



Fiduciary Pension Partners

Balancing Competitive Benefits in Budget Constraints for Plan Sponsors



It is crucial for companies to regularly benchmark and compare their benefits packages with industry peers to maintain a competitive advantage. Offering a competitive benefits package can be challenging for plan sponsors due to budgetary constraints. Excessive financial

burdens on employers or employees can negatively impact the business, making it difficult to attract and retain employees.

Maximizing Potential with Regular Performance Checks

Carl Gagnon, assistant vice president of global financial well-being and retirement programs at Unum Group, a financial insurance provider, emphasizes the importance of regular benchmarking for their 401(k) plan. Unum usually conducts benchmarking in late February or early June when discussing the budget for the upcoming year. The yearly investment review in late April or early May involves assessing underperforming investments and exploring new products for the lineup.

Shams Talib, Fidelity's head of workplace, notes that the frequency of benchmarking depends on the organization and the plan sponsor. Some sponsors may review their portfolio annually, ensuring alignment with business objectives, while others can withstand longer review periods. Talib recommends annual reviews when considering compensation structures.



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Mark Smrecek, senior director of retirement at WTW, mentions that organizations often undergo cost management exercises to address primary concerns. Benchmarking now extends beyond investment lineups to include health and retirement benefits, ensuring alignment with organizational needs.

Innovative Financial Planning

Gagnon compares budgeting for a competitive benefits package to splitting a pie. He advises using the pie more efficiently rather than trying to add or subtract from it. Unum's student loan repayment program is an example of making the most of existing benefits. Employees can exchange money for student loan repayment in return for unused paid time off. Gagnon plans to expand the program for contributions to employees' 529 college savings accounts.

Despite the pandemic's temporary halt on innovation, Gagnon advocates redirecting money from customary benefits like paid time off to assist in repaying student loans. Unum introduced an emergency savings program, allowing members to fund an account through their 401(k) plan for unforeseen costs without resorting to credit card debt or depleting retirement funds.

Talib emphasizes that the right budget depends on benchmarking data, effective cost management, attracting the right employees, addressing turnover statistics, and considering the company's affordability.

Engaging Senior Leaders with Innovative Benefit Funding

Gagnon stresses the importance of convincing upper management of the benefits plan sponsors want to provide and constructing innovative means of funding. He cites a well-being survey, indicating work-related stress as the top concern for employees. Unum focuses on leveraging existing benefits for debt repayment and emergency savings.

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Gagnon compares Unum's benefits packages with industry rivals, including MetLife Inc., Prudential Financial, Standard Life, and Lincoln Financial Corp. While benchmarking is typically done annually, Gagnon may conduct additional benchmarking if he discovers unique or creative practices from other companies that could impact hiring.

“We don’t want to be at the top scale, we don’t want to be at the bottom—we want to be competitively in the middle,” Gagnon emphasizes. “Sometimes that can mean a more generous PTO program, more generous 401(k), more generous medical. ... In the aggregate, we want to be at that very competitive level.”

Sources :

<https://www.plansponsor.com/in-depth/offering-competitive-benefits-amid-budget-constraints-a-balancing-act-for-plan-sponsors/>

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