, the U.S., Austria and Mexico.

These financial disparities recently have bubbled into the collective consciousness due to the pandemic. To provide relief amid the lockdowns and subsequent economic fallout, governments around the globe eased rules around early withdrawals from retirement accounts. For example, under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act in the U.S., individuals may withdraw as much as $100,000 from their retirement accounts without penalty to address pandemic-related hardships.

Such concessions serve as a lifeline for families unable to meet basic living expenses. However, in some ways, it is akin to borrowing money from Peter to pay Paul, as the saying goes. While recipients may use this opportunity to pay their mortgage today, the so-called remedy still places a new burden on their retirement futures.

Organizations have every reason to want their employees to be financially sound. An effectively designed employee financial wellness program can help employers:

- Bolster productivity since employees are distracted less by financial fears
- Drive more predictable workforce flow and trends throughout the organization
- Yield improved physical health measures as people with high levels of financial stress are more prone to sickness
- Raise employee engagement and retention
- Create more affordable retirement opportunities for all employees and enable career advancement paths for younger employees.

Nimble corporations are already responding to this need. In the Mercer *2021 Global Talent Trends Study* report,[12] when asked what they were doing to protect their employees, companies around the globe reported they were offering more financial education, providing furloughed workers with access to health and benefit options, resegmenting the workforce to better tailor benefits to new needs and realities, and increasing or changing the ongoing management of their retirement portfolios.

As more employers embrace a healthy societies mindset, we can expect to see more progress toward providing employees with the programs and tools that will lead to financial wellness.

Revisiting Strategies in Defined Benefit and Defined Contribution Plans

The shape of today's workforce requires organizations to rethink their traditional benefit plan offerings.

The Mercer *2020 Global Trends Talent study* showed that 72% of employees plan to work postretirement.[13] Others are choosing to enter the "gig" (and even "side-gig") economies. In the current labor shortage conditions, these workers are rapidly becoming valuable contributors to the economy. Workplaces that embrace the flexibility of all employees will need to create benefit plans that accommodate this new reality, meeting employees where they are in their work-life journey.

Organizations overseeing traditional defined benefit (DB) retirement programs such as pensions face certain risks. Fast-changing realities spun by the pandemic, market volatility, fluctuating interest rates, uncertain liabilities, emerging regulations and mounting pressure to reduce expenses and contributions are driving the dynamics of these programs.

Successfully balancing assets and liabilities in the long term can be accomplished by adopting an agile strategy and implementation processes that dynamically respond to long-term market conditions—while mitigating risk exposure and staying ahead of emerging market opportunities. Organizations should use a scientific and holistic approach to managing the investments of a DB plan to meet this objective.

Defined contribution (DC) plans, which make up the bulk of today's retirement and savings options in the U.S., offer more opportunities for organizations to support employee wellness. Retooling these programs requires employers to be flexible in creating benefits that take into consideration the financial, health and career aspirations of the new blended workforce of remote, gig and in-office workers. This flexibility is driving transformation in the workplace, according to the report *Design for Flexible Living.*[14]

Developing benefits programs that recognize and meet the needs of employees at different career and life stages will help attract and retain top talent from the competitive marketplace.

Driving Engagement, Participation and Contributions

Increasing participation in DC programs, pension plans, savings and financial well-being programs, and other benefits would greatly mitigate the looming retirement crisis in markets around the globe. However, if employees do not use the benefits programs available to them, neither the employer nor its employees will reap the rewards. This stands true regardless of how valuable, beneficial or well-thought-out the programs are. By driving engagement, participation and contributions from employees, employers can ramp up the efficacy of their benefits programs and ensure that their employees, as well as the organization's bottom line, enjoy the full impact of benefits.

Considering today's digital environment and pandemic-related social distancing measures, features like autoenrollment and autoescalation are a critical link for making benefits engagement as stress-free and simplified as possible. But, at times, this hands-off approach can undermine participation levels. To counter this, there are a few strategies employers can take to engage with employees and assist with decisions. These include the following.

- **Virtual benefits fairs:** Having a benefits fair (whether in-person or via digital platforms) serves two key functions for employees and employers. First, it offers a clear demonstration of the merits of employee experiences and conveys care and consideration for their well-being. It also provides employees with the opportunity to learn how their benefits operate directly from the people administering them. By holding these events consistently, employers can offer an educational experience that empowers employees to create well-informed investment and retirement plans for themselves. With a virtual fair offering, employees can access the information 24/7—any time they need clarification or education on a particular benefit or concept. A digital solution also offers quick links to increase contributions, change investment strategy or check on returns.
- **Digital onboarding:** As employers continue to work in modified settings, the onboarding process has also

changed. Virtual onboarding platforms allow for topics such as benefits and retirement to be covered in an interactive, personal way, with easily accessible links for employees to use for program enrollment.

- **Advisor visits:** By regularly connecting employees with trusted professionals who know the benefits landscape, employers can maximize the impact of their plans. Meetings or virtual chats with wealth advisors, retirement planners, educational experts, health care and long-term care professionals, and other benefits experts can be as casual as a brief question. Periodically offering question-and-answer sessions helps employees extract a full breakdown of their benefits and guides them to the steps they can take to achieve their goals.
- **Surveys and focus groups:** Human resources teams often use external benchmarking and industry best practices to create benefits plans and strategies. Gathering employee feedback through focus groups and surveys can further define what will work best for the organization's workforce. The research can help intelligently inform decisions an employer makes about benefits, investment, financial wellness and retirement programs. Digital feedback platforms provide a quick and easy way to gather input from a wide variety of employee demographics—from wherever they are, day and night.
- **Using data to make informed decisions:** All of these strategies can be strengthened by making decisions grounded in data. This includes analyzing program usage and pick-up rates—as well as region, diversity, gender and other factors—which can lead to enhanced and more effective programs.

The reward for employers is a healthy and engaged workforce that is equipped for the future of work, ready to drive business success and more satisfied in their personal lives. When employers help guide employees to utilize the benefits available to them, employees are more ready to achieve their goals for every stage of life—whether it's saving for retirement, a house, a car, travel or education.

Looking Ahead: Reinventing for Value

The collision of aging populations, diversifying workforces, digital transformation and pension insolvency is not exactly a smooth transition for organizations, workers and communities. But these challenges are creating new business opportunities and encouraging companies to rethink how they offer benefits and, ultimately, value to employees.

As a result, we are on the brink of a new era in benefits, with offerings no longer just considered a cost of doing business. Instead, benefits are being used to produce optimal outcomes for employees, employers and communities. Notably, because of the dilemmas facing society today, employers and employees alike need to derive greater value from their benefits. Employers can unlock the maximum value stored within their employee benefits programs, which increases employee engagement, optimizes business outcomes and ultimately helps to solve societal dilemmas.

For example, when employee participation in retirement plans increases, employers have an opportunity to help solve the global retirement crisis, generate revenue and create a competitive advantage for themselves in the process.

Employers can determine the value of their benefits programs by weighing the balance of the quality and cost of their offerings. When quality and cost are out of balance, it impacts all stakeholders. In an ideal state, employers can balance economics with empathy and achieve superior value by

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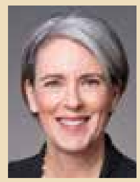

Martine Ferland is president and chief executive officer of Mercer and vice chair of Marsh McLennan Companies, Mercer's parent and a global professional services firm in the areas of risk, strategy and people. Prior to being named president and CEO in 2019, Ferland was Mercer's group president responsible for leading regions and global business solutions. Prior to that, she was president of Mercer's Europe and Pacific region. Before joining Mercer, Ferland spent 25 years with Willis Towers Watson where she held leadership positions in North America and Asia. She holds a bachelor's degree in actuarial science from Laval University in Quebec and is a fellow of the Society of Actuaries and the Canadian Institute of Actuaries.

asserting higher quality while putting downward pressure on costs. Following are some attributes of a benefits program when quality and cost are balanced.

- Quality, affordable plans in health care, investment and retirement are accessible.
- Benefits are valued by employees and drive engagement.
- Vendors are aligned, and continuous improvement prevails.
- Dollars are spent to deliver value to the bottom line.

Employers may want to consider revisiting the benefits equation through a healthy societies approach. Upheaval in the economy and marketplaces likely presents companies with a mandate—and a meaningful opportunity—to discover the value of creating programs that contribute to their employees' financial wellness and, by extension, their mental well-being.

Employers have a unique power to create healthier societies. Bringing empathy into the planning process can help improve many aspects of our communities, including health care, economics, environmental sustainability and social factors. With a focus on reimagining employee benefits, employers can make a meaningful difference in the lives of their employees—and society at large—now and in the future. BQ

Endnotes

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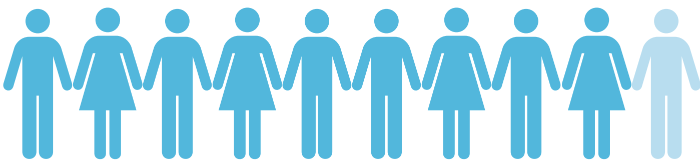

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