CANBY
Financial Advisors

Plan Sponsor Perspectives

Summer 2023

Thinking About Adding a Financial Wellness Program? Here Are Some Issues to Consider

If you're considering offering a financial wellness program to your employees, Callan's 16th annual *Defined Contribution (DC) Trends Survey*[1] offers key insights into the process.

According to Callan, the survey provides a benchmark for sponsors to evaluate their plans compared to peers, and to offer actionable information to help them improve their plans and the outcomes for their participants.

Identifying employees' primary financial wellness needs and objectives

Plan sponsors' survey responses revealed that among their employees the top financial wellness needs were in the areas of saving behaviors and overcoming roadblocks to saving.

Nine out of 10 respondents indicated that retirement savings was a top financial need (3.9 weighted average rank out of 5).

Sixty-three percent highlighted emergency savings needs (2.3)

Fifty-six percent called out budgeting (2.0) or debt management (1.8).

Top Financial Needs Identified	
Retirement savings	3.9
Emergency savings	2.3
Budgeting	2.0
Debt management	1.8
Health care spending	1.6
Student loans	1.5

5 = most important; total ranking is a weighted average score.

[1] https://www.callan.com/blog-archive/2023-dc-trends-survey

Measuring Effectiveness and Determining Success

Plan sponsor respondents prioritized usage, participant feedback, surveys, and returns on investment to measure financial wellness program success.

Top Criteria for Gauging Success of Financial Wellness Programs	
Usage	4.6
Participant feedback	2.5
Return on investment	1.8
Impact on DC plan saving behaviors	1.8
Increased engagement	1.6
Cost	1.2
Ease of administration	1.1

5 = most important; total ranking is a weighted average score.

Designing, managing and monitoring a financial wellness program

The survey found that the responsibility for designing and monitoring the financial wellness program most often lands with human resources, rather than a governance committee.

And unlike most DC plans, financial wellness generally does not fall under the Employee Retirement Income Security Act (ERISA) of 1974. This means employers that add these benefits outside the existing legislative or regulatory framework do so at some level of risk.

The survey's authors also suggest that plan sponsors consider how to best monitor and manage these benefits. Although the two programs (retirement and financial wellness) may interact, they are typically monitored by separate people or teams, which can lead to efficiency gaps.

DC plan fiduciaries may require regular reporting on their financial wellness program along with their ongoing plan monitoring to ensure that both programs are operating optimally.

CANBY
Financial Advisors

The Benefits of Establishing a Plan Committee

Under ERISA, a plan sponsor has overall fiduciary responsibility for the company's retirement plan. One of the most effective ways a plan sponsor can meet these obligations is to establish a plan committee. By delegating some responsibilities to a plan committee, plan sponsors can:

- Share fiduciary liability for investment oversight and plan administration
- Broaden the knowledge and expertise of individuals managing the plan
- Formalize and document the processes followed in making plan decisions

To establish a plan committee, the board of directors or business owners should authorize the committee by a board resolution or other written business authorization and determine who will serve on the committee (e.g., human resource manager, chief financial officer, operations manager).

The framework for operating the committee should be documented in the form of bylaws or a charter that defines the purpose of the committee, its responsibilities, and its scope of authority (e.g., investment oversight only).

Because ERISA fiduciaries are personally liable for plan losses caused by a breach of their fiduciary responsibilities, a charter can help plan committee members understand their duties and how to meet them consistently.

Once the committee is formed, set a schedule for regular meetings, and apply a disciplined approach to each meeting. This includes following the meeting schedule outlined in the charter and creating an agenda for each meeting. Designate a member to draft minutes reflecting the key discussions of each meeting and to store materials used in the meeting (e.g., benchmarking information).

CANBY
Financial Advisors

161 Worcester Road, Suite 408
Framingham, MA 01701
508.598.1082
canbyfinancial.com