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welcome to brighter

2021

ready for anything

Priorities to consider for your workplace defined contribution and savings plans in an uncertain time.

There is a gap between what Canadians have saved and what they will need to retire. In 2020, with economic uncertainty and volatility, the retirement gap has become even wider.

Saving for retirement is now a source of financial stress for 60% of Canadians – your employees included.

In this environment, it is critical your employees be engaged in their workplace savings program. By boosting their retirement readiness, you can improve their overall financial wellbeing. Make this your priority and reap the benefits in 2021.

An unprecedented year

2020 has been a year unlike any other. Mercer research, collected throughout the COVID-19 pandemic, shows that only 10% of organizations are in growth mode right now – 30% are struggling, due to the financial challenges created by adverse economic conditions and ongoing uncertainty.

That uncertainty will likely not be resolved by 2021. Organizations that offer workplace defined contribution and savings plans must still get their plans ready for 2021, to ensure that they are resilient against whatever the future may bring, and to keep their organizations in a competitive position in the war for talent.

In other words: your plan must be **ready for anything**.

How do you do that?

You balance economics with empathy.

Here are five things you should consider as you set priorities for 2021:

1. Reduce your administrative overhead and concentrate on strategy with a Delegated Defined Contribution (DC) solution

Employee retirement is a source of concern in normal times, but during times of economic uncertainty it is even more important. Retirement savings help give your employees a sense of stability and security, which can stave off reductions in productivity.

The people within a company who manage DC plans increasingly find themselves overwhelmed with administrative tasks, such as investment changes, service provider management and determining the best approach to engage employees. But in an uncertain environment, you should look to concentrate on strategy, to ensure that your plan is ready for whatever lies ahead.

A delegated solution grants you access to best practices in traditional governance management such as investment selection, as well as an integrated end-to-end model to support service provider management, strategic employee education, communication and employee financial wellbeing support. It removes many of the time-consuming tasks from your plate, leaving you free to refocus on what matters most.

2. Give your workforce a resilient plan

Canada is again in an economic crisis. In the 2009 global financial crisis, many organizations were tempted to slash benefits as a way of containing costs. But when recovery began, those organizations found themselves facing major challenges retaining talent as they found themselves at a competitive disadvantage.

At a time like this, you need to make sure your plan design is resilient – able to withstand economic shocks and demographic changes, while still being able to maintain your competitive market positioning.

- Evaluate your workforce's retirement readiness, and ask them what they want and need from a retirement or savings plan. Every employee faces different challenges and will have different priorities for their savings throughout their career.
- Conduct a competitive review of the fees that plan members incur – fee competitiveness is important in normal times, and even more important when savings and growth are difficult to find.
- Consider if your plan accounts for the realities of decumulation. Employees transitioning into retirement in the short term could face significant headwinds navigating the uncertainty of the market and may need more support evaluating both the emotional and financial challenges that lie ahead.
- Recognize that competitiveness is part of the new normal. Even as many organizations have had to seriously constrain spending, as recovery begins, competition for top talent will begin to heat up.

3. Have investments that are fit for purpose

Many Defined Contribution plans default into Target Date funds. This is not a bad thing – in fact, defaulting to target date funds has been something Mercer has applauded in the past.

The result is that many plans have assets concentrated in these funds. This might have been fine prior to the pandemic, but is this arrangement still delivering for your employees in a post-pandemic context? Now is the time to re-evaluate changes to your employee needs, demographics and support to transition into retirement. Developing a customized investment solution could result in improved outcomes.

Consider a due diligence to confirm whether or not your current asset mix is delivering against what your workforce wants and needs, and evaluate if and when changes need to be made.

4. Support financial wellbeing

COVID-19 and the resulting financial uncertainty has left employees stressed. Not only are 60% of employees stressed about their financial situation, only 50% of employees aged 50 or older have a plan to transition into retirement.

This has deleterious effects on employee morale, productivity and ultimately your bottom line.

In the present economic circumstances, restraining spending may be a top priority. However, this must be balanced with empathy – providing employees with what resources you can to help them address the issues you know they are facing.

That begins with understanding where they are coming from, and meeting them where they're at. This knowledge will empower you to provide your employees with the resources they need, ranging from education to a more focused strategy to and resources to help, whether those resources are part of your group benefits package or free resources provided by the government.

5. Deliver an experience built for a virtual future

The speed of the move to virtual and remote work had its downsides – but the upsides mean that the 'new normal', even after the pandemic is over, is likely to be much more virtual.

But right now – during the transition period to that new normal – employees are much more open to engaging in different ways.

Given the significant challenges the future poses – with the World Economic Forum predicting a $70 trillion gap[1] between retirement savings and retirement needs by 2050 – now is the time to act.

Not only is the nature of retirement changing with longer lifespans, the nature of employment is changing, as well. It is time to recognize that the pandemic will likely result in employees having multiple employers or even relying on self-employed gigs to stay in the labour market. Employers will need to re-think how to better support temporary employees and adapt to the new reality of supporting employees to save for retirement, regardless of how long they stay with the company.

Employees are digital-first in every other aspect of their lives, from communication to online shopping. Your retirement benefits should be as well. A new digital approach can help you to develop an employee engagement platform that brings all aspects of company benefits into an integrated dynamic view. This will allow you to provide your employees with personalized plans and access to best-in-class third party solutions. Further, it will eliminate the complication of many sources of income spread across multiple sources.

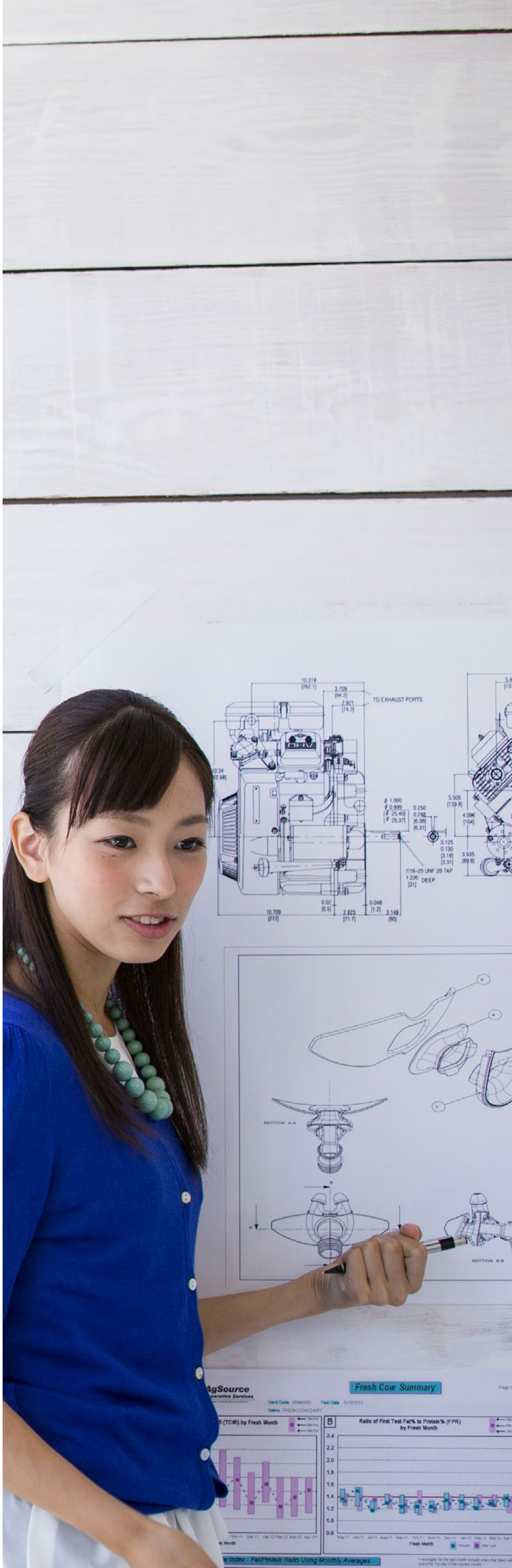
Mercer solutions such as Mercer Invest Wise™ bring the best of the retail space - the personalized, flexible, omnichannel experience – to your workplace.

A new way forward

2020 was a year unlike any other in memory – but what will 2021 bring? The only certain thing is uncertainty. By taking common sense steps, you can help future-proof your DC plan, ensure that it is resilient against risk, and position yourself well in the competition for talent when the economy begins to recover.

To learn more about how we can help your Defined Contribution plan ready for an uncertain future, contact your Mercer consultant.

[1]Source: *World Economic Forum*, May 2017
http://www3.weforum.org/docs/WEF_White_Paper_We_Will_Live_to_100.pdf



Reshaping the future.

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At Mercer, we redefine the world of work, reshape retirement and investment outcomes, and define new possibilities for health and wellbeing. Our aim is to look to the future by focusing on the needs of today. We help our clients navigate uncertainty and a rapidly changing environment that is transforming the way we work.

With more than 70 years of experience, we provide trusted advice and solutions by understanding data and applying it with a human touch. We drive change by turning ideas into action, positioning our clients, colleagues, and communities for the future.

How We Can Help

Continuously rethinking purpose and priorities drives HR transformation. Shaping the future of work requires improved strategies around investment and retirement, health and wellness benefits, talent and communications. We believe in the value of investing in the future to build resilience for your business and your employees.

Investments and retirement require sophisticated solutions. We approach these with a big picture view that prioritizes long term financial wellness. We offer research and advice on assessing risk and designing benefits programs while keeping in mind the need to optimize throughout changing times.

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