Lloyd Sadd Benefits Newsletter

NAVI-GATE

Beyond Healthcare: Bridging the Disconnect Between DEI & Employee Benefits

The Dial of Decumulation: A Gradual Transition to Retirement

The High Cost of Healing: Healthcare Inflation in Canada

The Four-Day Work Week: A New Era in the Workforce?

LloydSadd

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NAVIGATE Vol. 4

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BEYOND HEALTHCARE: BRIDGING THE DISCONNECT BETWEEN DEI & EMPLOYEE BENEFITS

Integrating Diversity, Equity, and Inclusion (DEI) with company culture is an increasingly prevalent concept that today's organizations in the workforce seek to address. In our previous volume of *NAVIGATE*, we explored the value of aligning DEI into benefit programs as a tool for not only attracting and retaining talent, but also for reflecting the diversity of the world we live in. Nevertheless, discrepancies remain when it comes to practical application of DEI into employee benefits and group retirement plans—making resources available for clients slim.

We sat down with Gord Hart, CEO & Chairman at Selectpath Benefits & Financial, to learn more about how to bridge the disconnect for employers looking to align their corporate DEI initiatives with their suppliers and compensation plans, beyond surface-level "fixes" that often don't look at the fulsome range of a comprehensive DEI framework as it relates to employee benefits.

"A simplistic approach to plan design does not deal with the greater issue of inclusion and equity."

– Gord Hart, CEO & Chairman, Selectpath Benefits & Financial

Flexible plans that are free of the inherent biases which deter individuals from utilizing their benefits, allow members choice, access, and personalization based on lived experience, are invaluable tools to enable organizations to become 'employers of choice'.

Hart emphasizes that to understand where DEI belongs in employee benefits and group retirement plans, we must start with recognizing the inherent diversity in the workforce.

By understanding that others will always have a different lived experience than our own, and for leadership to then incorporate these experiences with business strategy, we can gain a wealth of positive outcomes that drive organizational success. Increased creativity and innovation, legal and ethical compliance, well-rounded decision-making, a broader talent pool, and so much more stem from taking an appreciative stance on diversity.

Listen, and Learn

Hart stresses that oftentimes, the simple act of listening is the best first step to take in the journey of enhancing DEI in organizational benefits strategy. By reaching out to the members of your workplace, you may learn that their needs are not what you originally thought.

For instance, some view healthcare spending accounts (HSAs) as a suitable selection to add to their plans by allowing members to spend dollars on what they want or need most. While that can be a start, one size does not fit all. HSAs are not always material enough when thinking about gender affirmation, family forming, or other personal experiences any employee could face.

"By proactively engaging with our workforce and listening, we're saying that we seek to understand."

- Gord Hart, CEO & Chairman, Selectpath Benefits & Financial

Closely linked to the concept of listening is the composition of benefits, pension and diversity committees—they must reflect the diversity in our workforce. Are these individuals informed enough to make an impact on plans that adequately account for a rich diversity of needs? Do they have lived experience that will allow them to provide the necessary feedback to the employer?

Gender and gender identity, neurodivergences, ethnic backgrounds, socioeconomic levels, sexual orientation, visible and invisible disabilities, and so many more origins and foundations of life that are often not referred to in traditional benefits plans must be considered when we make decisions about important matters like benefits and retirement strategy.

What can I do, beyond offering a healthcare spending account?

- Flex and inclusion of part-time benefits for PT, Casual, and Contract staff
- Reduced or no copay on drug and dental claims to reduce the out-of-pocket risk for lower income earners
- Composition of coverage to recognize family building, gender affirmation, vaccines, obesity meds, integrated mental health services (EAP and Paramed upgrades)
- Introduction or expansion of wellness and health spending accounts to cover alternative care options like cannabis vs pain meds, alternative medicines, and extended dependents like parents, cousins, etc.
- Alignment with carriers who can accept non-binary designations
- Pension committee composition to reflect the membership
- Removing assumed gender roles in rules/definitions
- Ensuring options for access to cash for lower income members and those with debt management issues
- Inclusive communications (effective use of video, captions and icons) and access to translation services
- Investment choices (Shariah, Halal, and inclusive growth investing)

“There needs to be a voice and a presence that reflects all of the workforce when considering making changes to benefits programs.”

– Gord Hart, CEO & Chairman, Selectpath Benefits & Financial

Case-in-Point: Growing Immigration in Canada

Canada is well-known for our status as a multicultural haven for immigrants and refugees. But what happens when our new neighbours aren’t afforded the same accessibility to their program offerings as everyone else, who are fortunate enough to receive plan information in their native language of English or French?

It’s incumbent upon employers to offer the education behind program offerings in the language and medium that is most digestible for their members to consume. This doesn’t start and stop with translation services—it may encompass the use of videos, icons


EXIT

and captions, sharing both print and digital material, or perhaps one-on-one sessions dedicated to ensuring the individual is getting the most out of what they are entitled to.

DEI Starts With Consistency

DEI within the workplace isn't about having "around the world" potlucks, pulling an untrained DEI committee out of thin air, or checking off a box that you may think will help your organization meet an arbitrary DEI quota.

DEI is about learning, seeking, and wanting to understand. It is about recognizing the different types of family formats, native languages, cultural histories, religious holidays, disabilities, neurodivergences, sexualities and gender identities that have so delicately and intimately shaped each individual into who they've become—and as a result, what they bring to their workplace.

> *"Benefits aren't about adapting to lifestyle—they're just about adapting to life."*

– Gord Hart, CEO& Chairman, Selectpath Benefits & Financial

At the end of the day, DEI starts with consistency. By only picking off one or two distinctions that seem the easiest to tackle, we consequently ignore everything else. By virtue, that turns into an organizational statement that tells employees: "The rest of these issues don't matter to us." To prioritize a DEI strategy, the entirety of what Diversity, Equity, and Inclusion is about must be addressed and welcomed.

As advisors, we know that employers can't do or offer everything, but what we can do is help guide you, as always, in ensuring that your plan approach evolves with the workforce and the world as we know it.

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THE DIAL OF DECUMULATION: A GRADUAL TRANSITION TO RETIREMENT

Decumulation, often described as the transition from accumulating retirement savings to managing those assets during retirement, can be a difficult concept to grasp. Adjusting from the mindsets and habits of building savings to now watching your hard-earned funds dwindle as you spend them can be unsettling. While many of us dream to win a multi-million-dollar lottery one day, it's not a realistic way to handle decumulation in retirement, of course.

Sun Life's Designed for Savings 2023 Report[1] shares that approximately five million Canadians will retire in the coming decade, adding that CAP (Capital Accumulation Plan) members must face multiple risks in retirement: longevity risk, market risk, sequence of return risk, risk of unexpected expenses, and inflation risk. Their research shows that members want professional advice to support them as they navigate these complexities in retirement.

In our previous volume of *NAVIGATE*, Christine MacDonald, Partner & Advisor at Selectpath Benefits & Financial, discussed the power of ongoing education as it relates to retirement and holistic financial planning. MacDonald continues this conversation and unpacks the indispensable role education plays as advisors deal with figuring out how to answer an all-too common question from plan members: "*What is my number?*"

"If more people had a solid understanding of financial literacy, I don't think we'd see as much stress with people retiring."

– Christine MacDonald, Partner & Advisor, Selectpath Benefits & Financial

Don’t Just Plan, Pre-Plan

MacDonald attests that many people don’t think about budgeting their retirement early enough, and that even five years prior can be too late in some cases. “When thinking about decumulation, the first thing that comes to mind is the lack of planning that we often see as advisors,” she says. “Most people wait, and they wait too long.”

Sun Life’s Designed for Savings 2023 Report[1] confirms that members often don’t think about decumulation planning until retirement is on the horizon and recommends members to begin thinking about such in their early-to-mid 40s.

The importance of pre-planning—getting started as early as possible, looking at the different streams of income that will be available, and the logistics of all possible scenarios that can play out later in life, including those that may be uncomfortable to think about—cannot be overstated.

Crunching numbers to ensure the costs of long-term care will be covered by retirement savings isn’t a delightful situation to think about, but it is a necessary part of budget planning in order to prevent the responsibility from falling onto other family members that may not be equipped to handle it. This awareness extends to other healthcare expenses as well, as retirees may lack group plan medical insurance.

Pre-planning can yield pleasant surprise upon realizing you can feasibly retire several years earlier than you anticipated. On the other hand, lack thereof can uncover the grim actualization that you must work for an additional 10 years longer than you had hoped. As MacDonald aptly puts it: “Nobody wants to get to 60 and realize they’re forced to work until 70 playing catch-up.”

Learning is Earning

Retirement doesn’t have to be a hard stop, as MacDonald shared with us before: “Retirement is a dial, not a switch.” Member education and a recurring cadence for learning sessions at every stage of life are pivotal in helping manage retirement funds, including drawing for retirement income, with the gradual dial approach.

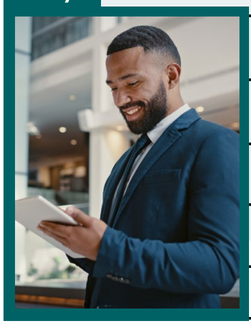
Different life stages require different financial strategies, and these stages should be met with relevant financial education and planning. Whether you’re just starting your career, are 20 years into it and 20 years out, or are on the cusp of clocking out for the last time, there are always valuable insights to gain when evaluating the status of your group savings plans.

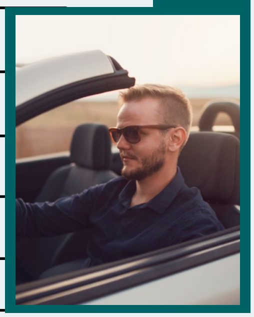
With the help of an expert advisor, clients can build a reliable and deliberate decumulation strategy that prevents them from paying an excessive tax bill, while also finding a comfortable retirement income that covers their preferred lifestyle and needs.

“When members receive the proper education on how to manage their group retirement plans, they’ll likely be making much better decisions.”

– Christine MacDonald, Partner & Advisor, Selectpath Benefits & Financial

Put time on your side

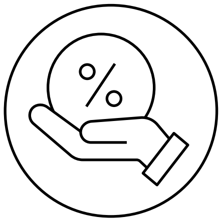




Terry		Chris
25	Starts contributing at age	35
1,000	Annual contribution	1,000
40	Number of years contributing	30
40,000	Total contributions	30,000
$164,048	**Total accumulated value at age 65**	**$83,802**

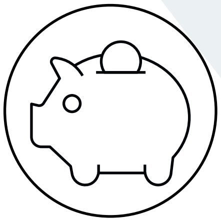
Starting earlier gives Terry $80,246 more than Chris.

What are your sources of retirement income?



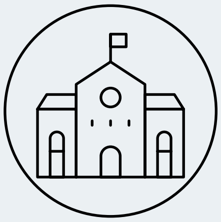
Employer Sponsored Plans

- Your group RRSP



Personal Savings

- Personal RRSPs, TFSAs, RRIFs, etc.
- Real estate or equity in a home
- Additional investments (GICs, mutual funds, stocks and bonds, etc.)



Government Benefits

- Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)
- Old Age Security

Slow & Steady Wins the Race

As advisors, we know that periods of market volatility and inflation like we have been living through can easily magnify feelings of financial uncertainty. A survey by RBC that was recently shared by Benefits Canada[2] reported that nearly half of the 1500 Canadians polled have never been more stressed about money than they are now.

But MacDonald reminds us that it's important not to "time the market" and to remember that historically, staying invested will pay off in the long haul.

According to Sun Life's Designed for Savings 2023 report[1], messages from sponsor education campaigns that "promote the value of staying the course through market movements are resonating with members," adding that the "stability and consistency afforded by group plans have led to the vast majority of plan members to stick with their long-term plans."

Advisors understand the economy is wearing away buying power, but we are always here to guide sponsors and members by helping them prioritize the long-term journey over the short-term deficits. We want you to have a solid decumulation plan that addresses your concerns, accounts for these variables, and offers you absolute peace of mind.

With early planning, diversified income sources, and tailored advice at each stage of life, Canadians can be sure of a smooth transition into retirement, confident in their financial security.

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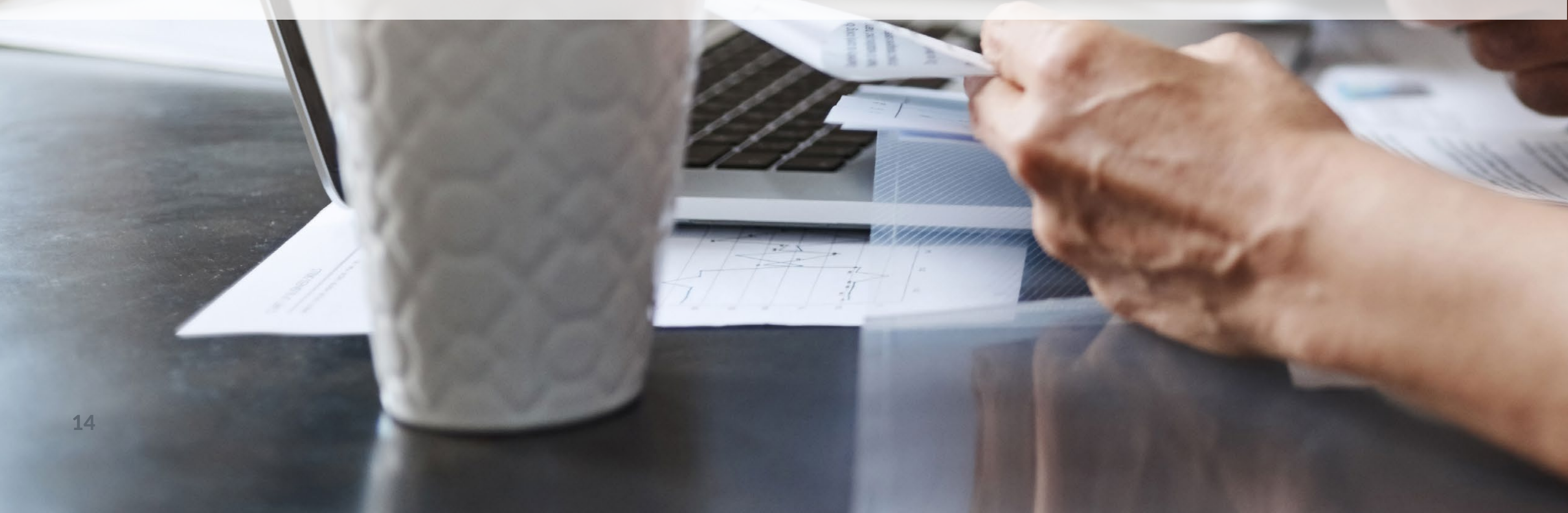

THE HIGH COST OF HEALING: HEALTHCARE INFLATION IN CANADA

For much of 2023, Canadians have been fed a steady diet of news highlighting the Bank of Canada's efforts to reign in inflation. In June of this year, media outlets announced inflation had eased to 2.8%, a substantial drop from its peak of 8.1% in summer 2022. Despite ticking back up to 4% in August, the Bank remains optimistic that its monetary policy is having the desired effect, leading Governor, Tiff Macklem, to proclaim that its 2% target is "now in sight[1]." Be that as it may, Canadians can be forgiven for not sharing his enthusiasm, and for questioning when all this will spell relief to their pocketbooks. While general inflation may be cooling, food prices, which have soared by 18% over the past two years[2], continue to increase (up 6.8% since last August[3]). Healthcare costs have also remained stubbornly high, up 5.8% since last August[4]. While Canadians are forced to bear the brunt of rising food prices on their own, a majority of them (64% according to a recent CLHIA survey) are fortunate to have access to insurance plans that help insulate them from healthcare cost increases[5]. These plans, however, are not immune from inflation, and for employers who provide health benefits to their employees, the effects of surging costs have not yet been fully realized. While many employers have rightfully been preoccupied with corporate culture initiatives and employee retention and attraction strategies, the time has come for a renewed focus on benefits plan expenditures.

Rising healthcare costs are not new to Canadian employers. The story of soaring prescription drug prices, in particular, has been a hot topic in the employee benefits industry for decades. Those in their mid-30s and beyond will remember, perhaps fondly, a time before omnipresent direct-to-consumer prescription drug marketing. Medical professionals and pundits have been debating the impact of these advertisements on patient behaviour and healthcare costs since 2000 when changes to Canadian policy relaxed drug ad regulations (around the same time the Viagra man began gracing our televisions, jovially waving to his neighbours while bouncing to the tune of "Good Morning.") Since then, total prescription drug expenditure in this country has increased tenfold[6]. While the stewards of Canada's public drug plans were quick to introduce measures to promote the use of more cost-effective generic drugs, insurance carriers were slower to respond (Canada Life and Sun Life began rejecting brand name drug claims, when a generic equivalent is available, in 2012[7]). Today, however, more than 70% of prescription drugs dispensed in this country are generics, and the Canadian Generic Pharmaceutical Association claims the use of generic medicine has saved our healthcare system tens of billions of dollars over the past five years[8]. Canada's generic pharmaceutical sector, however, produces less than 10% of the active ingredients used in its medicines in

Canada[9]. This reliance on imports means it is particularly vulnerable to the kind of supply chain disruptions and global inflationary pressures experienced over the past few years. Despite significant efforts, both public and private, to fix and control costs, Canada's drug prices are now the third highest among the Organization of Economic Co-operation and Development (OECD) countries – about 25% above the OECD median[10].

While Canadian employers have become accustomed, however begrudgingly, to rising costs, healthcare inflation may present fresh challenges in the year ahead. This is particularly true for employers with fully insured benefit plans who are coming off rate guarantees or whose plans renew in late 2023 and beyond. Though the spectre of inflation loomed large in 2022, many employers were unable to address the issue. Human capital headwinds in the form of the Great Resignation and a ferociously competitive labour market meant employers could ill-afford to explore cost reduction strategies. Indeed, according to Benefits Canada's 2022 Healthcare Survey, 62% of Canadian employers made no changes to their benefits plans in 2022, while 30% actually added or improved current benefits or coverage levels. This trend has continued thus far in 2023 with 59% making no change, and 28% making enhancements[11]. Going forward, though, as the impact of healthcare inflation becomes more apparent in the form of more expensive claims and/or premium increases, employers should prioritize cost containment.

The challenge in doing so is finding the right balance between maintaining a value proposition for employees and financial sustainability. To this end, a proactive employee communications strategy serves a twofold purpose. First, it allows employers to maximize efficiencies within their plan by identifying potential cost reduction options. Employee surveys are a relatively simple way to gauge perceived value of plan elements. By cross-referencing survey results with actual claims data and utilization trends, a picture will emerge highlighting opportunities to trim the fat. Second, an effective communications framework enables the reminding of employees as to what is available to them via the current plan. Ensuring that employees know how to access and navigate resources will strengthen their appreciation of the plan. This is in keeping with the findings of a recent survey conducted by Benefits Canada wherein 74% of employees polled who understand their plan extremely well or very well reported that it meets their needs extremely well or very well, compared to 47% among those who somewhat understand and 38% among those who do not understand their plan. More importantly, fostering employee understanding of the plan encourages the timely utilization of benefits which can improve health outcomes. Employers should not rely on a public health system that continues to reel from the pandemic. Promoting wellbeing and raising awareness of benefits must form the foundation of any long-term strategy intended to manage costs associated with delayed diagnosis, ill-timed treatments, and otherwise preventable claims.

The Bank of Canada is now projecting a gradual easing of inflation and a return to its 2% target rate in 2025. Rising healthcare costs will therefore remain an obstacle that Canadian plan sponsors must proactively address with relevant data and input from plan members. If the current inflationary environment persists beyond what is forecast, employers may have to consider more drastic measures to limit spending such as coverage reductions or asking employees to pay for a greater share of plan costs. By implementing a strategic approach to navigating this challenge now, employers can still strike a balance between cost containment and staff retention.

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THE FOUR-DAY WORK WEEK: A NEW ERA IN THE WORKFORCE?

The five-day, 40-hour work week, which has been the cornerstone of modern employment for nearly a century, originated shortly after the industrial revolution. In 1926, Henry Ford became one of the first employers to adopt a five-day, 40-hour work week at Ford Motor Company in response to a couple factors: pressure from labour movements, and the desire to boost productivity at his plant catalyzed by the increased leisure time and newfound job satisfaction Ford's employees would enjoy.

From then on, Monday to Friday as we know it today became standardized, not only in the US, but also around the world.

Understanding the historical context of how the conventional work week started nearly 100 years ago and why it worked well is necessary to understand why the concept of a condensed work week has become a growing adaptation to work arrangements today.

For instance: in 1926, it was more than likely that the man, husband, and father was the sole breadwinner at home, allocating all domestic labour and family-related responsibilities, a full-time job in its own respect, to the woman, wife, and mother—who was not allowed to contribute to the economy. In other words, the five-day, 40-hour work week worked because workers—*men*—had their wives at home taking care of absolutely everything else.

In 2023, however, women are an active part of the workforce while many of them, also mothers, caretakers, and life partners, fulfill dual responsibilities in the workforce and at home. In many cases, domestic labour is still unequally distributed between partners, leaving women to balance the never-ending responsibilities of their home life that they don't get to clock out for while simultaneously working their paying jobs. In other words, this traditional work model that we've grown accustomed to may not be the best fit for every single type of employee anymore.

Diverse and evolving family formats, including women juggling their roles in the workplace and on the homefront, as well as the ability to work remotely, technological advancements and more, are all variables to consider when thinking of implementing a change surrounding modern work arrangements. Amplified by the pandemic in recent years, the concept of a four-day work week has become a popular topic of discussion, with more and more workplaces and even entire countries experimenting with policies that allow workers to request modified work schedules.

It is critical for employers to stay attuned to emerging workplace trends, such as the four-day work week. While this model may not be suitable for all industries or employers, understanding the pros and cons regarding alternative work arrangements can help organizations make informed decisions that align with company culture, employee needs, and round out their talent retainment strategy.

Pros of the Four-Day Work Week

Enhanced Work-Life Balance: With a longer weekend, employees are given the chance to spend more time with their loved ones, pursue personal interests, tackle their to-do lists, and hopefully recharge with the aim of reducing stress and burnout.	**Increased Productivity:** By condensing work into four days instead of five, workers may feel more motivated to complete their tasks efficiently. Thursday rolls around faster than Friday, after all, so there's not much room for distractions, procrastination, or a slacking agenda.
Heightened Employee Morale: Implementing a four-day work week may signal to employees that their employer values and appreciates their time, possibly boosting morale and overall job satisfaction.	**Competitive Talent Strategy:** While the four-day work week is very much in beta mode, companies offering it gain a competitive edge over those who aren't. This radical type of flexibility can be an enticing, attractive benefit for certain candidates seeking a work model that is most suitable for their lifestyle, family/individual needs, etc.

Cons of the Four-Day Work Week

Operational Challenges: Adopting a four-day work week can be logistically challenging for some businesses. Client-centric industries like ours don't necessarily have the ability to "clock out" during unexpected client claims or emergency calls.	**Long-Day Burnout:** Some employees may struggle to maintain the same level of productivity within a compressed workweek because longer workdays may lead to fatigue and decreased focus, potentially resulting in lower overall productivity. This can lead to burnout and undermine the intended benefits of a shorter work week.
Communication & Collaboration Issues: Some companies may choose to split up work weeks among employees so that there's not one day left unaccounted for. With some workers on the clock for Monday to Thursday, and others on Tuesday to Friday, it may be difficult to schedule meetings, coordinate and collaborate on projects, and maintain an overall efficient workflow.	**Impact on Pay & Benefits:** With reduced working hours, some organizations may meet this with a proportional reduction in pay. This can in turn impact benefits compensation, group plan contributions, etc.

Ultimately, the choice to implement a modified work week should be met with thorough analysis after considering the specific needs and goals of both the organization and its employees.

By staying informed and adaptable, employers can find the right balance between maximized productivity and employee well-being in the workplace.

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