IN THIS Issue

Promoting a Culture of Equity and Inclusion in Employee Benefits

Building a Strong Culture in a Dispersed Work Environment

Demographics, Longer Term Financial Risks and the Emerging Workplace Culture

BENEFITS Quarterly

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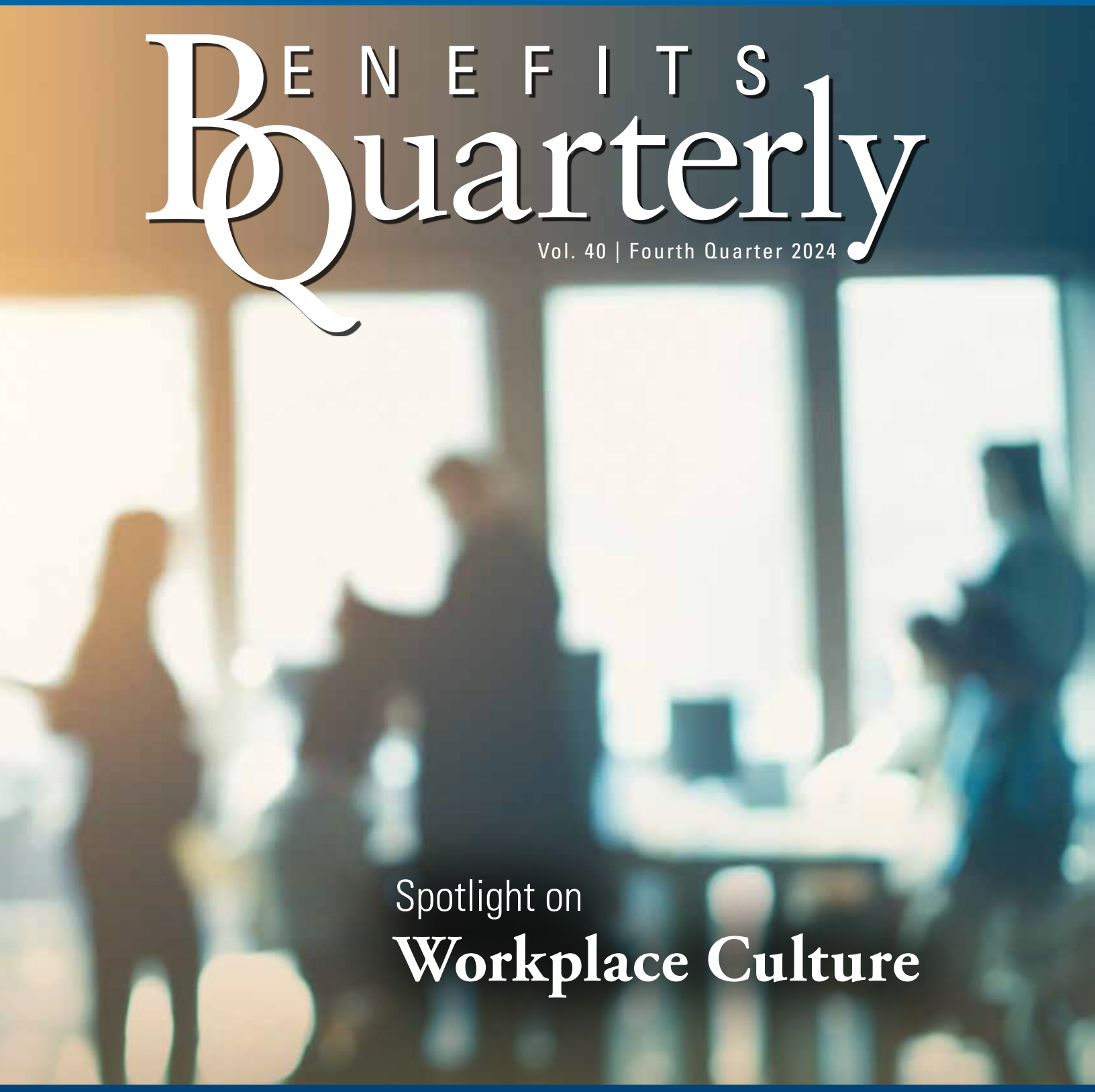

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contents

fourth quarter 2024

behind the scenes

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executive summaries

Promoting a Culture of Equity and Inclusion in Employee Benefits

by **Vikki Walton** | *Mercer*

p7

In today's diverse and evolving society, employers that recognize the importance of creating an inclusive and equitable health care system for their employees may improve employees' overall health but also decrease health care costs while boosting productivity and morale. This article will explore the concept of health equity and its business implications, the importance of inclusiveness in making employees feel valued and like they belong, and how employers can leverage benefits to ensure fair and equitable access to care for marginalized populations. It includes best practices for building a comprehensive health equity strategy.

Building a Strong Culture in a Dispersed Work Environment

by **Cassandra Roth** | *Segal Benz*

p16

Defining and maintaining a strong culture in a dispersed work environment may require employers to rethink how they build organizational cultures and adopt a new mindset and approach. Employers should consider building an authentic relationship with employees by telling a compelling story about how much their employees are valued, sharing the support employees will receive to maintain a healthy work and personal life, and showing how their work aligns to the organization's objectives. Research shows that a culture that is healthy for employees results in improved retention, increased productivity and reduced health care costs.

Demographics, Longer Term Financial Risks and the Emerging Workplace Culture

by **Anna M. Rappaport** | *Anna Rappaport Consulting*

p21

The employer's role in longer term financial risk assumption is an important part of workplace culture. In the 1970s and 1980s, major employers often assumed important longer term financial risks for employees through defined benefit (DB) pension plans, company-paid life insurance, long-term disability programs and employer-sponsored health plans. Employers were paternalistic, offered employees limited choices in working arrangements or benefit plans, and played major roles in assuming these risks. Today, the demographics of the workforce are very different, and the culture of many workplaces has changed. This includes a shift to individual responsibility and away from DB plans. Society of Actuaries (SOA) research and papers define a variety of retirement risks and management strategies to address the risks proactively. This article will cite SOA research as appropriate and other sources. It will be heavily influenced by the perspectives of the author.

Workplace Culture Is Changing—How to Adjust to the Shifts

by **Jeff Faber, GBA, RPA** | *Hub International*

p32

Organizations that want to strengthen their culture should consider cultivating human-centric managers and understand the impact of personalization on employee attitudes. The pandemic and acceptance of virtual work have changed workplace culture. However, other factors, including an increased number of retirements and an incoming wave of younger employees, also have had an impact. Leaders who prioritize culture as an important facet of productivity will likely flourish in this new environment. A strong, aligned culture that ensures that employees understand and share the organization's mission is also key to an employer's success.

Does ERISA Make the Grade?

by **Tonya Manning** | *Gallagher*
Laurie DuChateau | *Gallagher*

p43

The Employee Retirement Income Security Act (ERISA) turned 50 on September 2, 2024. The key goal of ERISA was to define a unified set of laws governing benefit plans providing for (1) disclosure and reporting of financial and plan information for participants and government regulators; (2) standards of conduct, responsibility and obligations for plan fiduciaries; (3) preemption of state law and access to federal courts; (4) vesting for employees with significant periods of service, anticutback protections and service crediting rules for plan participation and benefit accruals; and (5) minimum funding standards and plan termination insurance for retirement plans. The authors assess the law's performance in areas such as access to employer-sponsored retirement plans, safeguarding retirement income and pension benefits as well as protecting individual retirement income. They also discuss ERISA's impact on health and welfare plans and evaluate the law's future.

Promoting a Culture of Equity and Inclusion in Employee Benefits

by **Vikki Walton** | *Mercer*

Many employers view advancing health equity within their workforce as not only the right thing to do but also a strategic business decision. In today's diverse and evolving society, employers that recognize the importance of creating an inclusive and equitable health care system for their employees may improve employees' overall health and decrease health care costs while boosting productivity and morale. This article will explore the concept of health equity, its business implications and the importance of inclusiveness in making employees feel valued and like they belong. It will also discuss how employers can leverage benefits to ensure fair and equitable access to care for marginalized populations.

What Is Health Equity?

When health equity exists, everyone has an equal opportunity to achieve their highest level of health. The concept recognizes that health disparities may exist among different populations due to various social, economic and environmental factors and that addressing the underlying causes can eliminate these disparities. When an organization works toward health equity, it focuses on providing fair and just access to health care services as well as resources and opportunities for all individuals, regardless of their socioeconomic status, race, ethnicity, gender or other social determinants of health (SDoH).

For an employer, achieving health equity means creating a work environment that promotes equal access to health benefits and resources for all employees. This involves implementing inclusive policies and practices that address the diverse needs and challenges of the workforce and requires supporting a comprehensive, solution-based approach to health inequities and disparities, removing barriers to access and addressing SDoH. Employers that seek to achieve health equity also promote preventive care and wellness programs as well as offer support for mental health and work-life balance.

AT A GLANCE

- The concept of health equity recognizes that health disparities may exist among different populations due to various social, economic and environmental factors and that addressing the underlying causes can eliminate these disparities.
- Employers that prioritize health equity can foster a culture of inclusivity, improve employee well-being and enhance productivity and engagement within the organization. Promoting health equity in the workplace can also help attract and retain a diverse and talented workforce.
- Understanding how the makeup of the workforce is changing is a key part of improving health equity. In the United States, Hispanic, Black and Asian populations (many of whom face health inequities) are projected to grow substantially.

Implementing these policies should lead to improved health outcomes for underserved employee populations. However, the benefits team will likely need to deviate from the traditional methods of providing benefits broadly and employ a more holistic and tailored approach to address inequities.

For instance, an employer could create a comprehensive guide for military veterans to address specific challenges they face, offering tailored information on health care providers, benefits, mental health resources and legal rights. Targeted resources like this simplify the complex landscape of benefits and health care, making it more accessible and less daunting for employees who have struggled with the systems of care.

Determining strategies that will address heath equity will require employers to actively listen to their employees' ever-changing needs, regularly seek feedback, and make necessary adjustments to their programs and policies. This ongoing commitment demonstrates to employees that their well-being is a top priority, particularly those from marginalized communities.

By prioritizing health equity, employers can foster a culture of inclusivity, improve employee well-being, and enhance productivity and engagement within the organization. In addition, promoting health equity in the workplace can help attract and retain a diverse and talented workforce as employees feel valued and supported in their overall health and well-being.

Understanding Disparities in Care and the Social Determinants of Health

The term *disparities* in care refers to the preventable differences in the health of one group over another and the unequal distribution of health care services and outcomes. These disparities can be observed across various dimensions, including race, ethnicity, socioeconomic status, gender and geographic location. They are influenced by SDoH, which are the conditions in which people are born, grow, live, work and age that impact an individual's health outcomes. Examples include income and wealth, education, employment, housing, access to health care, social support networks and exposure to environmental hazards.

Disparities in care and SDoH are closely interconnected. Individuals from marginalized and disadvantaged communities often face barriers—such as limited financial resources, lack of health insurance, transportation challenges and inadequate health care facilities in their neighborhoods—to accessing health care services. These barriers contribute to disparities in health care utilization, preventive care, disease management and health outcomes when compared with other populations.

Moreover, SDoH can influence an individual's overall well-being and health behaviors. For example, individuals with lower incomes and education levels may have limited access to nutritious food, safe neighborhoods for physical activity and opportunities for health education. These factors can contribute to higher rates of chronic diseases such as obesity, diabetes and cardiovascular conditions within certain populations. *Food deserts, maternal deserts* and *pharmacy deserts* are becoming increasingly prevalent in various ZIP codes. These terms refer to areas where access to essential services such as nutritious food, maternity care and pharmacies is limited or nonexistent. The concept of deserts highlights how socioeconomically disadvantaged neighborhoods with low levels of educational attainment, social support, poverty and food security struggle with access to resources.

For employers, addressing disparities in care and SDoH requires a comprehensive approach that addresses systemic inequities, promotes health equity and implements policies and interventions that address the underlying social and economic factors contributing to health disparities. This includes initiatives to improve access to health care services, reduce barriers to care, and promote health education and literacy.

The Cost of Not Addressing Inequities

The cost of health disparities in the United States is significant. According to a study funded by the National Institute on Minority Health and Health Disparities (NIMHD), the economic burden of racial and ethnic health disparities in the U.S. was estimated to be $451 billion in 2018, a 41% increase from the previous estimate of $320 billion in 2014. This study also highlights the burden of education-related health disparities (e.g., adults with lower education levels

Growing Recognition of Social Determinants of Health

Large employers are increasingly recognizing the importance of addressing the social determinants of health (SDoH) that affect their employees and are taking proactive steps to support their well-being. The Mercer *Health on Demand 2024* report found that 21% of large employers are currently evaluating how SDoH affect their employees. These employers are adopting emerging strategies, including the following, to address these risks.

1. **SDoH identification:** Employers are using various data sources, such as ZIP codes, income levels and race/ethnicity, to proactively identify employees who may be at social risk. They are using tools including the social vulnerability index (SVI) to aid in this process.
2. **Connection to necessary resources:** Employers are establishing procedures to connect employees with community-based organizations through partnerships with vendors and/or carriers. They are also exploring innovative ways to provide support for the identified needs of their employees.
3. **Collaboration with employee resource groups (ERGs):** Employers are actively working with ERGs to identify and implement best practices for effectively communicating available resources to employees and their communities.

may have more difficulty navigating the health care system), which was estimated to be $978 billion in 2018.

A Deloitte Insights article also sheds light on the economic cost of health disparities. It states that addressing health disparities can help reduce costs while improving health outcomes, patient experience and competitive positioning. Inequities in the U.S. health system currently cost approximately $320 billion in annual health care spending, and if left unaddressed, the cost could reach $1 trillion in annual spending by 2040.

Disparities have significant cost implications for employers. In 2022, employment-based insurance was the most common type of health insurance coverage in the U.S., covering 54.5% of the population for some or all the calendar year. The cost of inaction can significantly impact employers' bottom line and overall business performance. For example, if employees who lack access to primary care inappropriately use emergency room care for nonemergency conditions, employer health care costs will likely increase. Business costs of poor employee health include decreased productivity, increased absenteeism and employee turnover.

As a result, many leading organizations view addressing health inequities and disparities as a business imperative for leading organizations, resulting in both a value on investment (VOI) and return on investment (ROI), described in the following section.

The Value of Inclusive and Equitable Benefits in the Workforce

Offering inclusive and equitable benefits can have a significant impact on workplace culture and foster a sense of belonging among employees. It sends a powerful message that employers value and support the diverse needs and well-being of their workforce. Companies can enhance well-being, reduce health care costs and improve overall job satisfaction. The Mercer *Health & Benefit Strategies for 2023 Report* found that 71% of employees want their employers to take proactive action in addressing societal and equity issues.

Investing in inclusive health benefits can lead to substantial financial returns, but the VOI extends beyond that. Providing equitable health benefits can improve employee engagement, job satisfaction and loyalty. Employees who feel supported in their health needs are more likely to stay with their employer, reducing turnover costs. VOI also includes improved morale, better teamwork and enhanced organizational reputation, which contribute to long-term success.

The ROI of fostering a sense of belonging includes reduced health care costs and increased productivity. Gallup research indicates that employees who feel a strong sense of belonging see

a 50-point increase in engagement, which improves financial performance.

How a Changing and Diverse Workforce Impacts Health Equity Efforts

Understanding how the makeup of the workforce is changing is a key part of improving health equity. Several factors—including globalization, demographic shifts, and increased awareness of the value of diversity and inclusion—are increasing diversity in the workforce. Examples of demographic shifts around the world include increases in racial and ethnic diversity, aging populations and gender equality in the workforce.

In the U.S., Hispanic, Black and Asian populations are projected to grow substantially. The U.S. Census Bureau projects that Hispanics will make up approximately 28.6% of the U.S. population by 2060, up from 18.5% in 2020. Similarly, the Black population is projected to reach 14.7% by 2060 compared with 13.4% in 2020. The Asian population is also expected to experience significant growth, rising to 9.1% of the population by 2060, up from 5.9% in 2020.

Many of these populations are considered marginalized and face numerous health inequities. Disparities in health care access and outcomes have been well-documented and require attention and action to ensure equitable health care for all individuals, regardless of their racial or ethnic background. Multiple studies have demonstrated that certain populations face a higher prevalence of mental health challenges, diabetes, cardiovascular disease and other chronic illnesses.

For example, data from the *National Survey on Drug Use and Health* (NSDUH) conducted by the Substance Abuse and Mental Health Services Administration (SAMHSA) reveals disparities in mental health outcomes among certain racial and ethnic minority groups. According to the survey, non-Hispanic Black adults had a higher prevalence of serious mental illness compared with non-Hispanic white adults (6.6% vs. 4.8%). Similarly, the *National Health and Nutrition Examination Survey (NHANES)* conducted by the Centers for Disease Control and Prevention (CDC) found that non-Hispanic Black adults had a higher prevalence of diagnosed diabetes compared with non-Hispanic white adults (13.4% vs. 7.6%).

Critical areas of impacts for marginalized populations include the following.

1. Health Care Access and Utilization

- **Language and cultural barriers:** Language barriers can hinder access to care and affect the quality of care received. The growing Hispanic and Asian populations will increase the need for health care services that are linguistically and culturally appropriate.
- **Health literacy:** Different populations may have varying levels of health literacy and experience in the complexities of the health care system, impacting their ability to navigate the system and make informed health decisions.
- **Access to quality care:** Due to many barriers related to SDoH, marginalized populations have experienced limited access to quality care and to a diverse network of health care providers who are culturally competent and sensitive to their unique needs.
- **Affordability barriers:** Affordability of care is a significant concern for marginalized populations, since they often face financial constraints. High health care costs can create barriers to seeking necessary medical treatment and preventive care, leading to delayed or inadequate health care. In some cases, it can lead to the overuse of costlier centers of care such as emergency rooms.
- **Access to medications:** High costs of medications can create significant barriers to adherence and negatively impact health outcomes. Research has demonstrated that individuals who struggle with affording medication are more likely to skip doses, delay refills or even completely forgo necessary medications. This nonadherence can lead to worsening health conditions, increased hospitalizations and higher health care costs in the long run. Data from the *National Health Interview Survey (NHIS)* reveals that individuals with lower incomes are more likely to report cost-related medication nonadherence. In fact, the *Commonwealth Fund 2023 Health Care Affordability Survey* found that many insured adults said that they or a family member had delayed or skipped needed health care or prescription

drugs because they couldn't afford it in the past 12 months. This included 29% of those with employer coverage, 37% who were covered by the marketplace or individual market plans, 39% who were enrolled in Medicaid and 42% with Medicare.

2. Chronic Disease Burden

Different racial and ethnic groups have varying prevalence rates of chronic diseases such as diabetes, hypertension and heart disease. As the demographic composition shifts, the overall public health focus may need to adapt to address the specific health needs of a more diverse population.

3. Health Care Workforce Diversity

A more diverse health care workforce that reflects the population it serves can improve patient-provider communication and trust. It can also enhance the cultural competence of health care providers, leading to better patient outcomes.

4. Policy and Advocacy

Policies that address systemic racism and promote equity in health care access and quality are essential. Advocacy for equitable health care funding, improved health care infrastructure in underserved areas and inclusive health policies can help mitigate disparities.

5. Research and Data Collection

Due to lack of consistent and adequate data collection across numerous stakeholders, there will always be a need for more inclusive research that considers the health outcomes of diverse populations. Improved data collection on race and ethnicity can help identify and address disparities more effectively.

Employers Are Not Alone: Exploring the Health Equity Ecosystem

The promotion of health equity requires a comprehensive and collaborative approach involving various stakeholders within the health equity ecosystem. This ecosystem includes the government, payers, advocates, private industry, clinicians, academia, communities and employers. Each of these stakeholders plays a crucial role in addressing health disparities and working toward achieving health equity described as follows.

Government

Governments can enact policies and regulations that address SDoH such as income inequality, education, housing and access to health care. They can also allocate resources to underserved communities and implement programs that target health disparities. In addition, governments can support research and data collection to better understand the root causes of health inequities and inform evidence-based interventions. Employers can leverage some of the best practices led by state and federal entities. For example, many states are currently reimbursing for doula services for Medicaid recipients. Some states have recognized the value in making bold moves to address the maternal health crisis, particularly with women of color, and doula support has been shown to improve health outcomes.

Payers

Health insurance companies and other health care funders have a role in ensuring equitable access to health care services. They can design benefit packages that prioritize preventive care, address the specific needs of marginalized populations and reduce financial barriers to care in close collaboration with employers. Payers also can collaborate closely with providers and community organizations to develop innovative payment models that incentivize quality care and address health disparities.

Advocates and Private Industry

Advocacy organizations can raise awareness about health disparities, advocate for policy changes, mobilize communities to address systemic inequities and hold stakeholders accountable for addressing health disparities. Private industry can contribute by implementing inclusive workplace policies, supporting community health initiatives, and investing in the research and development of health care innovations that benefit underserved populations.

Clinicians and Academia

Clinicians can play a vital role in addressing health disparities by providing culturally competent care, promoting health literacy and advocating for equitable access to health care services. Academic institutions can contribute through research, education and

training programs that focus on health equity and SDoH. Through collaboration, both sectors can increase the impact of their efforts.

Communities

Community engagement ensures that interventions are culturally appropriate, responsive to community needs and sustainable in the long term. By empowering communities to be active participants in decision-making processes, health equity initiatives can be more effective and impactful.

Building and Implementing a Comprehensive Health Equity Strategy

Mercer's *Survey on Health & Benefit Strategies for 2024* found that 78% of employers have implemented some action to address health equity. Actions to address inequities span across multiple employer sectors. The technology and pharmaceutical industries are leading the way in identifying innovative solutions for diverse populations. Retail and manufacturing are taking proactive steps, such as evaluating plan designs and collecting data, to identify the needs of their diverse populations. Other sectors are in the educational phase of learning about health inequities and considering how to prioritize within their total rewards efforts.

A holistic approach to advancing health equity in the workforce requires the development of a comprehensive strategy. The *Health on Demand* survey found that 12% of employers have developed a health equity strategy as part of their overarching DEI (diversity, equity and inclusion) strategy. A crucial aspect of any benefits program is assessing offerings through the lens of equity and inclusiveness. Steps to building a health equity strategy include (1) diagnosis, (2) landscape analysis and impact assessment, (3) inclusive benefits analysis, (4) monitor and assess, and (5) measure outcomes (Figure).

Best Practices

Employers may want to consider the following best practices for promoting health equity in benefit programs.

- **Collect demographic and utilization information.** Collecting demographic information, including race, gender identity or other relevant factors, can facilitate equity analyses. This data can help identify disparities

AUTHOR

Vikki Walton is a senior principal and health equity leader in the MercerWELL practice based in Chicago, Illinois. She also leads Mercer's Health Equity Center of Excellence. Walton has led numerous corporate diversity, equity and inclusion (DEI) efforts and is an award-winning national health care speaker. She holds an M.B.A. degree from Indiana Wesleyan University and a B.B.A. degree from Howard University.

FIGURE

A Comprehensive Approach to Health Equity

The Role of Cohorts

Employers are increasingly recognizing the importance of focusing on various cohorts and the unique challenges they face to achieve their health equity goals. These cohorts may include people with disabilities, with racial and ethnic disparities, in rural populations and at different age/life stages. They may also include women, families, LGBTQ+ individuals, veterans and low-wage earners.

One way to identify the needs of cohorts as they relate to benefits is to leverage employee resource groups (ERGs). Establishing and deploying these groups can be an effective way for employers to recognize and support diverse populations within their workforce. ERGs provide a platform for employees with shared identities or experiences to connect, share insights and advocate for their needs, particularly when it comes to their health.

Focusing on cohorts allows employers to make precise and meaningful interventions, optimize resources and drive measurable outcomes.

In addition, employers need to understand *intersectionality*, which refers to the overlapping identities and experiences of individuals. Employees may have multiple dimensions of diversity, such as race, gender, age, disability and sexual orientation. Acknowledging and addressing these intersecting identities can help ensure that all employees feel valued and included.

and tailor benefit programs to address specific needs. In addition, data can be used as a tool to measure the effectiveness of engagement and outcomes for marginalized employees.

- **Conduct an inclusive benefits analysis.** To promote health equity, employers can review and design inclusive medical and prescription drug plans that align with the goal of promoting fairness and equal access to health care. This process involves assessing various cohorts that align with the organization's priorities while reviewing the plans. By considering the needs and priorities of different groups, employers can create health care plans that are inclusive and equitable for all employees.
- **Provide equitable access to health care providers.** Employers can promote health equity by encouraging insurers to address the diversity of networks and to make sure that clinicians are culturally competent and trained to serve diverse populations. This ensures that employees have access to health care providers who understand and can meet their unique needs and should ultimately improve health outcomes. Payers can also work to guarantee that employees can easily identify their provider of choice.
- **Offer multilingual and inclusive benefit communications.** Language barriers can hinder employees' understanding and access to benefit offerings. Providing multilingual benefit and communications that uses inclusive language helps all employees to fully understand and utilize their benefits.
- **Ensure equitable family-building benefits.** This can be achieved by offering family-building benefits that support all kinds of families, such as covering fertility treatment without requiring a clinical definition of infertility or providing assistance for adoption or surrogacy.
- **Address SDoH.** By addressing SDoH, employers can help reduce health disparities among different groups such as rural populations, low-wage earners and other marginalized populations. Employers should work closely with their payer and third-party vendor partners to provide navigation services and digital telehealth tools as well as consider leveraging community health workers and other resources and support services that can meet the needs of those most vulnerable employees.

Conclusion

Focusing on health equity has become even more relevant and crucial for a diverse workforce. Employees from marginalized communities, including racial and ethnic minorities, LGBTQ+ individuals, persons with disabilities and those in other underrepresented groups, often face significant barriers to accessing quality health care. By prioritizing health equity, employers can actively address these disparities and ensure that all employees, regardless of their background

or identity, have equal opportunities for optimal health and well-being.

Creating a sense of belonging and inclusiveness for marginalized employees goes beyond providing equal access to health care. It involves understanding and addressing the unique challenges and barriers they may face in accessing and navigating the health care system. This can include language barriers, cultural differences, discrimination and bias. By actively working to eliminate these barriers and providing culturally competent care, employers can create an environment where all employees feel valued, respected and supported. BQ

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Building a Strong Culture in a Dispersed Work Environment

by **Cassandra Roth** | *Segal Benz*

Culture used to be the in-person vibe of a workplace. But today, with so many people working remotely, culture is much more than what happens when people gather in the same location—It's an intentionally crafted experience rooted in how you treat your people. From the expectations leadership sets to the support people receive as they go about their days, culture in a dispersed work environment is a foundational element that requires ongoing maintenance to be kept in working order.

Employee benefits play a big role in building a strong culture. Employees may use their benefits for the basics, such as health care and retirement savings, but the true differentiator is when they use their benefits to fulfill their personal dreams and aspirations. Examples might include taking time away for memorable vacations; using surrogacy, fertility or adoption support to add to their families; or getting legal help when purchasing their first homes. These milestones make an impact and enrich people's lives. Playing a role in these life-affirming moments can set you apart from other employers. Your company provided the support, and employees get to thrive. It's a virtuous cycle that can develop and support a culture of growth and positivity—and often leads to better results at work, too. People who are happier are typically more productive—12% more, according to one study.[1]

Often, organizations assume that their people value and appreciate the benefits they have just because the benefits exist. But the MetLife 2024 *Employee Benefit Trends Study* states, "Nearly two-thirds (62%) of employees are not completely confident they know about all the benefits and/or workplace perks offered to them, while almost half (45%) do not fully understand their benefits package."[2] Employees need reminders about what's offered so they can use their benefits when a need is top of mind. Also, your organization likely put a lot of time and effort into carefully selecting the best benefits—but employees don't know that unless you tell them. Showing how your benefits help employees in their day-to-day lives and sharing other aspects of total rewards are the best ways to communicate their value.

How do you communicate your benefits and total rewards in a way that connects the support you offer to the culture you'd like to cultivate? And how do you build such an envi-

AT A GLANCE

- Now that so many employees are working hybrid schedules or remotely full-time, it may be time for employers to rethink how to build organizational cultures.
- Establishing a strong culture in a hybrid environment likely requires a new mindset and approach that emphasizes shared values, attitudes, behaviors and standards of the workplace or organization.
- Storytelling helps shape culture, and identifying an organization's unique story is essential. Messages might include communicating how benefits support employees. Delivering the message effectively requires a communication strategy and a plan.

ronment when it seems like everyone is working in a different place?

Your Location Is Not Your Culture

First, let's tackle the myth that a solid workplace culture requires an in-person element. We used to think that culture was what happened inside the office, but technology has made it possible for the office to be almost anywhere. This can feel overwhelming on a few levels. If the office is everywhere, what is the responsibility of the workplace to create and build healthy habits? And, if we work where we live, can we ever really leave the office?

Understandably, some workplaces have had a gut reaction to bring everyone back together in person since that's what's always worked in the past. However, people value flexibility and remote working opportunities more than ever. When offered a chance to work remotely, 87% of people take the option,[3] indicating a strong desire from most to work from home. While it's not known exactly how many people are working from home now (the Massachusetts Institute of Technology says there is a measurement problem), the figure is believed to be as high as 50% of the workforce.[4]

So if you can't depend on gathering in person to build and maintain culture, how do you do it?

Shape Your Culture by Telling Meaningful Stories

Your culture is the shared values, attitudes, behaviors and standards of your workplace or organization. While having statements and policies about culture is an important component, these written statements are not enough to shape your culture. It's how these shared beliefs play out over the course of a day or a career that informs others of how to feel and behave at work. Sharing these experiences through stories can be a powerful way to build or change culture. In fact, as one researcher states, "People are more likely to change their lifestyles when they see a character they identify with making the same change."[5]

First, identify people who exemplify the culture you want to promote. Perhaps employees are struggling with stress management. Choose a few leaders or other respected individuals in the organization who practice healthy habits and highlight their stories with a campaign that connects the dots between excellent work, lifestyle behaviors and the support they receive from the workplace.

You can tell these stories in a variety of ways. It can be done as a "day in the life" campaign, or it can focus on one area of culture. For example, if one of your values is community, you can craft a campaign that shows how workers create community both inside and outside of work.

Perhaps you have a volunteer day that can be featured in this campaign or an initiative led by an employee resource group to highlight. Maybe one of your employees leads a work group and also volunteers where they live, and your organization's policies and benefits help create extra time to volunteer. Showing how the organization embodies a value and supports it beyond the workplace is a testament to your culture.

Consider this scenario: Alex is a working parent who is juggling high-level responsibilities at work and big, important moments at home. You can tell them all about resources like well-being and lifestyle spending accounts. But what they hear is, "Here's another thing to do." And with a never-ending to-do list, that's not particularly helpful.

Instead, you can have a meaningful conversation while sharing the support you offer as an employer. It helps to be conversational and share real-life examples when possible. You might say something to Alex like, "Do you know Morgan in accounting? They also have a three-year-old. They block their calendar on Friday mornings to take a yoga class after day care drop-off and pay for the class with the company-provided funds in their lifestyle spending account. Isn't that great?" That's a much more relatable experience, and you've still shared all the same details. You've also planted the seed that not only is it OK to use your benefits this way, but it's celebrated and encouraged by leadership. Alex will be more likely to use their benefits if usage is modeled and reinforced by having this information shared either in conversation or through communications. Help business partners and managers in human resources facilitate these conversations by creating talking points that include what to look and listen for as well as real-life scenarios to share.

The stories you tell help mold and hold the working environment. Whether that's through real individuals' testimonials or fictional scenarios, the most important element is telling a story that sticks.[6]

Showcase Your Support by Highlighting Benefits

You know you want to use storytelling and testimonials, but what should your communications focus on to build a great culture? Consider centering your story around the support you offer your people. Benefits that go beyond basic health and wealth offerings can be strong foundations for your culture.

The following are examples of benefits that employees may appreciate.

- Education and tuition benefits (these may be particularly appealing to younger workers)
- Expanded mental health support that includes traditional elements, such as counseling, and new methods of support, such as meditation and sleep habit apps
- Chronic condition management programs that ease the burden of coordinating medical care and day-to-day needs for conditions such as diabetes and hypertension
- Inclusive benefits for a variety of needs. This could be determined based on participation in affinity groups, such as those for LGBTQIA+ or neurodivergent individuals, or specific to your population's health needs. For example, if employees have a high level of musculoskeletal issues, highlighting those benefits that may address those concerns can be especially helpful.

To decide what to highlight, take a look at your data and ask the following questions.

- Who are we hoping to attract and retain now?
- What is the current makeup of the organization by age and location?
- How healthy are employees?
- Do people living in certain areas face particularly high cost-of-living pressures?
- What benefits would most improve employees' quality of life?

By answering these questions and others, you can shape personas of your people and develop meaningful communications that connect the most valuable benefits to those who need them most.

By making benefits a part of the culture, you communicate that you care about employees as people. This often-repeated statement frequently rings true: "If you take care of your people, they'll take care of your business."[7]

Connecting Your Culture and Your Benefits by Communicating the Total Package

OK, we're rounding the bases: We know that storytelling is powerful and great benefits can have a big impact on supporting workers. Third base is connecting the two to influence how people feel. As an organization, you've put a lot of thought and effort into a total rewards package. It's likely this package has been assembled with great care and consideration around employees' needs, their contributions and the organization's plans. Tell that story.

It can start with a total rewards philosophy. You may already have a total rewards philosophy or statement that is exclusive to leadership but not shared with all employees. Build on that leadership-facing statement, but make it people-facing and share it with your employees. This philosophy should answer questions like: Why are your people here? What does your organization value? How has it decided to reward its people? What should your employees know about how much your organization cares?

Layer that with testimonials about what's offered. Who's knocking it out of the park and really making good use of their benefits? What about that person who had a life-changing experience thanks to their benefits? How have people used their total rewards to retire? What is the thread in all of these stories that helps employees bring their best selves to work? Communicating these stories is critical to culture building because happiness, productivity and flow are contagious.[8] When you're building and maintaining a culture across in-person, hybrid and fully remote environments, it's likely best to be proactive in sharing stories. These stories should spread the word about the culture you want to hold, and they should encourage people in all locations to use their benefits, not just the people who are working on site.

Going on one run doesn't make you ready to tackle a marathon. To compete in that race, you need to put in the miles and build your endurance over time. Culture is no different. Saying you have a culture or stating what your culture is won't build the foundation to support the culture you want to have. Culture isn't what you say, it's what you do—and how everyone behaves and

acts. It's important to live and breathe the culture and communicate it on a regular basis to ensure that it can succeed.

This can feel foreign, since much of past culture building revolved around office walls or campus boundaries. The days of gathering in a conference room to celebrate a birthday or getting together after work for dinner and drinks may be gone in many workplaces.[9] And it's true that without social opportunities in the workplace, the world has become a lonelier place. In 2023, the U.S. Surgeon General released an 82-page report, *Our Epidemic of Loneliness and Isolation: The U.S. Surgeon General's Advisory on the Healing Effects of Social Connection and Community*,[10] which prompted many to assume that the answer might be a return to offices and on-site work.

But hybrid and remote work has many benefits that a lot of people are not willing to give up. Conveniences such as being available for school pickup or the ability to schedule a midday doctor appointment without taking a whole day off from work have positively contributed to people's mental and physical health. All signs (and studies[11]) point to the future of work continuing to include hybrid or remote options. It's increasingly important to build a culture that exists both inside and outside a physical workplace. That means less in-person demonstrations of culture and more intentional outreach to share your values, making telling your story critical.

Keep the Communications Flowing With a Detailed Strategy and Plan

Once you've got the foundation built, it's time to set up a plan. Which communications channels are most effective for your population? Do you need to use multiple methods of communication? How often is too often? How much is not enough?

All these questions should be answered in a strategy session that leads to a communications plan. Depending on your organization, this might mean monthly emails and quarterly digital campaigns. Or, you may need to incorporate some traditional ways of communicating, such as on-location fliers, in-person handouts and home mailers.[12] If you have a variety of people in different locations at your workplace, it may be a combination of methods of outreach, such as the following.

AUTHOR

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- Provide printed communications for people who don't work at computers.
- Send materials to homes for family members/dependents.
- Create responsive websites that can be easily accessed anytime, anywhere.

The most important thing to do is what's most effective for your organization. It comes down to knowing your employees and supporting them best, both through their benefits and how they are communicated.

What to Expect When Crafting and Communicating a Positive Culture

The side effects of a healthy culture—and sharing its success—may include the following.

- **Improved retention.** Organizations with employees who feel a sense of belonging at work see a 62% increase in employee-estimated tenure.[13]
- **Contagious productivity.** Happy and productive employees enter a "flow state"[14]—They're in the zone, and they're happy to be there.
- **Reduced health care costs.** Since 75% of medical costs are due to preventable conditions,[15] promoting a culture of well-being can lead to significant cost savings in addition to better, healthier outcomes for employees.

It's up to your organization to define and maintain culture in a dispersed work environment. And that's great news, because it's within your power to create a strong story that shows your people how much they're valued and how their work aligns with a bigger purpose. So as you begin your journey to build a culture that's accessible anywhere, start with this question: What story will you tell to connect your people? BQ

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Demographics, Longer Term Financial Risks and the Emerging Workplace Culture

by **Anna M. Rappaport** | *Anna Rappaport Consulting*

The employer's role in helping employees identify and manage their benefits and longer term financial risks is an important part of workplace culture. This role can be viewed on a spectrum: At one extreme, employees have an opportunity for lifetime employment and risk protection. This extreme is identified as a "paternalistic" culture and can be accompanied by a major sense of loyalty between the employer and employee. At the other extreme is a transactional relationship, whereby an individual is hired to do a single task and is paid for that task only. That individual is responsible for their own risk identification and protection, and there is no other tie between them and their employer.

Death, disability and sickness may happen at any time, sometimes without warning. These risks can significantly impact individuals, their families and others who count on them. Before the industrial age, an extended family or local community generally supported individuals without a formal financial system for risk pooling. That changed with industrialization as individual households moved to be near a place of work and employers began playing a major role in risk pooling. In the 1970s and 1980s, major U.S. employers often assumed important longer term financial risks for employees through defined benefit (DB) pension plans for retirement security, company-paid life insurance for premature death, long-term disability (LTD) programs for preretirement disability and health plans for medical care needs.

These employee benefit plans were developed and, for the most part, maintained over more than 50 years. In historically paternalistic cultures, the employers played major roles in assuming the risks, but employees had few choices. Some employers mitigated part of the risk through insurance, but in reality, they still assumed much of it since the claims and investment experience would generally affect the rates the insurer charged going forward.

Today, the culture, workplace and the demographics of the workforce are very dynamic and different. The culture

AT A GLANCE

- Workplace culture is influenced by employee benefits and has become less paternalistic, with a greater focus on individual responsibility. The shift away from defined benefit (DB) pension plans is part of this change.
- Demographic issues—including increasing lifespans, changes in family structure, gender differences and fertility rates—interact with how risks have shifted. They can impact the culture, and they have a great impact on the labor market, economy and retirement system.
- Employers can take steps—such as employing automatic features in defined contribution (DC) retirement plans or improving disability benefits—to enhance retirement security for their employees without a drastic change in risk assumption.

is heavily focused on individual options, responsibility and decision making. Some of the emerging demographic trends create employee benefit issues that interact with individual responsibility. The risks identified earlier are borne much more heavily by employees, who are often self-insuring them (and likely not focusing on them) and leaving gaps in their longer term security. The culture of many workplaces has changed, and some employers have been hesitant to assume risks, or made major reductions in the risks they assume, to provide long-term employee financial security.

This article will discuss the challenges raised by the emerging demographics and culture and their tie to longer term financial security. These challenges affect benefits provided for health, death, retirement and disability (including those embedded in retirement plans). The article will offer some suggestions for improving retirement security without requiring employers to take unacceptable risks. It will cite Society of Actuaries (SOA) research, including the publication *Managing Post-Retirement Risks: Strategies for a Secure Retirement* (Risk Chart)[1] as well as other research. SOA research also discusses issues including demographics and those related to emerging risks and retirement programs.

This article is heavily influenced by my personal experiences and perspectives. From 1976 to 2004, I was employed in a large employee benefits consulting firm and was involved in the structuring of retirement benefits and the strategy used by larger and medium-sized U.S. companies to help employees maintain long-term financial security. From 1958 to 1976, I was employed at both large and small companies in the life insurance industry. In the early 1970s, my focus was on the future of financial services and how the interaction of demographic and societal changes would impact the financial security of people in the U.S. Since the mid-1990s, I have been a major contributor to SOA's postretirement risk research, much of which focuses on understanding the perspective of the individual and how the retirement system is working. I bring to this discussion insights based on the perspectives of different types of stakeholders: the individual, the employer and the financial services industry.

Retirement and Shifting Views of Risk: My Experience

Risk is linked to opportunity and has an upside and a downside. My story illustrates both. It turned out that it was advantageous for me to be employed by a publicly owned consulting firm rather than a partnership because that offered my firm access to the capital markets. The consulting firm grew a great deal, partly due to acquisitions of important consulting firms worldwide. I experienced the benefits of ownership of a tiny piece of this company but also the risks and the downsides. From 1988 to 2024, there were six years in which the stock increased more than 40% and one year in which it decreased more than 30%. The stock price decreased in 12 years during this period.*

I had a defined benefit (DB) retirement plan and investments in company stock. As a senior professional in the firm, my company stock investments were in the form of stock options, bonuses and a supplemental savings plan. I viewed these investments in company stock as analogous to providing capital to a partnership. Either way, I would have had an ownership interest and strong concern about the success of the firm because my money was invested in it. In the partnership, the money would be paid in to buy a share of the firm, and in the public company, I would be a shareowner. In each situation, my interest would be a tiny part of the total firm. My stock investments increased significantly, and I cashed out and used my stock options to buy housing before the 2005 decline in the housing market. The company experienced some challenges, and the stock values were down for several years. I also experienced some losses, which reduced my assets moving into and during retirement, but my DB retirement benefits were unaffected. Overall, I did well, unlike the employees of Enron who found that their retirement benefits were wiped out by the decline in the value of Enron.**

*Jacob Hacker. *The Great Risk Shift*. Oxford. 2019. Describes the Enron situation.

**The 2021 Mercer *CFA Global Pension Index* report included a special chapter on gender disparities and documented that gender disparities can be found in many different countries. The study highlighted four countries with a gender pension gap of almost 50%. www.mercer.com/en-ca/insights/retirement/defined-benefit/mercer-cfa-institute-global-pension-index.

A Focus on Security and Stability

The focus of this paper is on security and the sharing of risk between individuals and employers. The environment of the 1970s—particularly for larger employers in businesses such as financial services, manufacturing, pharmaceuticals, energy and others—was paternalistic, creating the expectation of security and stability to white-collar employees. Overall, the employment environment could be described as relatively stable but offering low flexibility. The following is a look at the typical attributes of employee benefits and employment.

- Employment included job security with pay systems that allowed for gradual increases in pay over careers.
- Full-time jobs were the norm.
- Employees and employers had expectations of long-term employment, with many organizations hiring new employees out of college (or high school) and offering growth in defined career paths (primarily for white men).
- Women were increasing their participation in the labor force, and a few were entering professional roles, but it was rare for them to advance to senior roles. Disparities by race and ethnicity were normal but often not tracked.
- Benefits for long-service employees offered the opportunity for a secure retirement and included cash and medical benefits.
- Long-term security was also enhanced by company-paid group life insurance, plus the option to buy additional life insurance, which included a waiver of premium on disability.
- Companies typically offered medical, dental and LTD benefits.
- Retirement benefits for salaried employees typically included inflation protection until the time of retirement, either by basing the benefit on final average earnings or by implementing ad hoc increases in benefits.
- Retirement benefits were designed to be a second layer on top of Social Security.
- Many organizations had separate retirement programs for hourly and salaried workers, with unionized workforces often having more generous benefits.
- Employees typically had limited choices in their benefit plans.
- Jobs and career paths were often well-defined. There were few layoffs in white-collar jobs, and companies often moved employees into new roles if the situation changed.
- Loyalty was generally expected both by companies to their employees and by employees to their employers.
- Change and decision making often occurred very slowly.
- The regulation of benefits and employment increased over time.
- There was little focus on financial literacy or concern about gaps in financial literacy and retirement planning.

Key Demographic Issues

Demographic issues—including increasing lifespans, changes in family structure, gender differences and fertility rates—interact with how risks have shifted. They can impact the culture, and they have a great impact on the labor market, general economy and retirement system.

Lifespans

Lifespans have increased dramatically over the last century, leading to longer periods of retirement. Much of the overall change came from decreases in infant mortality and early deaths. However, people are experiencing lengthier periods of chronic illness and limitations. Table I displays how life expectancy increased from 1900 to 2015.

TABLE I

U.S. Life Expectancy at Birth in Years—1900 to 2015

	All	White	Black
1900	47.3	47.6	33.0
1980	73.7	74.4	68.1
2015	78.7	78.9	75.5

Source: "Life expectancy at birth, 65 and 75. 1900 to 2016." Centers for Disease Control and Prevention. www.cdc.gov/nchs/data/hus/2017/015.pdf.

Longer lifespans also interacted with changes in fertility in many countries, leading to major changes in the age distribution of the population and an increase in the aging population.

Gender Differences

There are major differences by gender in lifespan, marital status, work history and where people live in retirement. Table II illustrates differences in marital status.

TABLE II

Marital Status by Age and Gender Among Older Americans

Marital Status	Men		Women	
Age Group	65–84	85+	65–84	85+
Married	72%	51%	48%	13%
Divorced or separated	13%	7%	17%	7%
Widowed	10%	38%	30%	75%
Never married	5%	4%	5%	5%
Total	100%	100%	100%	100%

Source: Renee Stepler. *Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children.* Pew Research Center. 2016. Data is based on tabulation of *2014 American Community Survey* and adjusted for rounding.

Women are more likely to need long-term care and less likely to have access to a family caregiver. The SOA report *Women and Post-Retirement Risks* summarizes the differences in demographic characteristics, family status, job history and needs in retirement. Single women are less well-off than couples and single men. Gender disparities in retirement are found in many countries, with women having significantly less resources.[2]

Family Structures

The family structure of the population is changing, with fewer people marrying and more never marrying (Tables II and III).

TABLE III

Marital Status of U.S. Adults Age 18+

Percentage of Adults Age 18+	1970	1990	2021
Who are married currently	69%	59%	50%
Who were never married	17%	23%	31%
Previously married, but not married now	14%	18%	19%

Source: Pew Research: *The Modern American Family.* Pew Research Center. 2023. www.pewresearch.org/social-trends/2023/09/14/the-modern-american-family.

The SOA report *Family Is Important to Retirement Security*[3] provides an overview of different ways that family members support each other into retirement and how the situation is changing by generation. Family members are a first source of help when it is needed, but they are usually not involved in planning. The report summarizes findings from 20 years of SOA research and gives references for more detail.

Traditionally, couples have been better off than singles in retirement. Family trends, looking ahead, will mean more retirees will be alone in retirement, and fewer older persons will have adult children to help them. Singles also have less overall accumulated assets, and single parents are more often financially stressed, with little chance to save for retirement. Adults without siblings may have parents who need help as they age, but they will not have siblings to share in providing that help. Helping parents over a long time tends to be a deterrent to saving for retirement.

They Call This the "Shift"

The Great Risk Shift[4] by Jacob Hacker reviews the shift in risk in employee benefits, but also in employment security and family status. Hacker illustrates how the interaction of these factors impacts lifetime economic security. He stresses the change in culture driving public policy and employer decisions based on an underlying focus on individual responsibility. At the same time, he points to factors contributing to insecurity that are beyond the control of the individual. He does not focus on the culture and value of risk-taking by investing in a business and trying to earn part of its profits.

TABLE IV

The Employment Culture: Going Beyond Benefits (Financial Security and Employment)

Area of Culture	Typical Situation 1970s	Typical Situation Today	Comments
Overall culture	Paternalistic, risk pooled and assumed by employer	More employee responsibility, flexibility, individual bears more risk	
Location of work	Work conducted at employer location	May be remote, on site or hybrid	
Job security	Expected for white-collar jobs	Much lower for all types of jobs	
Loyalty	Strong two-way loyalty in many situations	Little loyalty in many situations	This is a major area of concern.
Favored groups	White men had preferred access to better jobs.	Much more focus on diversity, equity and inclusion (DEI)—situation varies by employer	
Ownership opportunities	Supplemental savings plans or other retirement benefits were sometimes invested in company stock, and some plans did not give employees a choice. Senior employees' incentive plans often included stock incentives.	Employees have opportunities to own stock, sometimes as part of retirement savings. Same for senior employees	There are major concerns about risk when retirement funds are invested in company stock. Ownership is a way to build wealth, but company failure can mean loss of wealth in ownership interest and loss of job.
Flexibility	No or very little flexibility in structuring job, choosing benefits and place of work	Much more flexibility in structuring job, choosing benefits, place of work—depending on firm	Evolving area
Part-time work	Part-time jobs generally had defined work schedules.	Part-time jobs may have no flexibility and constant change in employer-mandated schedules.	Some part-time jobs have become extremely difficult due to scheduling practices as well as unpredictability of amount of timing of work.
Work/family	Not a widely recognized issue	Much more focus on supporting work/family issues	Increasing recognition that this is a business issue
Speed of change	Very slow	Very fast compared with historical norms	
Role of employer in career development and training	Significant support for some jobs	Much less support and more difficult to apply when there is remote work	This is an area that is being sorted out in the world of work.

Source: Created by author.

Table IV on the previous page provides an overview of the culture shift from paternalism, risk pooling and little flexibility to individual responsibility for risk, employee flexibility and participation.

Where We Are Today: Individuals Make Choices, Bear Risk, and Face Change and Instability

This article is focused on workplace culture, financial security and bearing of risk. The current culture is one where employers largely avoid bearing long-term risk, but they offer flexibility, more work-life balance, and benefits to employees who make choices and are much more responsible for their own financial security. The underlying culture has shifted from an emphasis on paternalism, risk pooling and caring for employee needs to greater weight on individual responsibility, flexibility and focus on current period financial results.

The Reality for Business

Businesses have had to face many changes over the past 50 years, and the pace of change has accelerated over time. Some of the changes that have affected benefit plan sponsors include globalization, shifting locations of company facilities, mergers, spinoffs, layoffs, automation, changing workforces, regulations, economic cycles and an increased focus on current earnings and results for shareowners. The consequences of these changes include more pressure on management and contribute to the cultural shift that focuses on more employee responsibility and much less risk bearing and pooling by the plan sponsor.

The Reality for U.S. Households

The goals and choices of U.S. workers vary by generation and time period. Many Americans place a high value on flexibility and the ability to lead their lives as they wish rather than committing all their energy to a job. Younger employees also place high value on the purpose of the organization they serve and on feeling they are doing what is right for society.

A substantial number of people in the U.S. are financially fragile. Many are planning and managing their money week to week[5] and have no easy access to emergency funds. Nearly one-third (30%) of Millennials are reported to be financially fragile, making them the generation that is most likely to fit this description. Often, the financially fragile are not in a position to save for retirement immediately. Financially fragile Millennials will not be ready to save for retirement until they get their lives stabilized. Individual situations vary, but examples of the issues to be addressed include lack of knowledge about budgeting, high debt levels, regular bills that equal or exceed regular income, being unbanked and absence of resources for emergencies.

Financial fragility coexists with gaps in financial literacy and retirement planning. Studies repeatedly show gaps in financial literacy among U.S. workers, including a lack of understanding of how compound interest works. SOA research has found that these gaps translate into major gaps in retirement planning, including short planning horizons and failure to consider risks and unexpected expenses. SOA research has also found a lack of investment knowledge among all generations[6] and documents that many people erroneously believe that Medicare will pay for long-term care.

Findings from recent SOA focus groups conducted with 35- to 45-year-old individuals indicate that many of them expect to retire at very early ages, but some make no connection between building resources for retirement and the ability to retire. These individuals expect to retire, but they have no idea how much money they will need or where it will come from.[7]

The reality is that many households are missing some of the ingredients needed to successfully manage a personal long-term financial plan. These ingredients include resources, knowledge, discipline and more.

The Employer Response: The Risk Shift, Financial Wellness Programs and Flexibility

Employers have shifted their benefit programs away from risk assumption and risk pooling to offering employees opportunities to assume responsibility for their own security.

Many employers have implemented financial wellness programs, which can provide individual coaching as well as resources. These programs generally recognize that employers need to understand where employees are and help them work through immediate difficulties if they are not sta-

bilized. While they help employees get stabilized and to save and manage more effectively, they may still leave gaps in risk protection.

Employers today are much more likely to recognize that employee situations vary and that their situations can affect work performance. Many employers also know that it is important to understand the forces that cause stress and help employees deal with stress and financial issues. The period of the COVID-19 pandemic stepped up the recognition of individual employee challenges. Employers became more willing to be flexible so that employees could meet their personal needs as well as their business needs. They offered perks such as schedule flexibility, family medical leave, support groups and referral services. Table V on page 28 compares the risks and benefit areas (retirement, health and dental, life insurance and disability) that employers typically provided for financial security in the 1970s with those provided today. Table VI on page 29 describes the same risks for workers who don't have employer-provided benefits.

Conclusions

The culture change, business environment and risk shift have left many individuals in a situation of financial insecurity both pre- and postretirement. At the same time, individuals have more flexibility and more choices about how they will lead their lives. Individuals covered by employer plans may struggle to achieve security and stability due to the high cost of a college education and housing, current wage levels and benefits based on individual responsibility, with employers paying a decreased share of the cost. Individuals without employer plans are even more vulnerable. Both groups are at risk if they have low financial literacy and are unable to get steady jobs that pay well.

Moving Into the Future: Issues and Steps for Employers

Employers can take several steps to improve retirement security for their employees without a drastic change in risk assumption. Examples are detailed below.

- Implement modest increases in risk protection. A variety of hybrid arrangements are possible that share risk in a more balanced way between the plan sponsor and plan participant. Examples include pooled defined contribution (DC) plans that offer lifetime income as well as shared risk DB plans. Note that most shared risk plans would require legislative change to be used in the private sector in the U.S.
- Support and facilitate employee emergency savings and fund buildup.
- Include provisions in DC plans to improve retirement security, such as:
  - Automatic enrollment
  - Automatic escalation of contributions
  - Employer contributions not tied to matching employee contributions
  - Default investment options
  - Link between savings and student loans
  - Lifetime income options
  - Limitations on loans and withdrawals prior to retirement.
- Implement wellness programs with emphasis on longer term financial and other retirement planning. Elements may include the following.
  - Tools and coaching to help employees make good choices, understand options, and see and connect with their progress in saving
  - Help to stabilize the financially fragile
  - As-needed coaching on budgeting, credit management and retirement savings
  - Emphasis on events and needs linked to life stages
  - Encourage longer term thinking and focus on unexpected as well as expected expenditures
- Implement an autoenrolled individual retirement account (IRA) if no other retirement plan is available.
- Consider return to a DB plan or implement a DC plan design with risk-sharing provisions mentioned above.
- Improve disability benefits. Suggestions include the following.
  - Provide access to disability coverage and insurance so that a disability does not wipe out retirement savings or create too much risk for the employee.

TABLE V

Financial Security for Employees With Employer-Provided Benefits (Benefits Typical for Larger and Medium-Sized Employers)

Risk/Area of Benefits	Typical Coverage 1970s	Typical Coverage Today	Comments
Retirement—longevity, inflation and investment risk	Employer-paid defined benefit (DB) plans were typical, often including preretirement inflation protection, supplemented by employee savings plan with payroll deduction. DB benefits were paid as lifetime income with income to spouses. Many plans credited service during longer periods of disability. Plans were designed to work well with Social Security.	Defined contribution (DC) plans are typical, and they might have employer matching contribution or other support. Employee bears investment risk and uses default or makes investment choices. Benefits are usually paid as lump sum or installments.	DC plans do not provide inflation, longevity or disability protection. DC benefit accumulations are much higher for higher income individuals. Financial literacy gaps are commonplace.
Medical and dental coverage for active employees	Employer-paid coverage was provided, often with employee contributions. Family members were covered. There were relatively low deductibles and not much managed care. Not many choices were available. Medical coverage is an important factor in job choice, and families with any health problems at times felt locked into their jobs because of medical benefit issues.	Medical costs are a major societal issue. Access to medical care is an issue in some areas. Employer-paid coverage is provided but often with substantial employee contributions. Some plans feature high deductibles and may include spending accounts. There is much more managed care and many more choices. Family coverage is usually offered, but there may be limitations.	In the 1970s, there were few options for working-age individuals without employer coverage. Individuals with very low income were income covered by Medicaid. The number of uninsured Americans was a big issue. Today, state exchanges offer choices to individuals and serve as an alternative to employer coverage. Employer coverage remains the preferred coverage for most people who have access to it. Medicaid has been expanded in some states.
Medical and dental coverage for retired employees	Larger employers often continued medical plans to retirees pre-Medicare eligibility. Post-Medicare, a smaller number continued coverage to retirees, but the coverage was secondary to Medicare. Contributions were often required from retirees, and there were often service requirements to get this benefit. Dental coverage could also be continued. Medicare did not include prescription drug coverage.	There is a major decline in employer-provided retiree health coverage. A number of employers offer continued coverage prior to Medicare. Retirees are also able to buy coverage from the state exchanges. Substantial contributions are often required for these benefits. Medicare offers options for Medicare Advantage plans and drug coverage. Retirees must make regular elections that can be complex.	In the 1970s, medical coverage was a real factor in some retirement decisions because there was no individual coverage available prior to Medicare except for individuals with very low incomes. State exchanges have changed that. Now everyone can get coverage, but it can be very expensive and may have coverage gaps. Medicare covers very little long-term care (LTC), and most people do not have LTC insurance or a plan for LTC. Individuals may become eligible for Medicaid if they spend down their assets.
Life insurance	Most employers provided a base level of life insurance to employees with the option to buy additional coverage. Waiver of premium coverage was typically included. Some offered small amounts to spouses and small amounts after retirement.	Base level of coverage has been substantially reduced.	The employer's role in life insurance has been reduced.
Disability protection	DB pensions and life insurance included disability protection of these benefits. Medical benefits might be continued on disability as well. Many employers offered long-term disability (LTD) benefits to provide income protection during disability. This benefit may be voluntary.	DC benefits do not include disability protection. In addition, account balances are vulnerable to being withdrawn and used during periods of disability. LTD benefits may be less generous than before.	Social Security offers disability income to individuals with long-term disability that is subject to more stringent standards of disability than most employer plans. Medicare provides health benefits to individuals with longer term disability (after two years). There are major gaps in disability protection today, little awareness of the issues and, potentially, major challenges for families.

Source: Created by author.

TABLE VI

Financial Security and Risk Protection (*Individuals Without Employer-Provided Benefits)*

Risk/Area of Benefits	Typical Sources 1970s	Typical Sources Today	Comments
Retirement—longevity, inflation and investment risk	Social Security Individual retirement accounts (IRAs), but few people saved on their own Personal assets	Same as the 1970s, plus state plans offer mandated savings opportunity in some states.	No risk protection for individuals. Financial literacy gaps create challenges. Cash-based workers may under-report income for Social Security crediting purposes.
Medical and dental coverage—before Medicare eligibility	Often uninsured Might have been able to get coverage through an association	Medical costs are a major societal issue. Access to medical care is an issue in some areas. State exchanges and Medicaid are major sources of coverage. Some individuals travel outside of the country for medical or dental care because costs are much lower.	In the 1970s, there were few options for working-age individuals without employer coverage. Individuals with very low income were covered by Medicaid. The number of uninsured Americans was a big issue. Today, Medicaid has been expanded in some states. While uninsured Americans remain a problem, the number has dropped.
Medical and dental coverage—Medicare-eligible individuals	Medicare, starting in 1965	Today, Medicare offers options for Medicare Advantage plans and drug coverage. Retirees' annual elections can be complex. Medicare covers very little long-term care (LTC), and most people do not have LTC insurance or a plan for LTC. They may become eligible for Medicaid if they spend down their assets.	In the 1970s, medical coverage was a real factor in some retirement decisions because there was no alternative coverage available prior to Medicare except for individuals with very low incomes. State exchanges have changed that. Now everyone can get coverage, but it can be very expensive and may have coverage gaps.
Life insurance	Social Security survivor benefits and a very small lump sum Individually purchased life insurance	Same as in the 1970s	
Disability protection	Social Security Individually purchased coverage	Social Security offers disability income to individuals with long-term disability that is subject to more stringent standards of disability than most employer plans. Medicare provides health benefits to individuals with longer term disability (after two years).	There are major gaps in disability protection today, little awareness of the issues and, potentially, major challenges for families. Cash-based workers may under-report income for Social Security disability crediting purposes.

Source: Created by author.

  - Evaluate how disability options work for people who are unable to work to higher ages.
- Enable work options to allow a gradual shift to full retirement.
  - Part-time or part-year work
  - Rehire retirees for special projects, as mentors or to fill in as needed
  - Independent contractors
  - Pool of individuals to use as needed
- Reevaluate pay, particularly for jobs with very low wages or gaps in pay by minority or gender status.

Moving Into the Future: Issues for Policy Makers

Policy makers have several big questions to answer, and the retirement security situation of the future will be influenced by public policy and the overall culture as well as actions of employers and individuals. Several possible directions for future action are discussed as follows.

- Modify pension laws and regulations so that it will be possible to offer benefits that pool more risk without shifting all risk to employer organizations. Traditional DB and DC plans put risk very heavily on one side or the other of an employer-sponsored arrangement—either the plan sponsor or the individual participant. Arrangements that better allocate risk between the two parties are possible, but they will generally require some modifications in U.S. law.
- Improve Social Security and Medicare to provide a better minimum benefit as a substantial percentage of the population only relies on government benefits. Both systems need more funding to pay for current benefit levels. Policy discussions must balance reducing or reallocating benefits and adjusting taxes to fit a desired benefit pattern.
- Supplement the employer system with a mandate, such as those provided in current state plans, so that individuals not covered by employer plans are participating in retirement savings beyond Social Security.
- Move away from a system where the employer relationship plays a major role in employee benefits to a more universal system. The U.S. is relatively unusual in this regard, but the culture has strongly favored the employer system, and it has worked quite well for some people.
- As the population is living longer overall and as many individuals would prefer to continue to work on some basis as part of retirement, work to create new and better work options for older individuals. At the same time, revisit disability benefits to recognize that some individuals are unable to work longer and that there are major disparities in lifespans.

AUTHOR

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Any of these directions requires substantial change and bringing together parties with diverse points of view to work through potential future policy directions. BQ

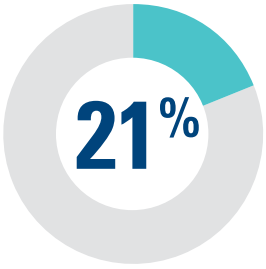
Endnotes

1. This SOA publication identifies risks in three categories: economic risks, personal planning considerations and unexpected events. www.soa.org/49b4e9/globalassets/assets/files/resources/research-report/2020/post-retirement-strategies-secure-chart.pdf
2. www.pewresearch.org/social-trends/2023/09/14/the-modern-american-family/
3. www.soa.org/491bb5/globalassets/assets/files/resources/research-report/2020/family-retirement-security.pdf
4. Jacob Hacker. *The Great Risk Shift*. Oxford. 2019. This is the second edition of a book that documents the shift from economic security to economic insecurity over the last 50 years.
5. *Exploring Financial Fragility Across Generations, Race and Ethnicity.* SOA. 2021. Looks at the results of the last SOA Generations study to provide insights into how many people are financiallyl fragile, their characteristics and the effect on financial planning. The field work for this study was done in 2021.
6. *Financial Perspectives on Aging and Retirement Across the Generations.* SOA. 2021. Indicates that a substantial share of each generation say they are investment novices, and only about one in four say they are investment pros. (see page 31) www.soa.org/resources/research-reports/2021/generations-survey.
7. *Retirement Planning and Decision Making Among Early and Middle Aged Adults.* SOA. 2023. www.soa.org/resources/research-reports/2023/ret-planning-early-mid-age-adults.

Adjusting to the Shifts in Workplace Culture

Organizational culture and the forces that shape and nurture it have undergone seismic shifts since 2019, before the start of the COVID-19 pandemic, writes author Jeff Faber, GBA, RPA. In his article, "Workplace Culture Is Changing: How to Adjust to the Shifts," on page 32, Faber explains that the increase in remote and hybrid work arrangements, accelerated retirements and a new generation of workers are partly behind this culture transformation.

The following statistics offer some additional insights into the trends highlighted in Faber's article.



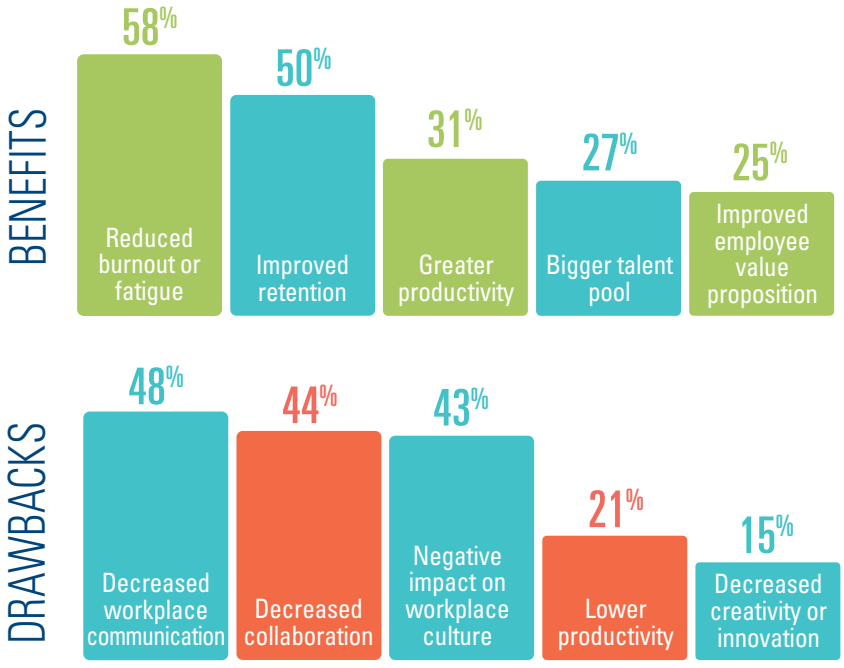
of U.S. employees strongly agree that they feel connected to their company's culture.

Source: Gallup.

The Four Most Common Themes in Employee Reasons for Leaving a Job in 2023

Source: "Indicators: Employee Retention & Attraction." Gallup.

TOP 5 Benefits and Drawbacks of Hybrid Work for Organizations



Source: Ben Wigert, Jim Harter and Sangeeta Agrawal. "The Future of the Office Has Arrived: It's Hybrid."

Workplace Culture Is Changing—How to Adjust to the Shifts

by **Jeff Faber, GBA, RPA** | *Hub International*

It's not your father's (or mother's) corporate culture . . . or yours either.

In fact, today's organizational culture and the forces that matter in shaping and nurturing it aren't the same as they were even five years ago. That was 2019, before the COVID-19 pandemic forced seismic shifts in workforces and workplaces and the kinds of norms, values and behaviors that form the foundation of every organization's culture.

It means that the words of management guru Peter Drucker have taken on new relevance as organizations strive for success in a fast-changing business climate: "Culture eats strategy for breakfast." Here's what's important to know.

AT A GLANCE

- The COVID-19 pandemic and resulting shift to remote work are factors in the changing workplace culture. Other impacts include an increased number of retirements and an incoming wave of younger employees.
- Organizations that want to strengthen their culture should consider cultivating human-centric managers and understand how personalization affects employee attitudes.
- A more open communication environment is likely to increase productivity and innovation. When employees feel they are seen, heard and considered, the workplace is more supportive and less prone to politics and fear of reprisals and judgment.

What's Behind Today's Culture Changes

Remote work, necessitated by the pandemic, is commonly named the chief culprit for the change in culture as video meetings supplanted face-to-face interactions around conference tables, over cubicle walls, in breakrooms and at water coolers.

But other, more complicated factors have also been at work. Some argue that accelerated retirements with the pandemic—about 2.4 million more[1] than otherwise would have been expected—effectively removed many of the best cultural enforcers[2] from the workforce. Long-tenured talent reinforced the pillars of the organization and now were either gone or "still on mute."

The incoming wave of employees often has not shared the same values, beliefs and attitudes. That's not a positive or a negative. It's just different. Their expectations are different—perhaps shaped by the pandemic—along with the behaviors that manifest the culture. They typically value personal space and virtual environments over commutes and believe that their productivity won't suffer if they're not located in the employer's physical space and time line. They also value more personal communication.

Culture is no less important to U.S. employees in 2024 than in 2019, but what influences a culture has shifted. According to Gallup research:[3]

- How people are managed is four times more important than work location in shaping their engagement and well-being.
- Only 23% believe they get sufficient recognition for their work.
- Merely two in ten employees feel connected to their organization's culture.
- While nine of ten workers would report unethical behavior at work, just four in ten do so when they have firsthand knowledge of it.
- Only 23% of employees strongly agree that they trust their organization's leadership.

An organization's culture can be managed only insofar as its leaders model behaviors that uphold aspired-to values and beliefs. Moreover, those leaders should pay close attention to things that really matter to their people—and find ways to deliver that meet or exceed expectations.

Communications and the Importance of the "Why"

As the saying goes, "When the why is clear, the how is easy." Employers often fail to explain the whys behind their decisions and actions to the detriment of employee trust and, ultimately, a beneficial culture.

Take the return-to-office edicts, whether it's three days a week mandated by some firms or the five days that Wall Street firms especially have required.

A satisfactory—and reasonable—why speaks volumes about an organization's values. That could be: "Our youngest and newest employees have expressed the need to work together, in person, telling us they believe they learn best in groups. Moreover, they don't feel connected to the company, their co-workers or workplace when they work remotely."

What could be less convincing is this sort of why: "Because studies have shown it will give us better productivity." That's actually research being applied to real life, which doesn't reflect the nuances behind the remote work vs. office work debate that can affect a culture.

Ultimately, the matter of why ties into the important role of communications in shaping and strengthening an organization's culture. Priority and urgency of the message are critical aspects, and so are the skill and thoughtfulness with which it's crafted. But employers may well fall down by not having cultivated more humanistic managers who understand the impact of personalization on winning the hearts and minds of their people.

Human Managers for a Human Workforce

In nominating 2024's best companies to work for on Glassdoor,[4] many employees cited culture, using terms like *collaborative, genuine, inclusive* and *supportive*. To that end, an organization that cultivates more human managers is likely bolstering a highly effective culture.

What makes a boss "human?" It's not a matter of asking about employees' kids' birthday parties or their vacation plans. Of course, there's nothing wrong with well-meaning and unforced interest. But human-centric managing is more about building trust in interpersonal dealings by mixing candor with caring or ensuring an environment of accountability and caring. For example, human managers can tell people positively how to improve in performance reviews without attacking them personally.

Gartner, Inc.[5] has found a 37% increase in the number of employees who consider themselves highly engaged if they consider their boss human. Only 29%, though, describe their boss as such.

Ensuring that managers are behaving humanistically is the challenge. It takes training to encourage more sensitivity and empathy in how they deal with others. A big part of that requires them to step away from themselves and look at the job, workplace and culture from the individual employee's perspective.

Human-centric leaders understand that their people are not cookie-cutter automatons; recognizing employees as individuals and treating them accordingly still nets good results. Indeed, Gartner also found[6] that human-centric work design—"flexible work experiences, intentional collaboration and empathy-based management"—is 3.8 times more likely to create high-performing employees who are 3.2 times more likely to stay on with their employer.

It also adds mortar to a strong foundation of organizational culture.

The Personalization Factor

A lot has been written about the trend toward personalization, particu-

larly in the crafting of employee benefit packages that respond to individual needs and work-life stage. There's no question that this thrust can not only help employers attract and retain talent but is also likely to improve worker engagement and satisfaction.

A human-centric manager is more likely to know and present options that could directly benefit that employee. Say an employee has been coming into work late several days in a row. Many managers would just start docking her pay. But a humanistic manager would ask about it, find out that the woman's child care had fallen through and provide her with information about the company's emergency backup care option.

Apply this personalization perspective to return-to-work mandates and how they are managed. At least one study[7] found that employers debuting or doubling down on mandates did not boost their financial performance with them. Compliance has not necessarily been easy, and it's sparking an "avalanche" of claims,[8] especially by those with physical or emotional illness under the Americans with Disabilities Act provisions.

The personalization factor may be missing in such policies—an element that might give people more "black and white" around the rules, accounting for individual situations. Providing better notice might help. But it also might take providing sufficient resources (as well as time) to help people through the transition—whether for child care, elder care or reasonable accommodation for physical or emotional disabilities.

Viewed through the wider lens of organizational culture, benefits are only one area where personalization—or taking a more humanistic view of employees as individuals—influences the employee experience and the organization's long-term success.

A fairly simple case in point:[9] If an average, 10,000-employee firm doubled the number of employees who strongly agreed they had been recognized or praised for their work in the previous seven days, it would realize a productivity gain amounting to $91,989,474 in cost savings, according to research from Gallup and Workhuman. Clearly, recognition matters and is a sure way not just to keeping people fulfilled but to keep the business humming. And cost savings aside, happier employees should result in happier customers.

Of course, it all requires employers to really know their people beyond the broad outlines of generational segmentation. To say an employer knows someone because they are a Millennial or a Boomer is superficial and rife with problems. Personalized surveys (relying on open-ended questions instead of the traditional "strongly agree to strongly disagree" scale) and a workforce persona analysis (a deep dive into what makes people tick) can help guide policies and decisions that deliver optimal employee experiences and a strong culture.

What Employers Can Do

Organizations that make their culture a priority are more likely to be successful over time. A Stanford study found that "culture-fit" startups whose founders made "culture first" their priority had a significantly lower failure rate[10] than others of the 200 startups studied.

Here are three steps to help guide firms as they seek to strengthen their workplace cultures.

Turn a Mirror on the Organization

Self-reflection is a good starting point. It begins with leaders and senior management assessing their perspective of the organization's culture—its values and mission, norms and behaviors, and, most importantly, its why.

It's just as important for organizations to think about the perspectives of others in the organization, up and down the ladder. What's an entry-level employee's experience? How well are managers' and leaders' words understood and felt? Does that person have the agency and ability to make positive changes?

Organizations also should consider: Does their culture speak for them, or does the culture speak about them? For meaning, think about an employee at a backyard barbecue with friends being asked what it's like to work at her company. Is she going to bring up positive, high-quality employee experiences, like a manager who noticed how she excelled at certain assignments and gave her the opportunity to grow those capabilities? Or will she mention the more stressful, poorer quality experience of trying to find affordable and available child-care services after a policy change on flex work?

Company leaders may give this question their best guess and gut re-

sponse, but if they are completely honest with themselves, they will admit they don't know. In fact, the executive team that claims to truly understand the organization's business culture is likely to be disconnected from it.

A chief financial officer at a company the author knows insisted he had a keen understanding of and was well-connected with his firm's corporate culture. His proof point was how he often ate lunch with junior staffers working occasionally in the office. The CEO of the company jumped in to point out that the man's practice of spending three months every year on a yacht in Greece would suggest that he wasn't connected to the culture. He was adrift. Nor was it likely that employees lunching with him would be honest about what was going on in their worlds and the role that the business culture played.

Explore the Disconnect Between the Organization and Employees

Every organization has a why that should serve as the standard for its brand—and what its culture strives to measure up to. For example, cycling leader Trek's why is "betterment" of the planet. Etsy's is to "keep commerce human" as it supports independent artists in making and selling special products. Through thousands of nonprofit talks, TED's why is simply to "spread ideas."

But do these whys align with employee perspectives? What do they think is the why of their organization, going beyond simply to make money? What does it mean to employees to work at their companies? How do they think the why is—or should be—lived in a way that invigorates the culture?

More generally, employee benefits also are important to supporting and serving a company's why, serving most employees most of the time uniformly, or some on their worst days.

The way to identify any disconnects is to ask. A task force comprised of managers and interested employees could be formed to take on the challenge of identifying targeted employee groups for their perspectives on the company's additive values. One-on-one discussions are one way to get input. Focus groups can be scheduled. Surveys that solicit true commentary, not a range of responses from strongly agree to strongly disagree, have considerable value. (But they must be read. Notes have to be taken.)

AUTHOR

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Make Employees the Hero of the Story

What really matters when it comes to culture is what it means to employees.

Employers often make the mistake of adding a new benefit and focusing on the benefit itself. Consider the example of a late-night meal service. Employers spend time and ink on communicating the what and where of the benefit but avoid the why and how. Which matters more to the end user? Is it knowing that they have access to a late-night meal service after 7 p.m. if they are in a service area? Or is it knowing that the company recognizes that employees sometimes have to work beyond the normal course of business and that is why, after surveying what might matter most, the company is adding access to this. Better yet, because of the survey and listening tours, employees voiced that a late-night meal service would be a welcome addition to the employee value proposition. Employers could create communications emphasizing how one employee saves three hours a week and is probably 1,500 calories healthier because she uses this meal service. Her family likes the new tasty options. Making the employee the hero allows others to see themselves in the role. It's less about "what we did for you" and more about "how and why you can benefit."

Conclusion

A human-centric management approach can create a positive culture where employees are front and center and creating moments of high-quality employee experiences is encouraged. When employees are seen, heard and considered, the resulting environment is more supportive and less

prone to politics and fear of reprisals and judgment. A more open communication environment is likely to increase productivity and innovation, and it is just more fun. Isn't that what all employers want? A workforce that's not just happier and more productive, with fewer people leaving for greener pastures? BQ

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Does ERISA Make the Grade?

by **Tonya Manning** | *Gallagher* and **Laurie DuChateau** | *Gallagher*

The Employee Retirement Income Security Act (ERISA) was signed into law by President Gerald Ford on September 2, 1974, which happened to be Labor Day. Since its enactment, Congress has amended, expanded and modified ERISA to react to changing times. On this 50th anniversary of ERISA, we contemplated whether the law continues to meet the goals defined by the drafters and, if given a grade, what that would be.

Private pension and health plans have a long history, dating back to the late 19th and early 20th centuries. Before ERISA, federal regulation of private sector pension and health plans was minimal and generally occurred through the tax code. It wasn't until 1963—when major automobile manufacturer Studebaker-Packard Corporation closed its South Bend, Indiana plant and terminated its severely underfunded pension plan—that the need for pension reform was thrust into the national spotlight. This event, which left thousands of workers with little or no benefits and drew significant media attention, underscored the impact of pension plan failures on participants and beneficiaries as well as the urgent need for reform.

While the Studebaker plan failure focused attention on pension reform, policy experts in Washington, D.C. had already been studying the underlying problems. Congressional action in the 1960s and 1970s moved slowly, and it took over a decade until ERISA was passed. This was not an easy journey. Like many significant pieces of legislation, ERISA faced numerous obstacles to enactment. Business groups, in particular, had substantial reservations about the bill and embraced it only when the lack of federal action prompted some states to consider enacting their own retirement protection rules. The prospect of inconsistent state rules disrupting the benefit programs of national employers helped marshal support for ERISA and the principle of preemption embedded in the legislation, giving it the push needed to get it across the finish line.

The key goal of ERISA was to define a unified set of laws governing benefit plans and providing for the following.

- Disclosure and reporting of financial and plan information for participants and government regulators
- Standards of conduct, responsibility and obligations for plan fiduciaries
- Preemption of state law and access to federal courts

AT A GLANCE

- September 2, 2024 marked the 50th anniversary of the Employee Retirement Income Security Act (ERISA) being signed into law.
- ERISA has mostly succeeded in assisting employees in obtaining and maintaining access to retirement benefits. Research, however, indicates that there remains a gap in retirement access in the U.S.
- Trends post-ERISA show that employers have slowly derisked themselves and rerisked their employees—with protected benefits, but ones that require much more attention and awareness. Recent state legislative actions and court decisions have the potential to weaken ERISA preemption.

- Vesting for employees with significant periods of service, anticutback protections, and service crediting rules for plan participation and benefit accruals
- Minimum funding standards and plan termination insurance for retirement plans

Did ERISA Pass the Test?

Overall, we assign ERISA a grade of B.

Of course, how effectively ERISA meets its goals is subjective, but when evaluated against certain criteria—namely, opening up access, establishing minimum standards, and ensuring the security of retirement and health benefits—it is possible to objectively assign a grade.

ERISA ushered in vast improvements in the protection of participants, which were needed. ERISA falls short because access is not uniform across all employers, and some of its rules are complex, costly and create ambiguities. This leaves the responsible parties—sponsoring employers, plan service providers and plan fiduciaries—without clear and concise direction resulting in inaction and fear of liability. This fear is manifested in the trend of shifting risk from employer to employee for both retirement and health benefits.

Retirement

We examined whether employer-sponsored retirement plans are available (access) and their impact on retirement, both in terms of providing retirees with income and as an employee benefit.

Access to Employer-Sponsored Retirement Plans (Grade of C)

This grade could be determined best through statistical analysis, by referencing the U.S. Bureau of Labor Statistics (BLS) March 2023 report.[1] According to the report, 70% of workers in private industries had access to a retirement plan, with 53% of the total population participating in those plans. In addition, 67% of respondents had access to a defined contribution (DC) plan, while 15% percent had access to a defined benefit (DB) plan. It's worth noting that some respondents had access to both types of plans. Furthermore, 72% of private industry workers had access to medical care benefits, with only 46% participating.

The numbers for U.S. employees who have access to a retirement plan are unimpressively average. While ERISA was not designed to encourage a proliferation of retirement and health plans, it does include incentives for employers to provide retirement income to workers through tax-advantaged means. However, the stated purpose of ERISA was not access, but protection, specifically to " . . . set minimum standards for most voluntarily established retirement and health plans in private industry to provide protection for individuals in these plans."[2]

One could stop there and say that ERISA received a passing grade for access, however breaking that down further by organization size and demographic reveals some gaps.

The same BLS report shows that employees at larger companies are more likely to have access to retirement plans compared with those at smaller companies. Specifically, only 52% of workers at firms with fewer than 50 employees had access to a DC plan, while more than 80% of employees at companies with more than 500 employees had access.

There is a similar contrast in access to retirement benefits based on industry, with access lacking in the hospitality and services sector versus access in the management or finance sectors. Furthermore, there is a positive correlation between access to retirement plans and average wage within private industry—As wages rise, so does the percentage of employees who have access to retirement benefits.

It's important to note that access does not always lead to coverage. An employee might have access to a benefit, but if the employee cannot afford it or chooses to not take advantage of the benefit, they end up without coverage. DB plans typically equate access with coverage, but employees with access to a DC plan can still lack coverage if they do not participate.

Over the last 50 years, ERISA has mostly succeeded in assisting employees in obtaining and maintaining access to retirement benefits. Nevertheless, research indicates that there remains a gap in retirement access in the U.S. As the workforce continues to change with more self-employed and gig workers as well as fewer employees covered by unions, access to retirement plans can be expected to decline. This may present an opportunity for lawmakers to reconsider the definition of employee and perhaps even retirement, evolv-

ing with the times and creating access to income that will no doubt be critical as life expectancies increase.

Safeguarding Retirement Income and Pension Benefits (Grade of A)

In order to fully understand ERISA's impact on retirement, the past, present and future should be examined, allowing for an appreciation of how the law has changed over time and what the future might hold.

Many people consider the Studebaker-Packard Corporation's mismanagement of its underfunded pension plans the catalyst for ERISA. The plan for Packard's hourly workers was first terminated in 1958, followed by the termination of a second underfunded pension plan for Studebaker's hourly workers in 1964. These failures left thousands of employees and retirees with only a fraction of their earned benefits, some with as low as 15%, and the rest received nothing, regardless of years of service.

The resulting backlash prompted the United Auto Workers (UAW) and its president, Walter Reuther, to propose termination insurance for pension plans. This later evolved into the Pension Benefit Guaranty Corporation (PBGC) under Title IV of ERISA.

Along with the establishment of PBGC, ERISA introduced many of the provisions that continue to shape pension plan funding and administration today. The eligibility and vesting rules brought clarity to both employees and employers about their mutual agreement. Required survivor benefits provided security to spouses who might otherwise lack retirement benefits. Fiduciary standards, including asset diversification and reporting requirements such as Form 5500 and Form 8955-SSA, were also established. Perhaps most importantly, ERISA laid the foundation for the funding standards used by actuaries today, which when combined with PBGC has effectively protected the pension benefits of employees with single employer pension plans over the years.

Protecting Individual Retirement Income (Grade of C)

Although ERISA has been successful in safeguarding existing benefits, stricter funding and reporting requirements have led to a decline in the availability of DB pensions for today's workers.

A 2023 report by the Department of Labor (DOL) revealed that there are only approximately 45,000 single employer, DB pension plans currently operating in the U.S.[3] This number represents a more than 50% decrease from when ERISA was enacted and a 75% decrease from its peak in the early 1980s, despite growth in the total workforce. Many of the pension plans that still provide benefits today are long-standing legacy plans, thanks in part to ERISA. However, the decline in the overall number of pension plans may be attributed to the lack of new DB plans being established to replace those that have disappeared. On the other hand, the number of single employer DC plans, such as 401(k) and 403(b) plans, has increased by approximately 350% since ERISA was enacted.

Retirement is not one size fits all. While benefits offered by a 401(k) might be important to one employee, they might not be as appealing to another employee who has a DB plan. Likewise, a smaller employer in a specialized industry may prefer the benefits offered by a DB plan, while a larger company may prefer the smaller risk of a 401(k) plan.

A key focus of this article is on the success of ERISA's original mission to "provide protection for individuals in these plans" without delving into the pros and cons of DB/DC structures. However, the shift from DB to DC plan structures since ERISA was enacted suggests that today's employees bear much more retirement risk than previous generations. While recent improvements such as autoenrollment, autoinvesting and autoescalation help, employees have lost the benefit of risk pooling. In addition to the shift to 401(k) plans, employees now also need to consider retirement options such as individual retirement accounts (IRAs), which are not covered under ERISA. As a result, ERISA's unintentional consequences place the responsibility for retirement and risk management on the employee. The money for retirement, both accumulation and decumulation, is tied to the risk of one person's life rather than a pool of employees.

ERISA has significantly improved the security under employer-sponsored retirement plans today compared with early 1974. Stricter funding rules and PBGC insurance provided benefits to hardworking employees that may have been unjustly forfeited if it weren't for

Gerald Ford's signature. However, it would be a stretch to say that benefits are better protected for individuals now than they were in late 1974 (after ERISA was passed). Trends post-ERISA show that employers have slowly derisked themselves and re-risked their employees—with protected benefits, but ones that require much more attention and awareness.

Health and Welfare

Impact on Employer-Sponsored Health and Welfare Benefits (Grade of B-)

Although ERISA specifically refers to retirement in its title, welfare benefit plans also have a significant place in its statutes. Retirement security is not the only goal of ERISA. ERISA §31 specifically defines welfare benefit plans to include any plan, fund or program expressly maintained for the purpose of providing benefits to participants or their beneficiaries. These benefits include medical, surgical, hospital, sickness, accident or disability programs, among others.

Furthermore, five out of the seven parts of ERISA Title I pertain to important health benefit programs that 153 million Americans[4] rely on to cover themselves and their families. Title I is particularly noteworthy because it stimulates discussion at the heart of several contemporary challenges that health and welfare benefit plan sponsors currently grapple with—transparency and disclosure, fiduciary responsibility and preemption.

ERISA's focus on reporting and disclosure requirements has expanded in recent years due to new mandates. The Consolidated Appropriations Act of 2021 requires plan sponsors to submit detailed information to the Centers for Medicare and Medicaid Services (CMS) about pricing for medical services and prescription drugs covered under their plans.

In addition, under these requirements, machine-readable files containing information on in-network rates and out-of-network allowed amounts must remain current and be publicly disclosed by third-party administrators and carriers.

Part 4 considers fiduciary responsibility, which has traditionally been focused, at least in the public discourse, on retirement plans. However, due to rising benefit costs and increased transparency requirements, there has been a growth in lawsuits that question the prudence exercised by health plan fiduciaries in selecting service providers and designing their programs.

And finally, one of ERISA's so-called crowning achievements is the concept of preemption, which allows self-insured, multistate employers to offer uniform benefits to employees across the U.S., providing for equity in the plans offered, which could not otherwise be achieved. Recent developments, such as state-level pharmacy benefit manager (PBM) laws targeting rebates, copay accumulators and anti-steerage rules prohibiting spread pricing, have been taken up or enacted in some form in all 50 states. Plan sponsors have also struggled with the environment created by the Supreme Court decision in *Dobbs v. Jackson Women's Health Organization* on reproductive health care and the proliferation of laws on abortion and access to reproductive health care more broadly. These examples show the cracks in the armor that is ERISA preemption.

As a counterbalance, the state of ERISA at present is not all doom and gloom; transparency, competition and good governance can be viewed in a positive light when considered on the whole. Creating an environment of clarity in information to support cost-containment and participant financial responsibility is needed if employers are going to continue to offer employee benefit programs that are fiscally responsible and provide a reasonable level of coverage for employees.

Fiduciaries may need to take a more active role in governing their health and welfare plans, but again, this should likely be viewed in a positive light. It should benefit not only the employer but also the plan participants in the long run, which, ultimately, is the goal.

The preemption question seems to hang in the balance. Employers have acted as an important anchor in the system of providing benefits in the U.S., but their ability to do so in an efficient, practical and equitable way is currently in question. As the current paid leave landscape demonstrates, it is extraordinarily difficult and administratively burdensome to provide varying levels and types of coverage to a nationwide workforce. Many in the employee benefits industry believe that maintaining preemption is critical if the employer-sponsored system of providing benefits is to remain viable in the future.

Where Do We Go From Here?

While the need to protect participants and provide minimum benefits arguably still remains, what does the future hold for ERISA? Much has changed in the employee benefits arena in the past 50 years, most notably the expansion of employer health care and the emergence of 401(k)s to deliver retirement benefits. Change will certainly continue in the next 50 years. Will ERISA keep pace with the new changes and challenges of the evolving workforce? We have seen Congress amend and expand ERISA to evolve with changing times and expect the same in the future.

In the retirement realm, since 1974, DC plans have emerged as the predominant plan type. However, these plans have created challenges in ensuring a secure and adequate retirement for employees. To this end, it's expected that innovations in plan design as well as legislative and regulatory proposals that encourage or require DC plans to mimic or replicate characteristics of DB plans will continue. These may include automating DC plan decisions such as how much to save, where to invest and how much to take out during retirement.

Significant changes are expected to unfold in the health and welfare arena. Key challenges in the years ahead will be the ever-increasing cost of health coverage, expanding health plan mandates and increasing transparency requirements, along with challenges to ERISA preemption.

ERISA has undoubtedly done much to create access to employee benefits, to increase the security of those benefits and to extend protections to the U.S. workforce; however, it would be unfair to assign it an A grade. Ultimately, we submit that society is better off with ERISA's protections in place, even if imperfect, and the B grade means only that there is room for improvement. BQ

AUTHORS

Tonya Manning is managing director and chief actuary for the U.S. defined benefit and administration practice at Gallagher. She is a member of the U.S. Department of Labor ERISA Advisory Council as well as past president of the Society of Actuaries and of the International Actuarial Association. Manning is a frequent speaker on pension funding, retirement plan design, risk management and compliance issues.

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legal update

As we have reported in prior issues, class actions against pension plans have been a major source of litigation risk for plans and plan sponsors. Many of these lawsuits were focused on alleged deficiencies in the selection and monitoring of investment offerings in defined benefit (DB) pension plans, specifically alleging the following.

- Improper processes
- Conflicts of interest
- Selection of so-called retail products at a higher cost than "institutional" products that carry a lesser fee
- Choosing more expensive "active" managers rather than cheaper "passive" investments
- Selecting vendors with higher recordkeeping fees
- Utilizing underperforming vendors
- Failure to timely change vendors when appropriate

New lawsuits continue to be filed, but the pace has slowed over the past few years. The past year also brought a record number of trials and settlements in these cases. Newer theories of recovery—such as challenges to plans' use of plan forfeitures to offset employer contributions and allegations of imprudent consideration of environmental, social and governance (ESG) factors in investing—are also being filed.

This issue of the Legal Update will concentrate on the expansion of such suits to health and other welfare plans. Two major cases have received much of the attention of the benefits legal community: *Lewandowski v. Johnson & Johnson,* filed in February 2024, and *Navarro v. Wells Fargo,* filed on July 30, 2024.

Lewandowski v. Johnson & Johnson

This class action suit was filed against Johnson & Johnson and its pension and benefits committee on February 5, 2024 with the District Court of New Jersey. Participant Ann Lewandowski filed the suit on behalf of herself and others similarly situated as well as on behalf of the Johnson & Johnson Group Health Plan and its component plans.

The suit alleges fiduciary breach by mismanaging the company's prescription drug benefits program, costing the company's Employee Retirement Income Security Act (ERISA) plans and their participants millions of dollars. The plaintiffs claim that the mismanagement resulted in higher payments for prescription drugs, higher premiums, higher deductibles, higher coinsurance, higher copays and lower wages or limited wage growth.

The complaint alleges that (1) the defendants overpaid the pharmacy benefit manager (PBM) Express Scripts for generic drugs that were widely available at "drastically" lower prices and (2) there were excessive administrative fees. To illustrate the lower prices, the complaint cited the example of a 90-pill prescription for teriflunomide, a drug used to treat multiple sclerosis. Under the company's plan, the drug cost 250 times the cost of buying it at a retail pharmacy without any insurance.

Navarro v. Wells Fargo

More recently, on July 30, 2024, a similar class action suit was filed in the District of Minnesota by Sergio Navarro and several plaintiffs on behalf of themselves and others similarly situated as well as on behalf of the Wells Fargo & Company Health Plan and its component plans. The defendants are Wells Fargo & Company, several named defendants and 20 unnamed defendants.

The case alleges breach of fiduciary duties in the mismanagement of the Wells Fargo prescription drug benefits program, costing the plan and its participants "millions of dollars in the form of higher payments for prescription drugs, higher premiums, higher out-of-pocket costs, and lower wages or limited wage growth."

Among the specific allegations is a claim that the defendants paid their PBM inflated prices for generic drugs widely available at drastically lower prices, sometimes as much as 15 times the price charged at a pharmacy for someone without insurance, or five times the drug's acquisition cost. The complaint also alleges that the defendants agreed to pay excessive administrative fees to the PBM, failed to exercise prudence in selecting a PBM, failed to monitor the PBM and the prices charged for prescription drugs, failed to address conflicts of interest, and neglected to protect the interests of the participants and beneficiaries.

The defendants include a former senior executive vice president and head of human resources, a former executive vice president and head of total rewards, and a former head of benefits and enterprise recognition as well as the current senior vice president and head of human capital initiatives and a senior executive vice president and head of human resources at Wells Fargo. The 20 unnamed "Does" are the other individuals designated as "Plan Administrators of the Plan, all of whom are fiduciaries of the Plan."

The complaint alleges that ERISA required the defendants to make a diligent and thorough comparison of alternative service providers in the marketplace and to negotiate prudently on behalf of the plan as well as to continuously monitor plan expenses to ensure that they remained reasonable under the circumstances.

Mental Health and Substance Use Disorders: Employers Improve Response, but Employees Continue to Struggle

by **Cara McMullin**

As more employees grapple with mental well-being, organizations are challenged with implementing new solutions to support mental health in the workplace. *Mental Health and Substance Use Disorder Benefits: 2024 Survey Report,* a new report from the International Foundation of Employee Benefit Plans, reveals the prevalence of various mental health challenges among U.S. workers and their families. Data indicates that to combat conditions on the rise, employers are focused on improving manager mental health training, rethinking employee assistance programs (EAPs) and enhancing virtual mental health options.

Prevalent Conditions

Survey respondents were asked to share the prevalence of mental health and substance use disorders among workers in their organizations. Three conditions that have become significantly more prevalent (either "very prevalent" or "prevalent") since the 2021 survey include adult attention deficit/hyperactivity disorder (ADHD/ADD), anxiety disorders and obsessive compulsive disorder. The figure on page 46 compares the prevalence of mental health and substance use disorder conditions in 2024 with 2021.

When implementing new mental health initiatives, the main barriers employers encounter are employee fears that admitting they have a problem may negatively impact their job security (38%) and employee fears about confidentiality (33%). Organizations also encounter supervisor discomfort in addressing mental health and substance use disorder (MH/SUD) issues with workers (23%).

What Workplaces Are Doing

One of the major ways employers are addressing mental health challenges in the workplace is by providing more education and awareness opportunities. Mental health crisis training is now trending ahead of 2021 at 34% (up from 26%). Other benefits include at-work informational sessions (45%) and manager/supervisor training (36%).

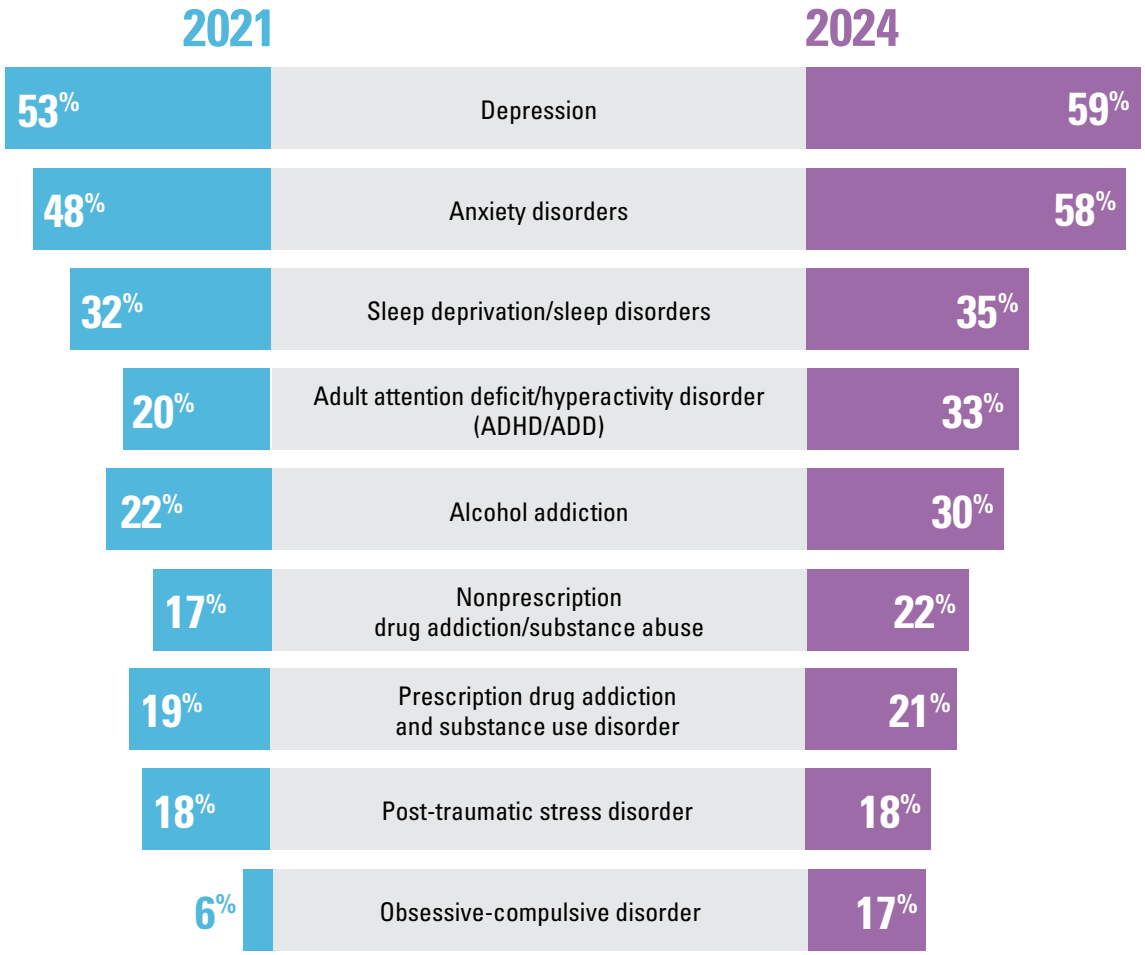
Virtual Treatment/Telehealth

Telehealth and virtual treatment sessions were a necessity during the height of the COVID-19 pandemic, but now seem a preferred method for MH/SUD treatment. Eighty percent of respondents offer online sessions to treat mental health issues (an increase from 68% in 2021), and 73% offer virtual treatment for substance use disorders (an increase from 64% in 2021).

When I spoke to Julie Stich, CEBS, Vice President of Content at the International Foundation, she said that virtual treatment and telehealth options, while high in demand during the pandemic, have only continued to increase in popularity with employers. This is no longer due to a need for social distancing, but to fill gaps existing in traditional in-person treatment. Telehealth is desirable for its flexibility and convenience, additional privacy, more accessible appointments and easier billing processes.

FIGURE

Prevalence of Mental Health/Substance Use Disorder Conditions



EAPs

EAPs remain a popular way to support those with MH/SUD challenges. Nearly three in ten organizations have changed their EAP provider in the past two years, and more are considering changing providers. The top five factors indicated for changing EAP providers are as follows.

- More contracted in-person and virtual providers, including specialists (53%)
- Concierge member experience (45%)
- More sessions available (40%)
- Cost (38%)
- Shorter wait times (37%)

Stich also said that in response to provider shortages, long wait times and rising costs, employers are reviewing their EAP services and utilization rates. Employees need more accessible and specialized mental health care options for both short- and long-term assistance. Organizations are increasing services and changing EAP providers in response to these needs.

For more information on *Mental Health and Substance Use Disorder Benefits: 2024 Survey Report results,* visit www.ifebp.org/mentalhealth2024.

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