

MERCER INSIGHTS 2023

THE FUTURE OF TOTAL REWARDS

March 8, 2023
Denver

A business of Marsh McLennan



1.Total rewards in the new shape of work	9:05 – 9:35
2.The hyper-personalization of benefits	9:35 – 9:55
3.Managing risks in the new shape of work	9:55 – 10:10
4.Break	10:10 – 10:30
5.The 401k for today’s workforce	10:30 – 10:45
6.Time away from work	10:45 – 11:10
7.Family support benefits for all generations	11:10 – 11:25

Agenda

Speakers



September Udemans
Health & Benefits
Consultant



Brad Cornish
Health & Benefits
Actuary



Rachel McCarter
Voluntary Benefits
Consultant



Matt Nordaker
Corporate Risk
Consultant



Kyle David
Investment Director



Shauna Bryngelson
Leave & Absence
Consultant



Rebecca Atkins
Health & Benefits
Consultant

The three realities shaping the future of total rewards

The New Shape of Work requires
new approaches to rewards



Total well-being is delivered
through personalization



Leaning into digital enables
scale and speed



Total rewards in the new shape of work



The Rise of the relatable organization

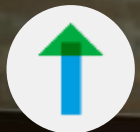
The old model of work, working and the workplace is no longer fit for purpose



Most employees say the Pandemic has driven them to **rethink their priorities**



Leading organizations are coming off mute on what they believe in and taking on the values of their people



Organizational trust is up, paving the way for a **different way** of doing things

Transform with total rewards

2023 will be a defining year as ambitious transformation plans and persistent challenges come face-to-face with new realities. HR will need to maintain energy and momentum to ready itself and the business for what lies ahead.

Source: Mercer GTT 2022

What's keeping your workforce up at night?

Two years of multiple existential crises are weighing heavily on workers

Short-term financial health



Covering Monthly Expenses

is the #1 concern of workers - up from #9 in 2021

Long-term financial security



Only **46%**

of workers are confident they can turn their retirement savings into a consistent stream of income to last the rest of their lives

Work life balance



51%

of workers report feeling exhausted on a typical day at work

Physical health



#4

concern of workers; remaining a top concern – but down from #1 in 2021

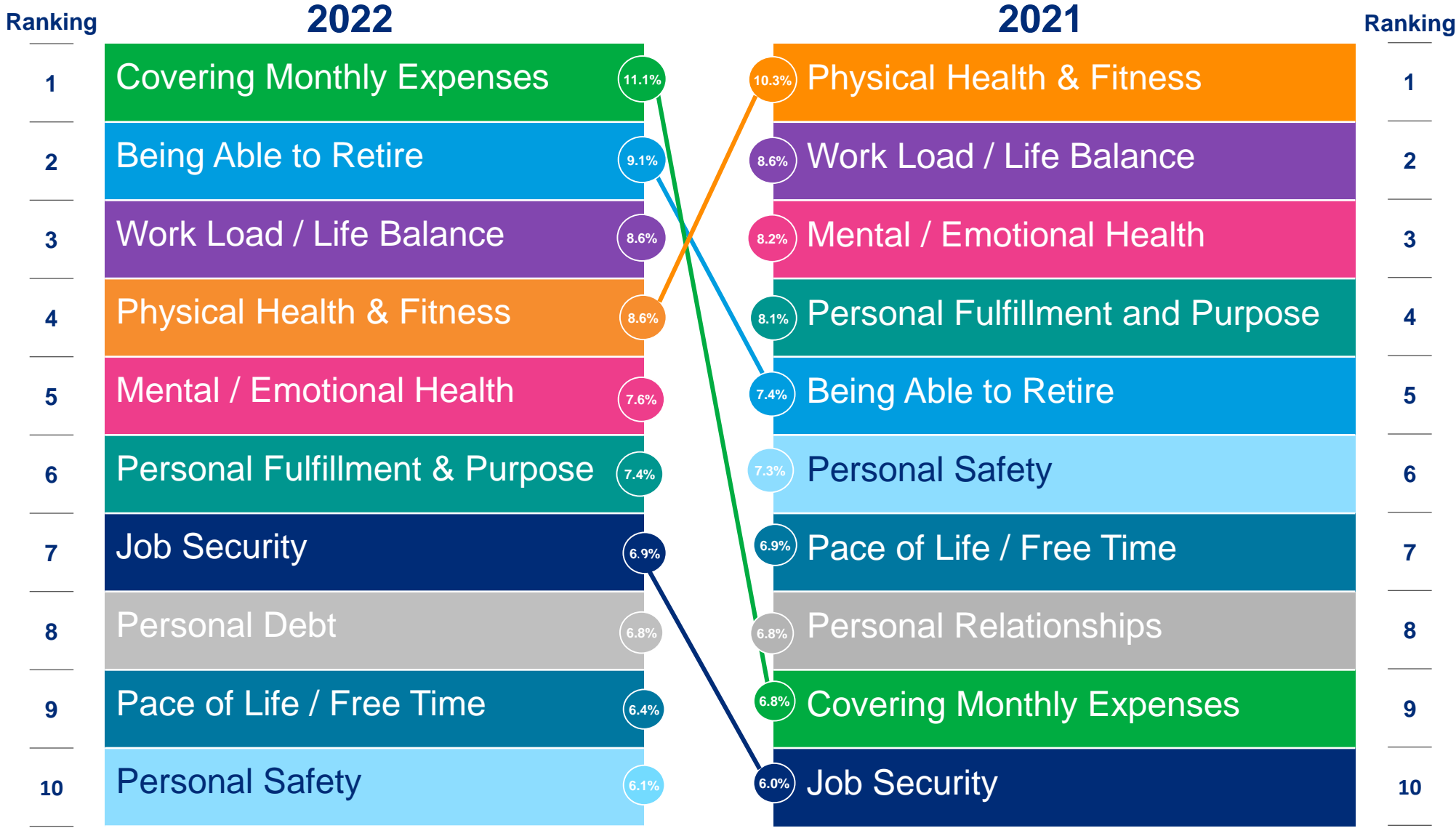
Mental health



Top 5

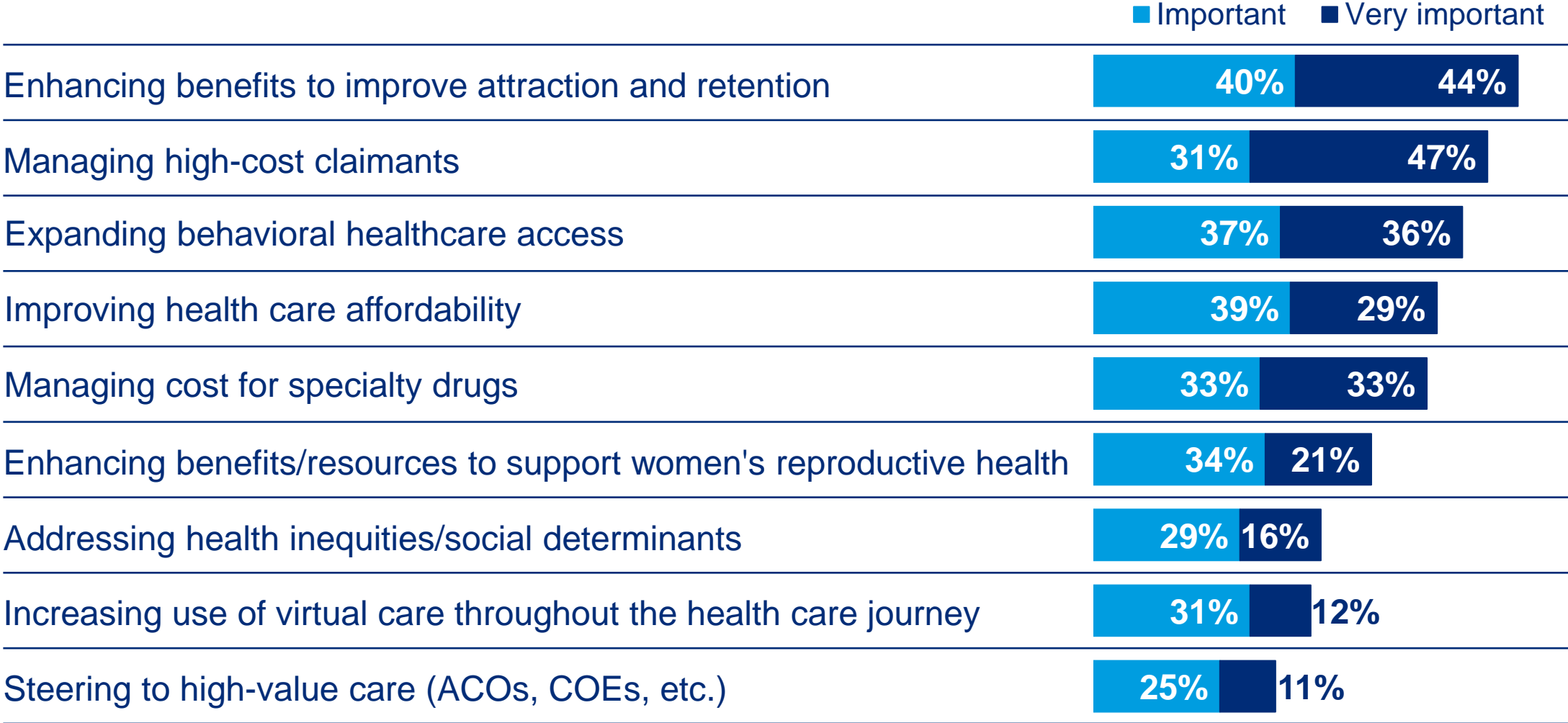
concern of workers across most demographics – rising to #2 for workers below age 35 and LGBTQ

Workers wants and needs have changed significantly



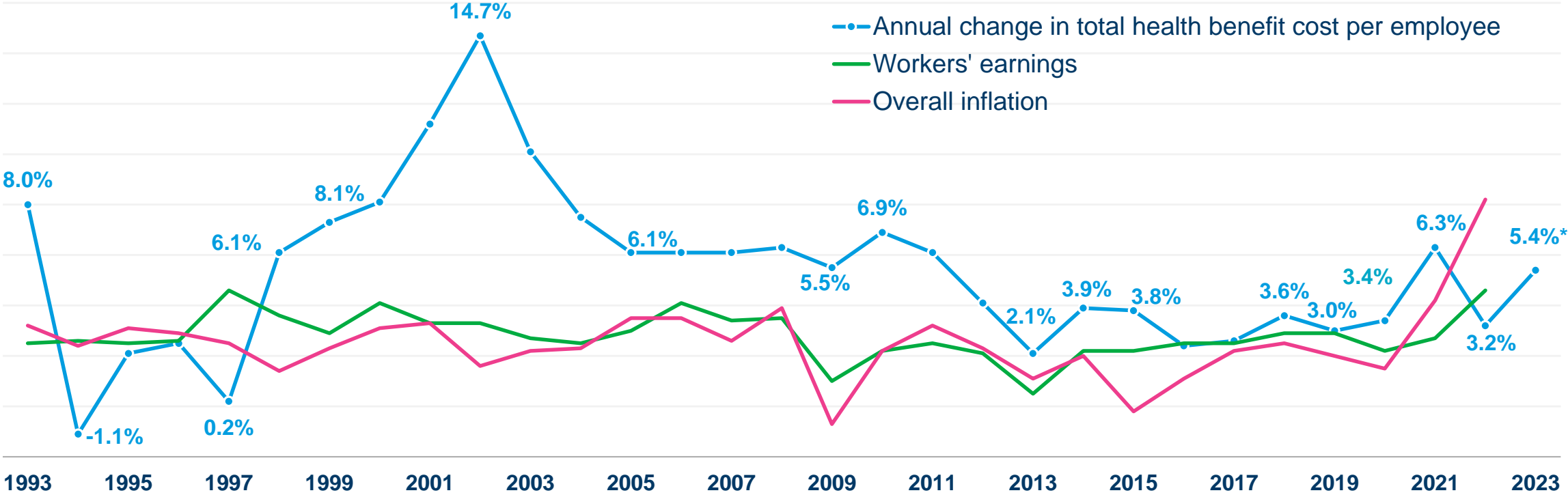
#1 priority: Enhancing benefits to improve attraction/retention

Most important strategies for the next 3-5 years



Sharper increases in health benefit costs are expected

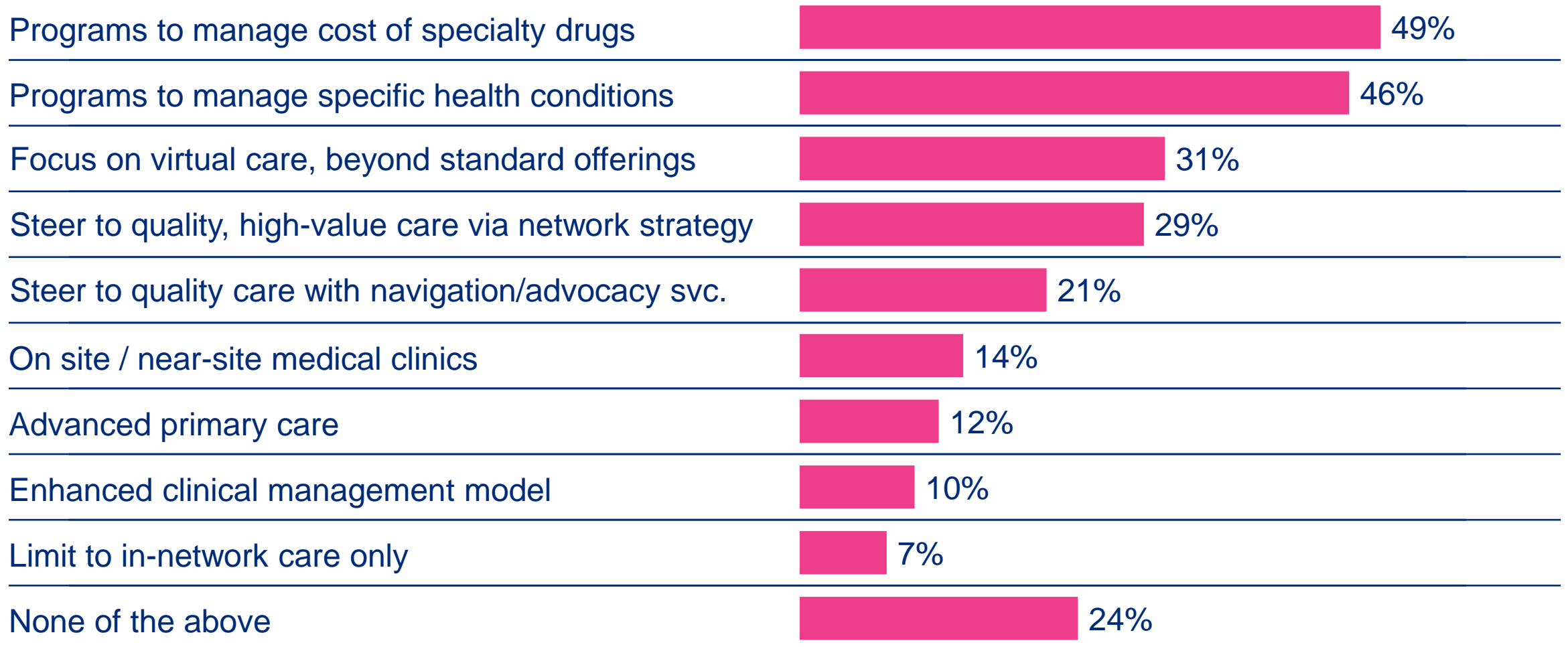
Change in total health benefit cost per employee compared to CPI, workers' earnings



*Projected.
 Source: Mercer's 2022 National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April).

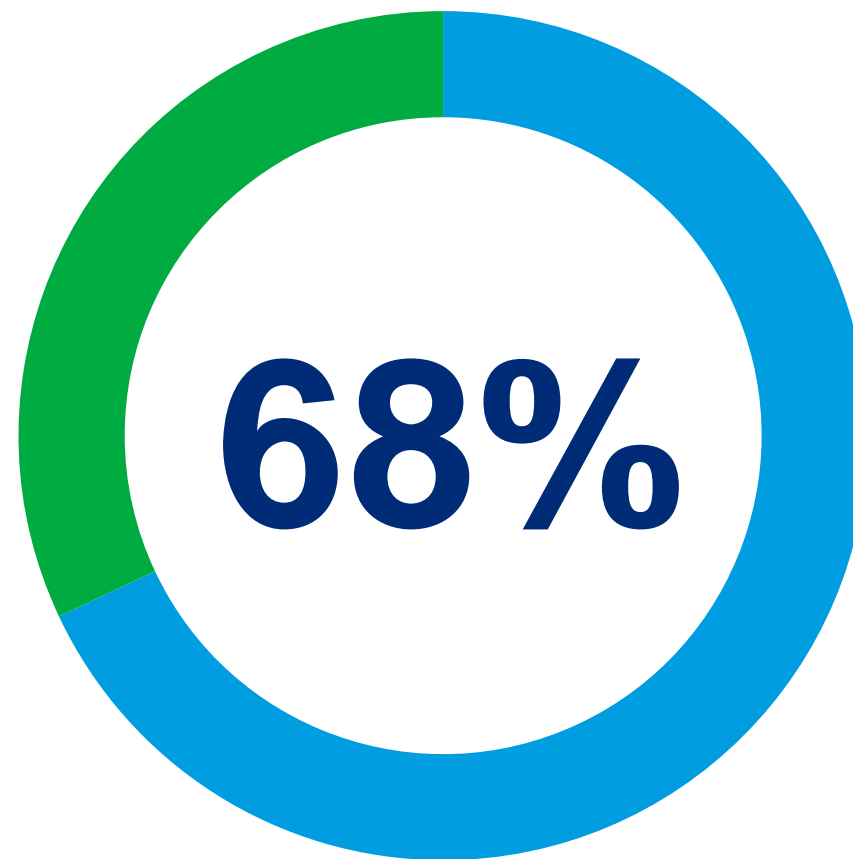
Strategies to slow future health care cost growth

Have implemented or seriously considering within two years



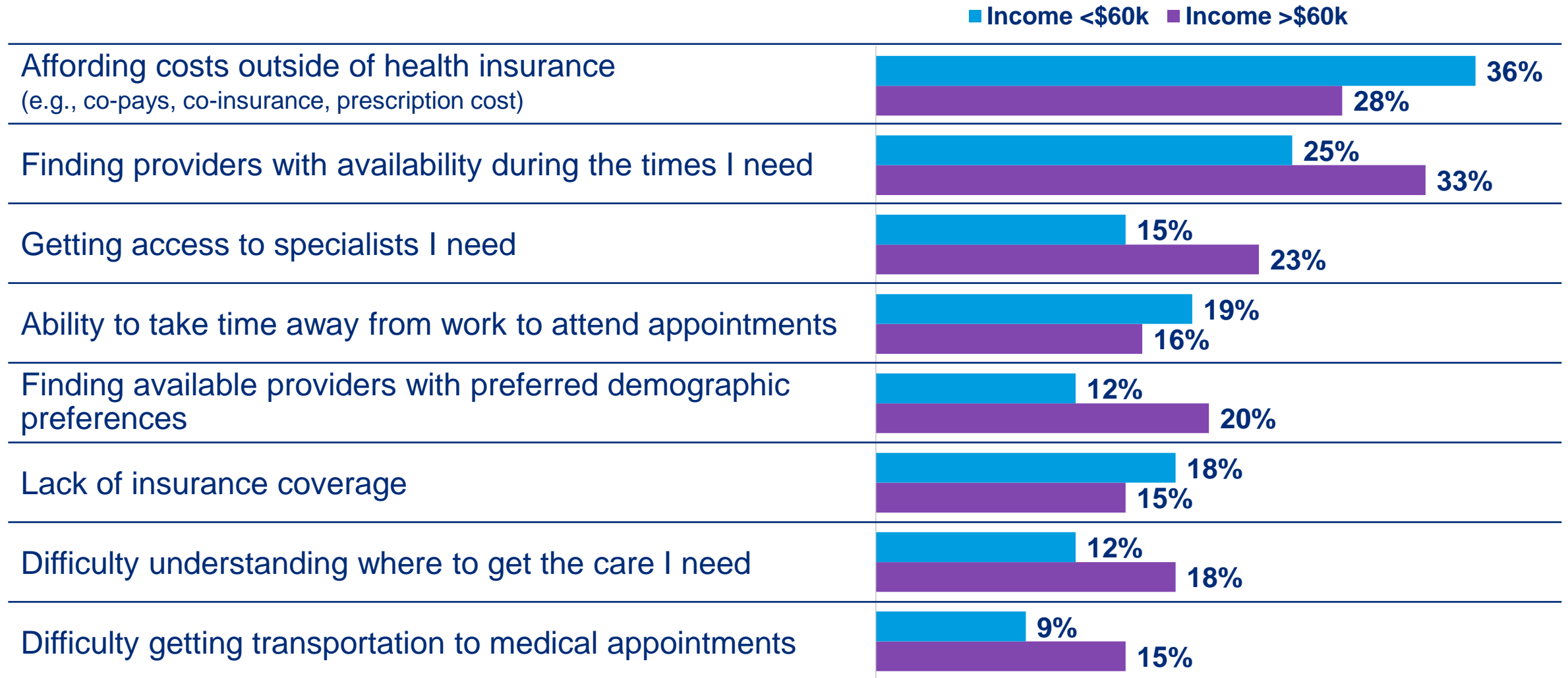
Employees say they have challenges getting healthcare for themselves and their family

Younger workers, caregivers and LGBTQ+ employees are even more likely to say they face challenges getting the healthcare they need



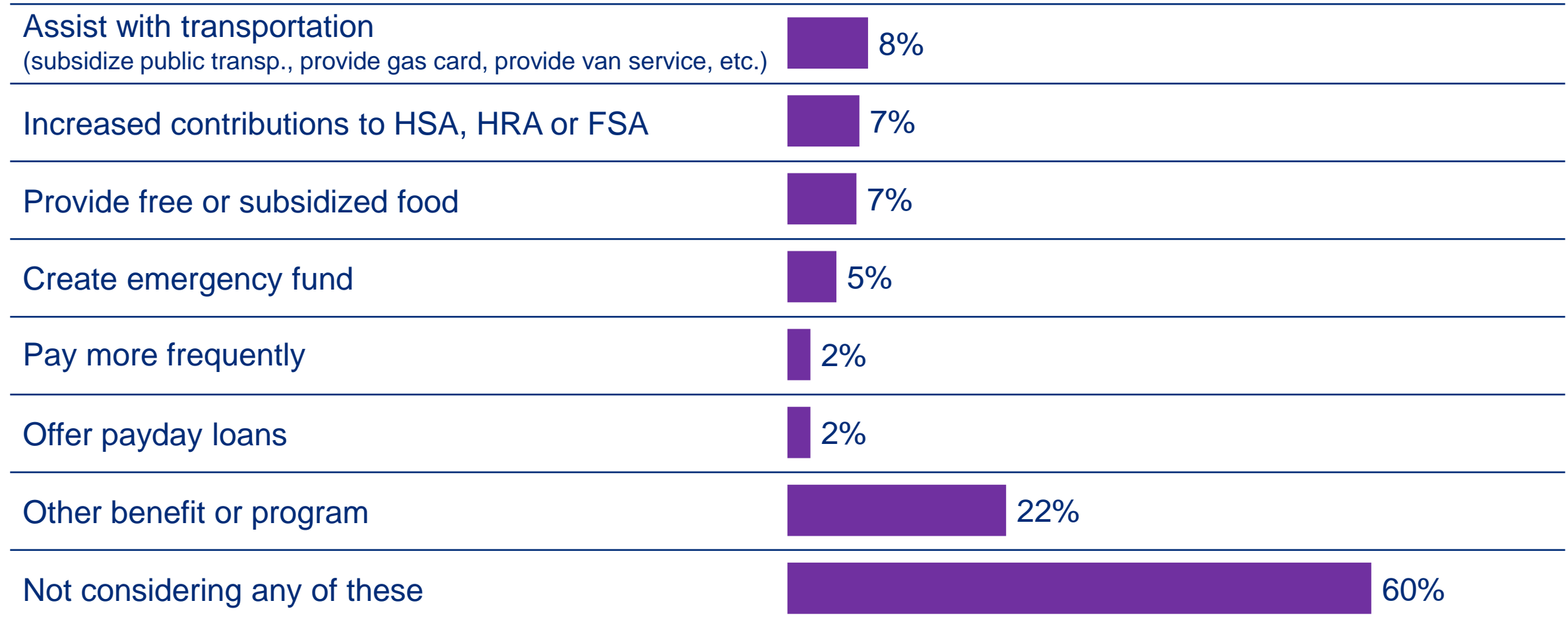
Employees struggle to get the healthcare they need

What are your biggest challenges with getting the healthcare you need?



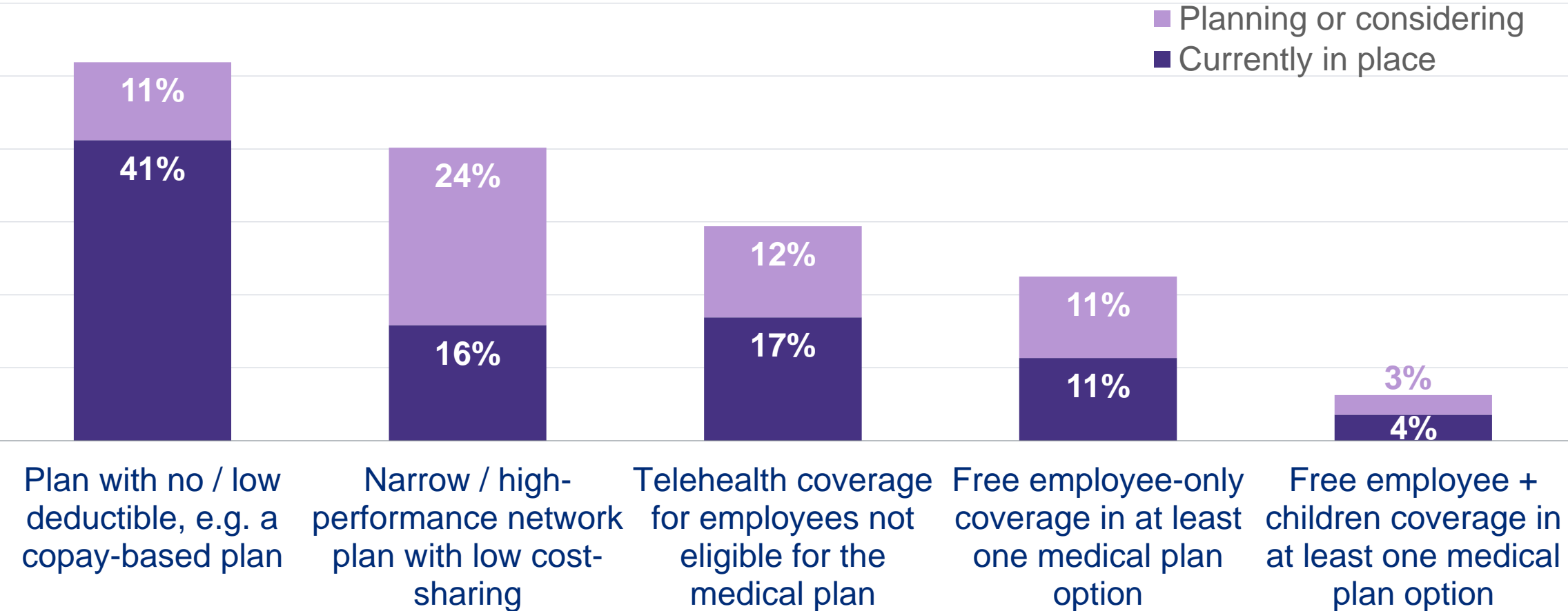
Assist workers with financial stress

Have implemented or seriously considering



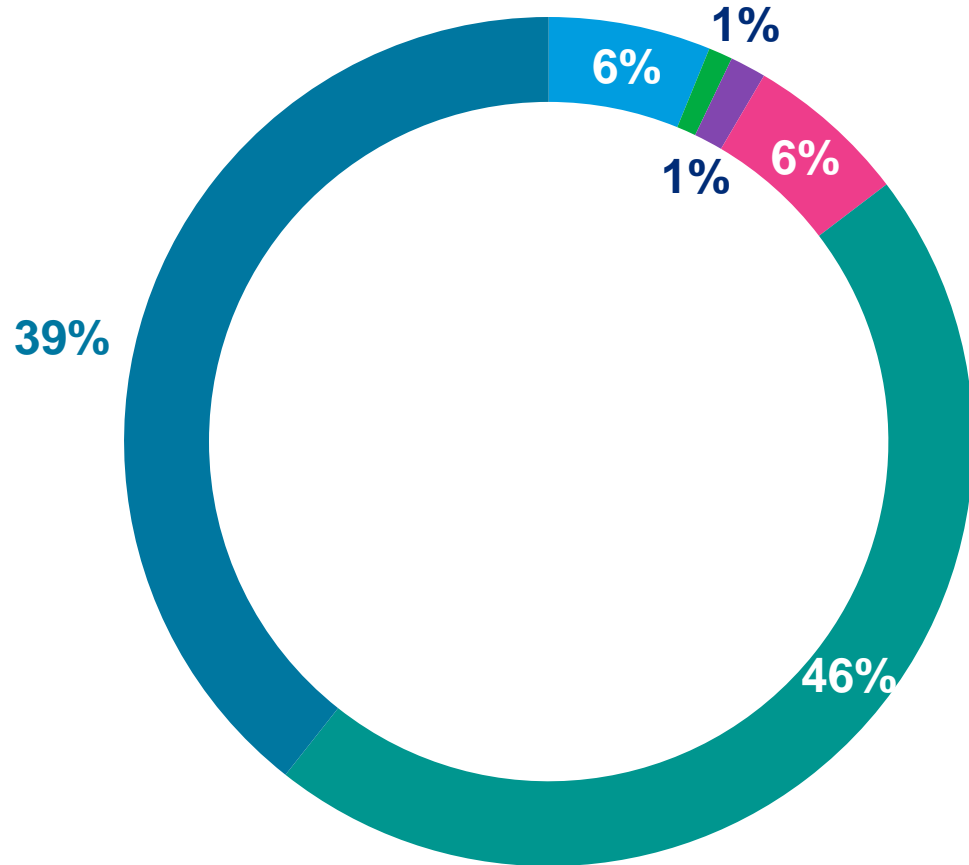
Improving health care affordability

Strategies planned or in place



Virtual-first health plans

Some employers have taken the leap



- 6% Offer through health plan vendor
- 1% Offer through standalone tech-forward vendor (e.g., 98point6, CirrusMD)
- 1% Planning to implement a virtual-first plan in 2023
- 6% Interested for 2024 or beyond
- 46% Need to better understand the model before considering
- 39% Not interested or don't believe it's a good solution for the organization's population

Virtual first is defined as a health plan that integrates virtual care delivery models into the health plan using plan design, incentives and advocacy to encourage members to use virtual care first, and traditional in-person care only when necessary

Mental and emotional health remains a top concern

Particularly for younger workers, women, LGBTQ+, Black, Hispanic and Latino workers

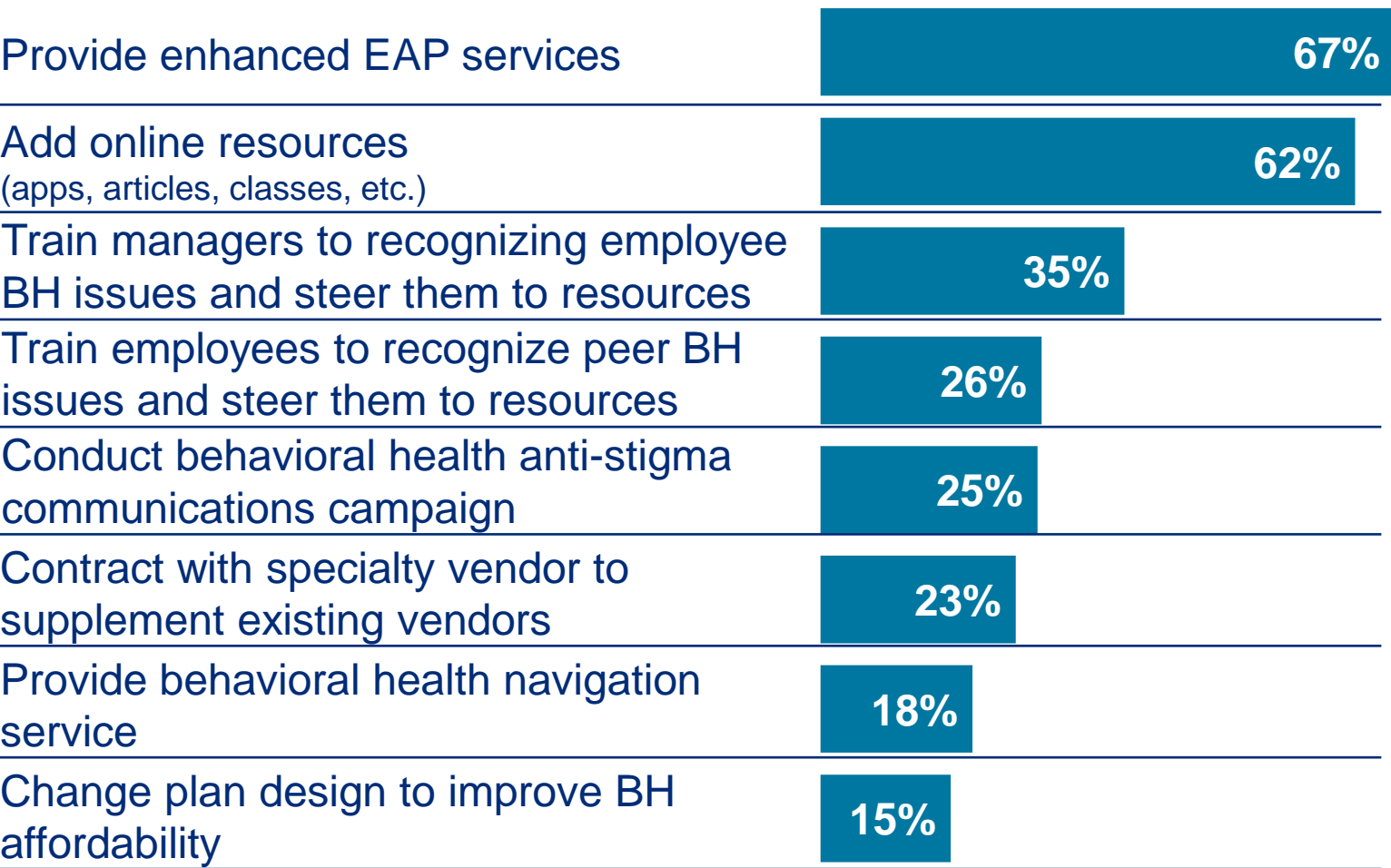


Mental health ranked as the #5 concern overall – but ranked of higher concern to some employee groups

#2	Below Age 35 (drops below top 5 for age 45+)
#2	Female Caregivers (versus #7 for non-caregivers)
#2	LGBTQ+ (versus #6 for non-LGBTQ+)
#3	Black, African American, Hispanic & Latino workers (Versus #6 for White workers)
#3	Women (Versus #8 for Men)

Expand access, reduce stigma

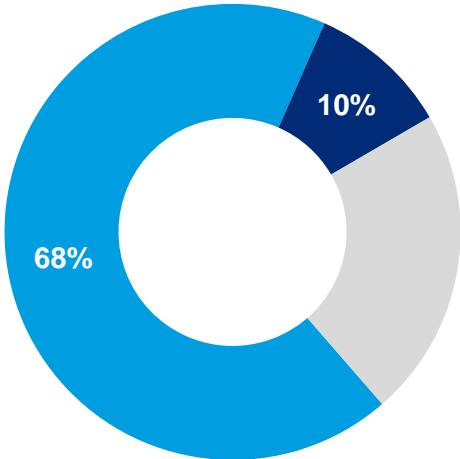
Behavioral health strategies in place or planned for 2023



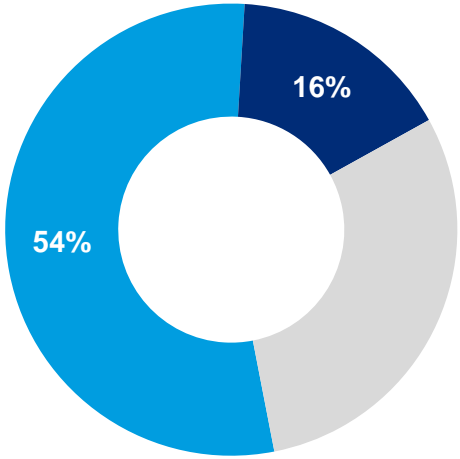
Expanding access to behavioral healthcare is the #3 health program priority among all large employers – and #1 among jumbo employers

Closing the gender gap

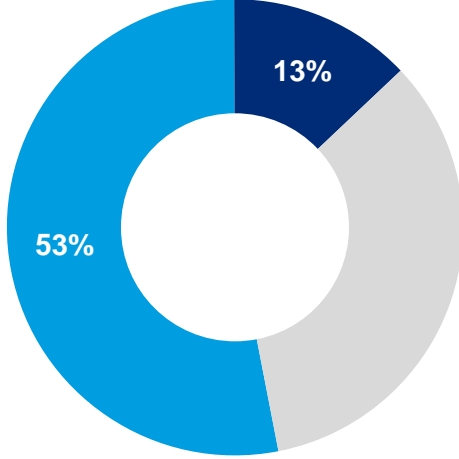
■ Women Favorable % ■ Gap to Men




“Within my team I feel a sense of belonging”



“I believe I am fairly compensated for what I do”



“I feel that my career goals can be met at my company”

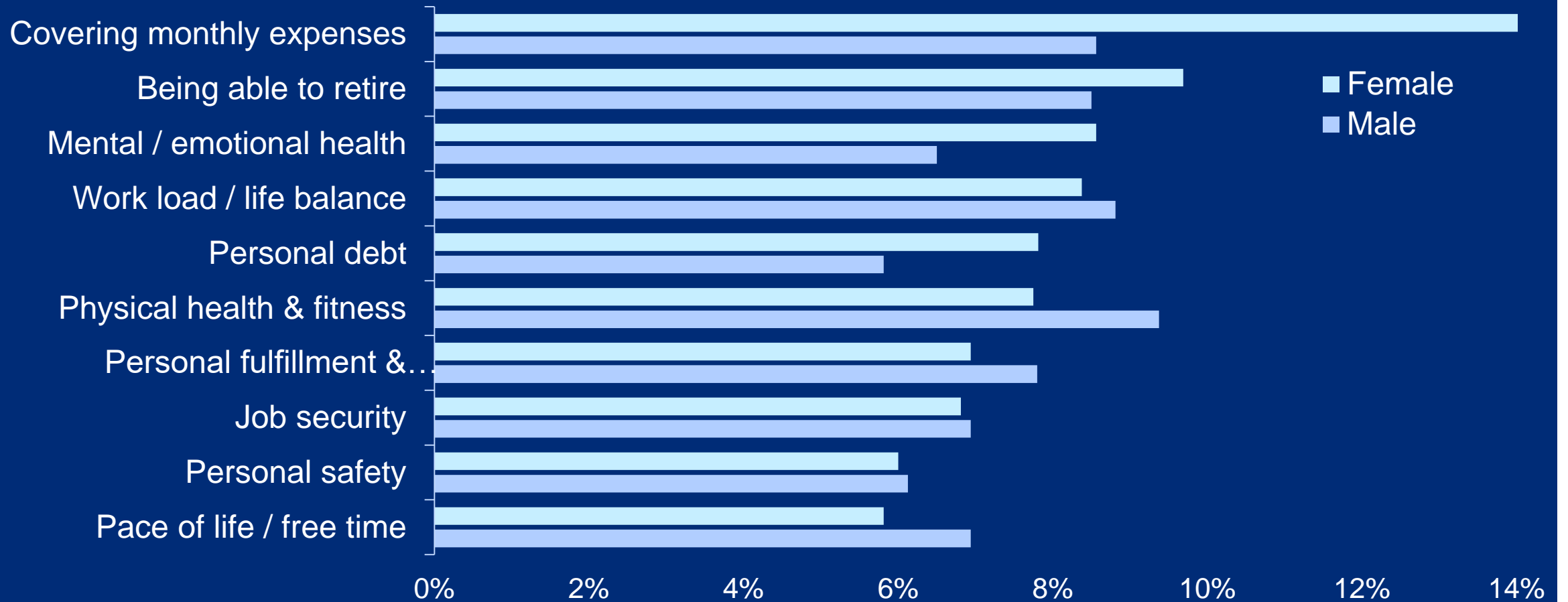


Women are twice as likely to be low-income workers, struggle with financial matters, lack a sense of belonging, fair pay and career achievement

- Mercer's 2022 Inside Employees' Minds© Study
- 

Closing the gender gap

Women are more concerned with financial matters, while men are more concerned with health and fitness, purpose and free time



LGBTQ+ employees are struggling

Mental health is a top concern

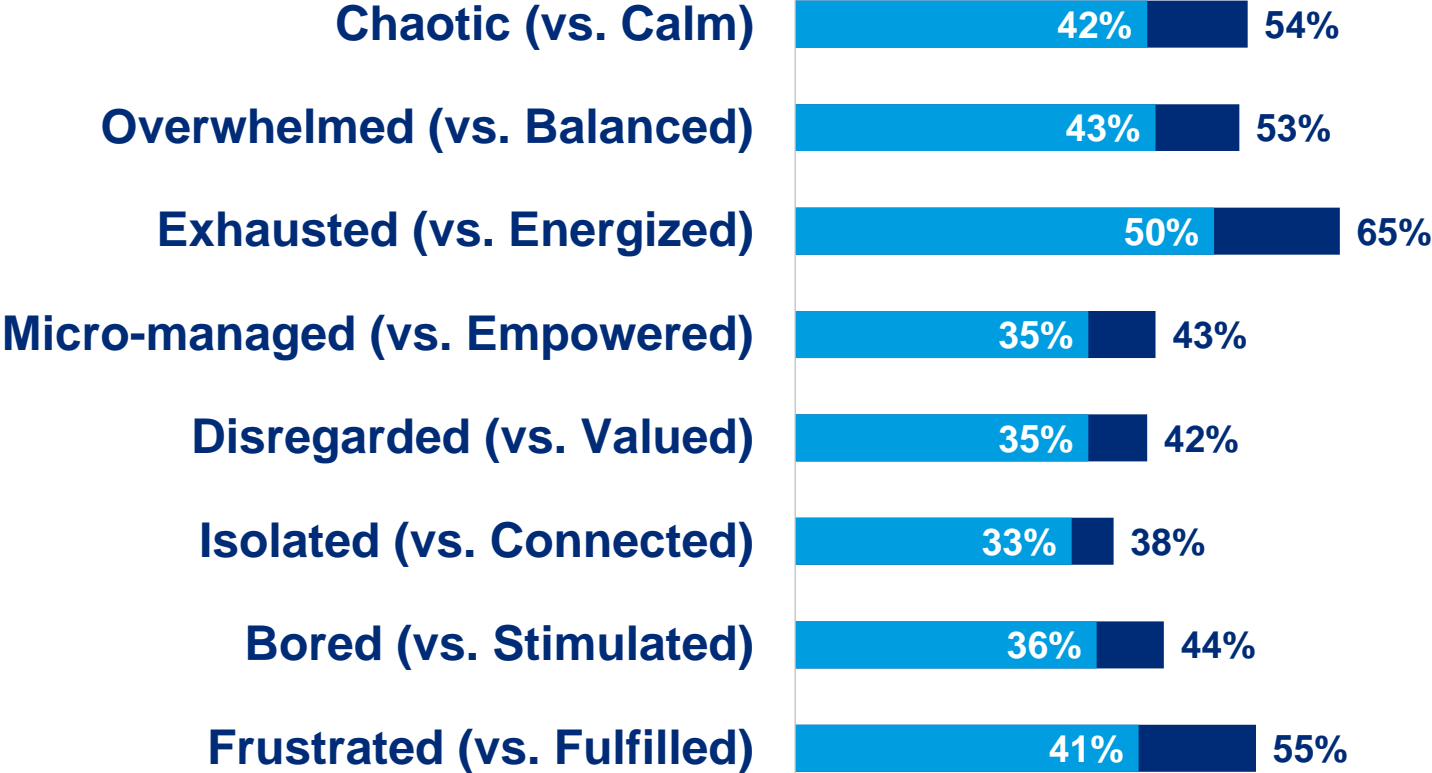


Top Concerns of LGBTQ+ Employees

- #1 Covering monthly expenses
- #2 Mental / emotional health
- #3 Work load / life balance
- #4 Being able to retire
- #5 Personal fulfillment and purpose

On a typical day, I feel...

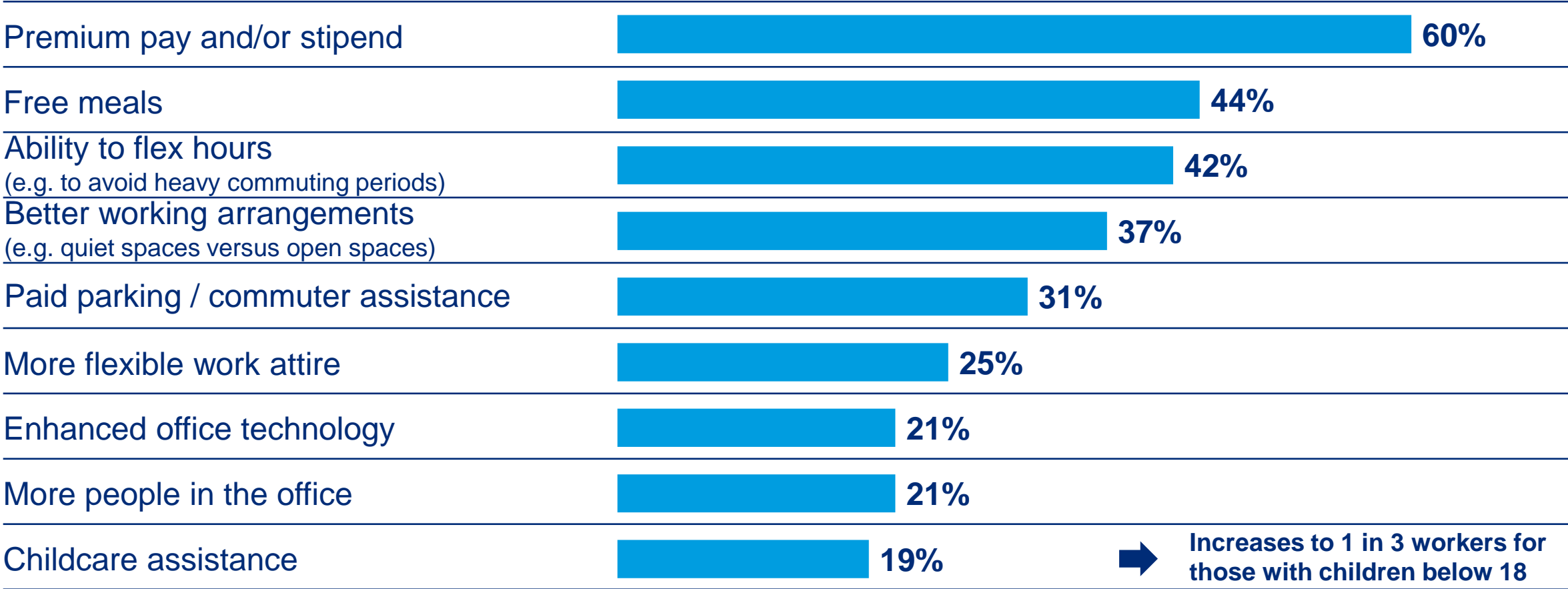
■ Non-LGBTQ+ ■ LGBTQ+



Employees want additional support for working on-site

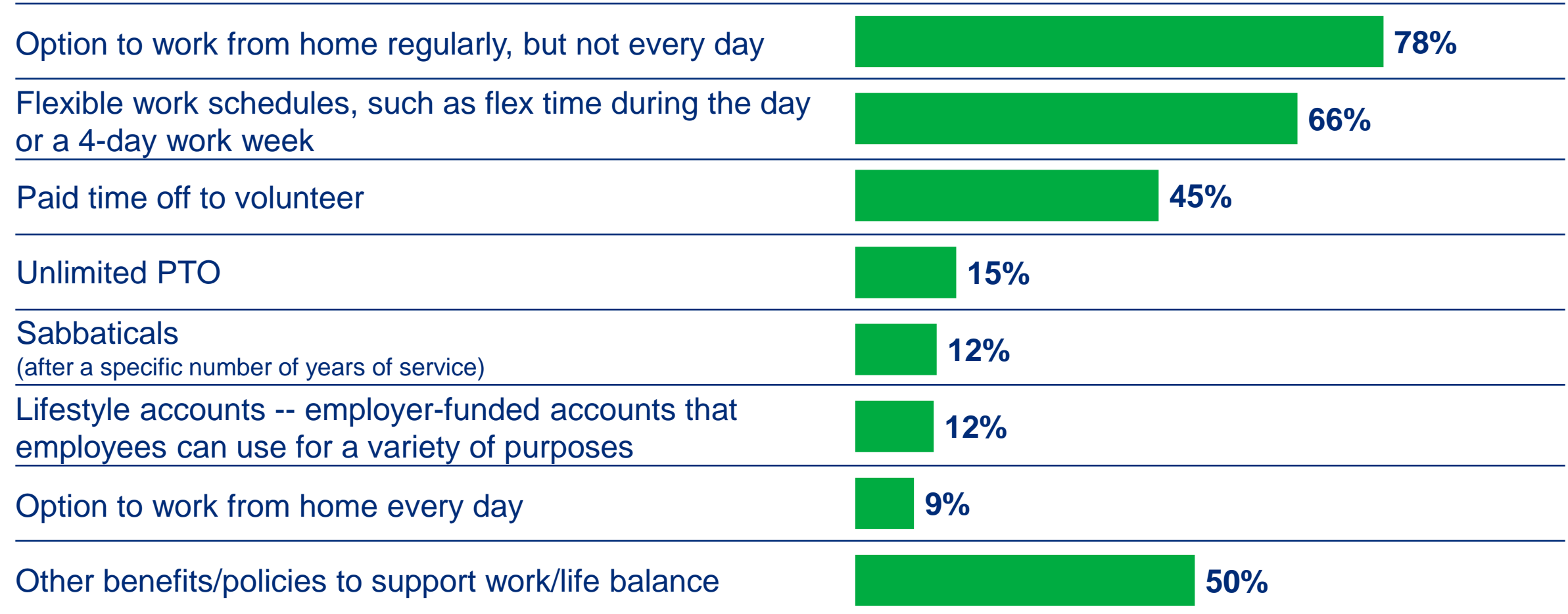
What would make you more likely to come back to the office on a more frequent basis?

% of employees selecting item in their top 3



Supporting employee work/life balance

Offer or plan to offer in 2023



Key takeaways

Prepare for the future of total rewards

Listen to the various segments of your employee population

Identify opportunities to provide greater value through benefits meaningful to your different employees

Evaluate new and emerging opportunities across the total rewards spectrum

Lean in to opportunities to earn employee trust and become a more relatable organization

The hyper- personalization of benefits

2

What's keeping your workforce up at night?

Short-term
financial health



Long-term
financial security



Work life
balance



Physical
health



Mental
health



A shift in what we
need from work



Prioritize
well-being now

Work in a way that
works for me

Live life
now

Employees are looking for support

60%

60%

of employees are interested in receiving a wider array of non-medical benefits to purchase on their own¹

Increased value in workplace benefits



Choice



Flexibility



Savings



¹MetLife's Employee Benefit Trend Study, 2021



emerging themes shaping today's

changing landscape

**Support
moments that
matter with
benefit choice**

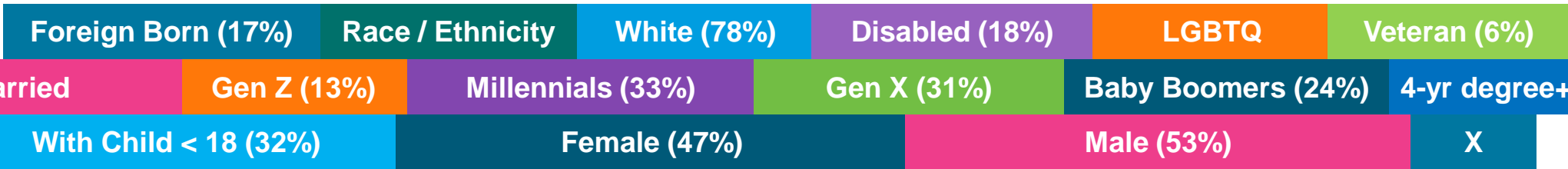
**Promote
an inclusive
company
culture**

**Meet
market-driven
dynamics and
regulations**

Employees value different benefits

What benefits should I have?
How can I grow my career?

How do I save for my child's education?
How do I care for my aging parents?



What's important to me?
How do I make an impact?

Coverage for a growing family?
How do I have a balanced life?

How do I afford retirement?
How do I stay active?

Disparities across underrepresented populations



Black people are **30% more likely** to die from heart disease than Whites¹

A Black male with a family history of chronic health issues suffers a heart attack



Critical Illness coverage provided easy access to a guaranteed issue policy, which provided a lump-sum payment upon diagnosis



More than 1 in 3 LGBTQ Americans faced discrimination of some kind in the past year, including more than 3 in 5 transgender Americans³

An employee and his same sex partner are experiencing a tenant issue with their landlord who did not want to rent to a gay couple



Through Legal Services, the couple connects with a specialized attorney who provides legal support against the breach and discrimination



44% of Latino adults are unable to pay or make partial payments on some bills in a typical month³

A Latina female with a low credit score was approved for a \$2,500 personal loan at a reasonable interest rate



Payroll Lending helps address minority groups carrying lower credit scores overall and are disproportionately impacted by tightened lending restrictions

Meeting employees where they are ...



Workforces are diverse, and so are their needs

Generation

Race

Ethnicity

Gender

Sexual orientation

Geographic

Family structure

Socioeconomics

Behaviors

Interests

► **80%** of employers say an important benefits objective is meeting the needs of employees across all life stages and the diversity spectrum¹

¹MetLife, U.S. Employee Benefit Trends Study, 2022

Deliver personalized value for every all employees with voluntary and lifestyle benefits



Life with
Long-term Care



PTO
Exchange



Student Loan
Solutions



Home Disaster
Coverage



Payroll Lending



Identity Theft
Protection



Legal Services



Auto Repair
Warranty



Group
Auto/Home

A growing need for long-term care (LTC) coverage

Key drivers



Aging population



Longer life spans



Rising costs of elder care

32%

of employees voluntarily left their jobs due to caregiving responsibilities²

Since 2017, cost of care has continued to rise — with home health services increasing 10%+ year-over-year.¹



LTC legislative state of the union

The last couple years resulted in a LTC legislative swirl, with several states trying to shift Medicaid liability to a payroll tax base.



Washington Cares Fund was initially targeted to start 1/1/2022. Implementation delayed until 7/2023. Payroll tax opt out for individuals with private LTC before 11/1/2021.



Pennsylvania: The 2022 proposed bill will need to be considered during a future legislative session (originally proposed for 1/1/2023)

New York: The 2022 proposed bill, now deferred, will need to be reintroduced during a future legislative session (originally proposed for 1/1/2024)

California: 1/1/2023 deadline for Task Force to submit recommendations for legislative review; 1/1/2024 target deadline for completed actuarial study

Minnesota: Effective 12/29/2021, annual tax credit for those with private LTC

Additional states are also considering enacting LTC legislation, plus numerous proposals at the federal level (e.g., AK, CO, HI, IL, MA, ME, MI, MO, NC, OR, UT)

Key steps

Fortify your benefits program in 2023

Diagnose your employees top concerns and meet them where they are

Monitor and respond to evolving long-term care market dynamics

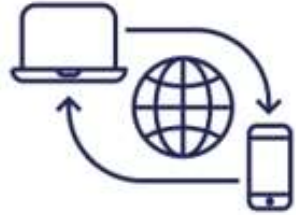
Maximize for energy, not motivation

Optimize total rewards

Managing risks in the new shape of work



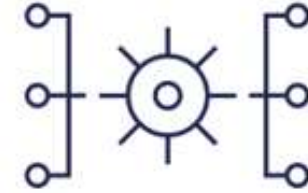
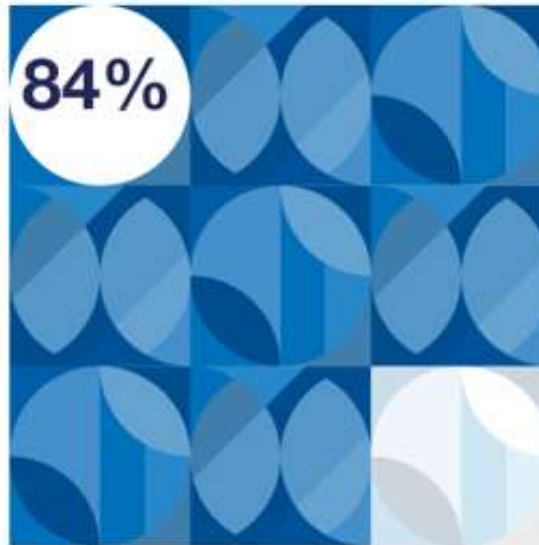
Since the pandemic, employers have taken steps...



to scale
remote work



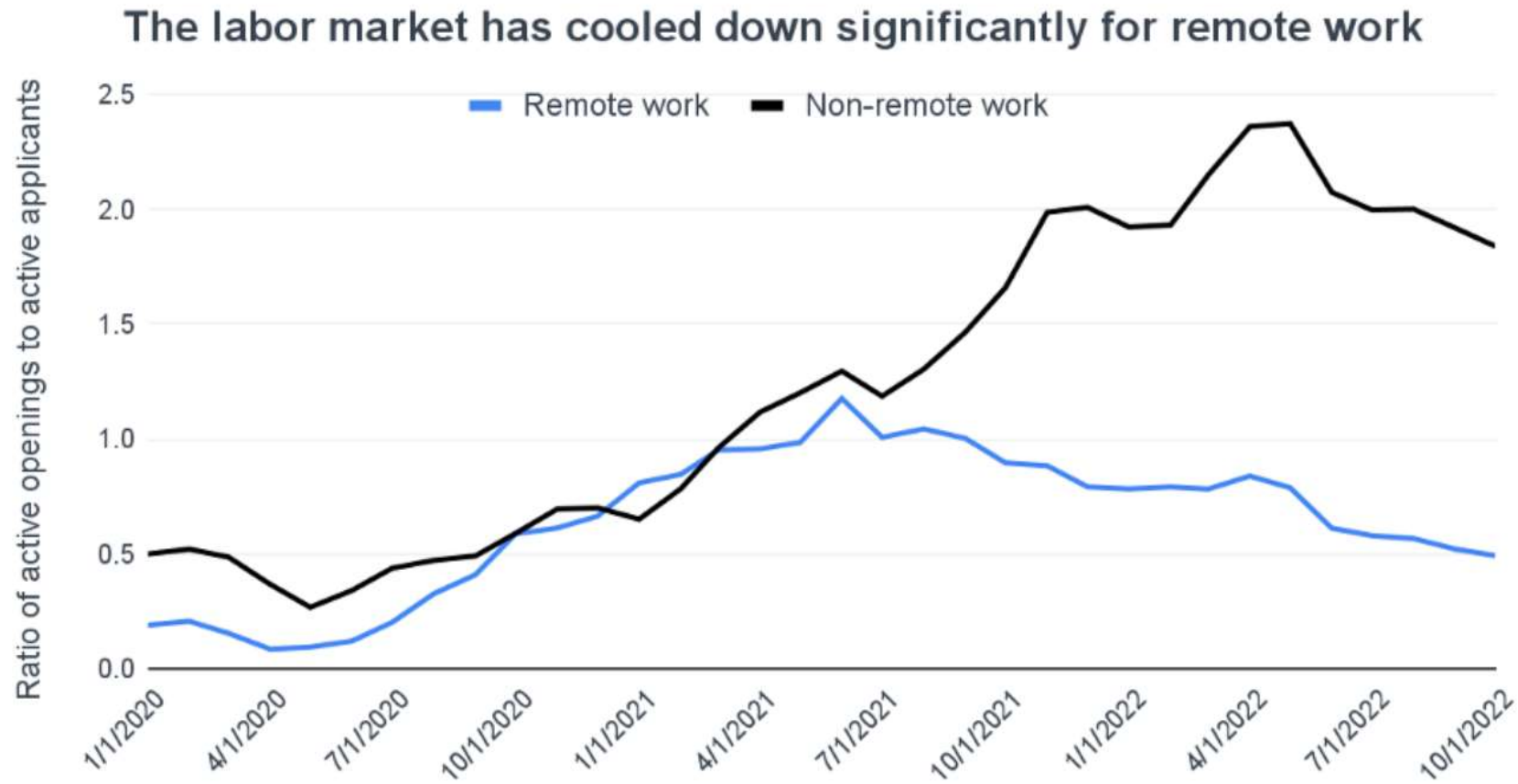
to accelerate
digitalization



to accelerate
automation



A cooling labor market creates opportunities for employers



Risk factors in remote work environments

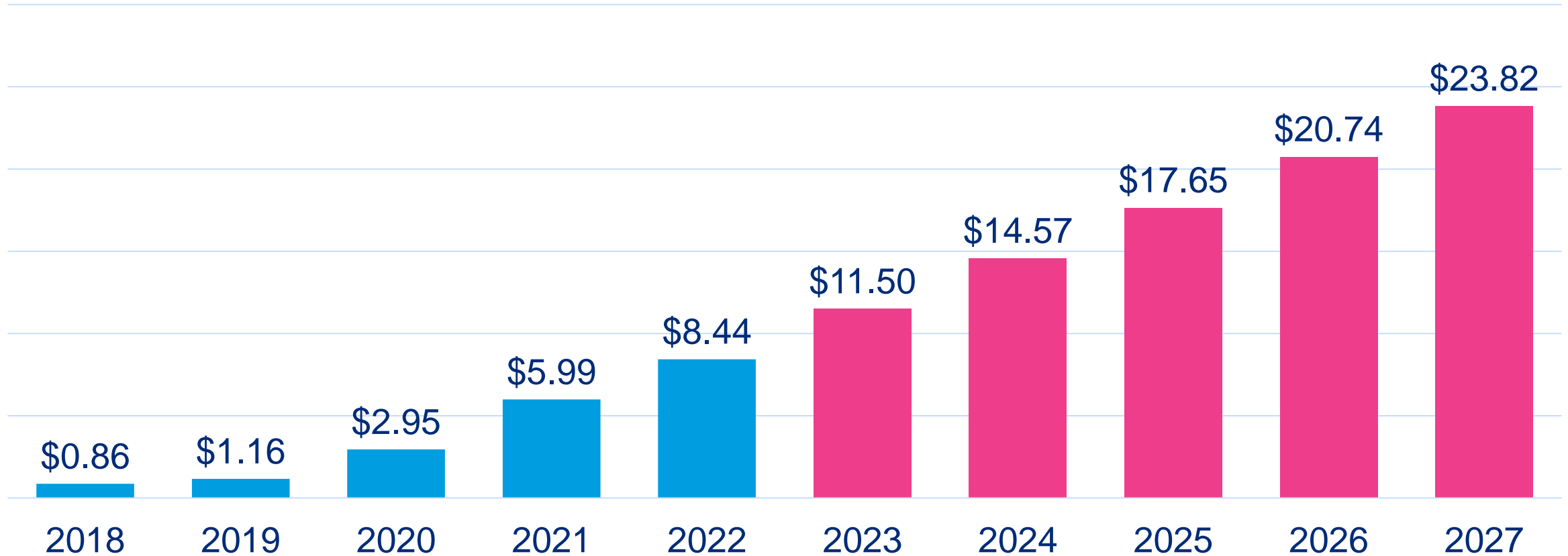


80% of all cyber breaches come from the utilization of external protocols

#1	Expanded attack surfaces
#2	Lack of security talent
#3	Susceptibility to phishing attacks
#4	Sophisticated social engineering attacks
#5	Unsecured and vulnerable networks

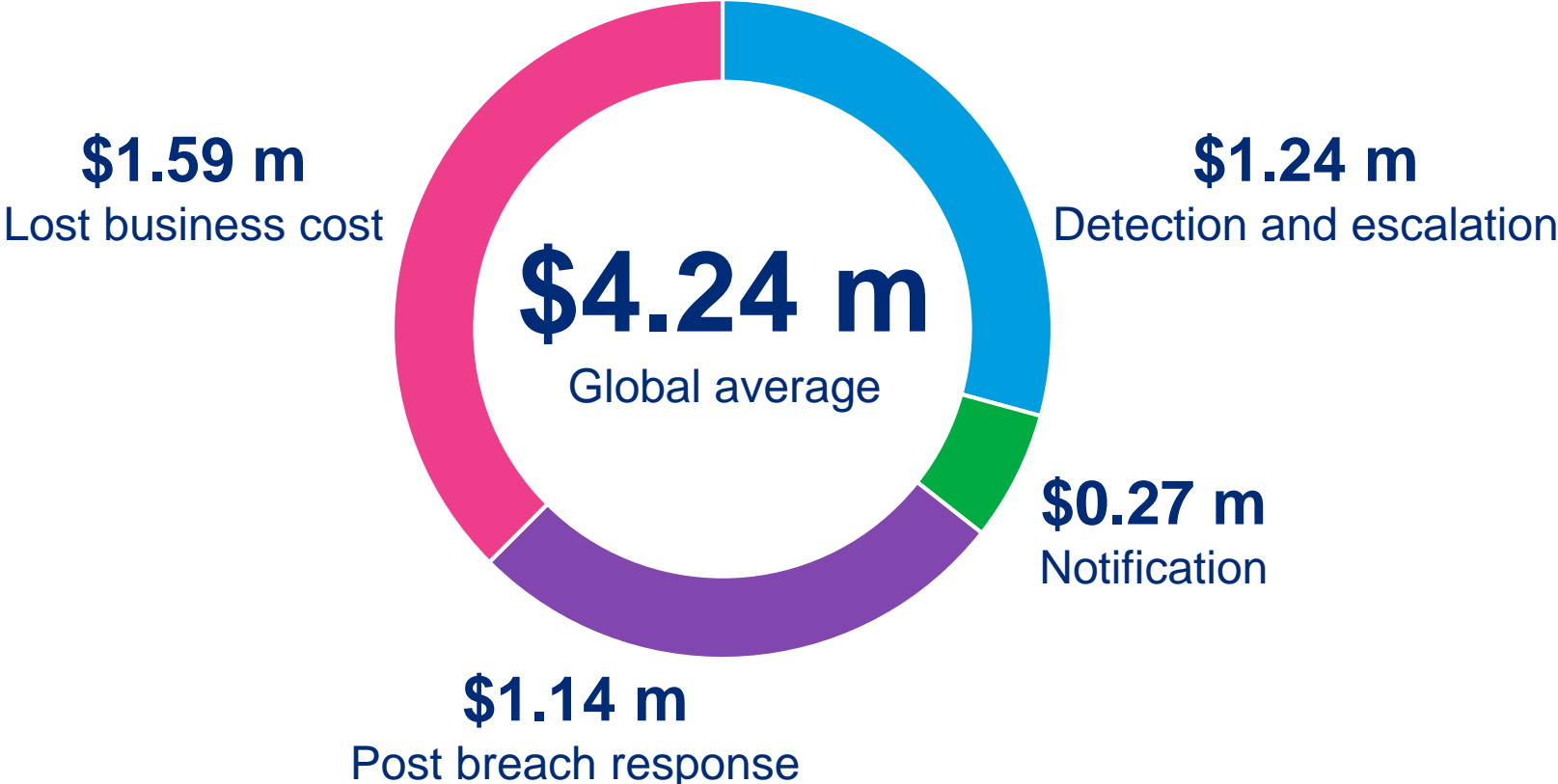
Cybercrime is expected to skyrocket in the coming years

Estimated cost of cybercrime worldwide (in trillion U.S. dollars)

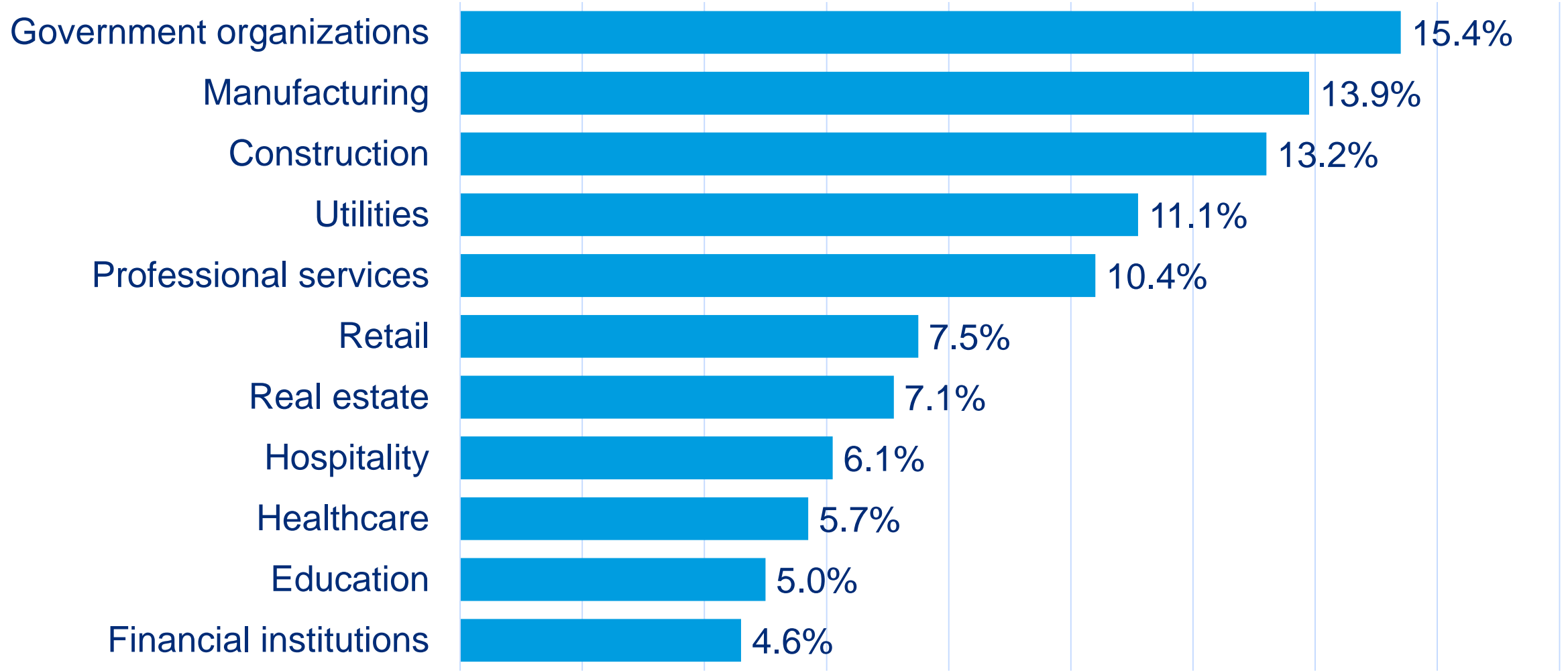


Cost of a data breach

Average total cost of a data breach (in million U.S. dollars)



Industries reporting ransomware attacks in the last year



Recent ransomware attacks

\$20m

County federal government

\$40m

Insurance carrier

\$5m

Colorado-based municipality

\$4m

Police department

\$11m

Food company

\$70m

Technology company


\$20m

Manufacturing company

\$50m

Professional services company

HR has turned into a prime target



HR may be the weakest part of the attack surface. (They) are constantly communicating with people that they don't know and don't trust.

- Eyal Benishti, Founder of IronScales
- 

Remote work has made the employment world more flat



Insider threats

An insider threat is the potential for an insider to use their **authorized access** or special understanding of an organization to harm that organization

60%

of data breaches are caused by
insider threats



Key steps for HR

Guard your organization against cyber threats

Have a direct line of communication to IT Leadership/CISO/CIO

In conjunction with IT, create a cybersecurity culture

Request training and corporate guidelines for cyber safety and best practices

Help in identifying risk exposures in terms of employee records and sensitive information

Keep proper people apprised of the potential of an employee becoming disgruntled

Continue to work with IT on termination process from a digital/cyber perspective

Articulate changes to company workforce and benefits strategy that could alter cyber risk profile

Break

4

Maximizing 401k as a benefit for today's workforce

5

Retirement readiness

Fewer than half of workers are confident about retirement

 **46%**

Are confident they can turn retirement savings into consistent stream of **lifetime income**

 **1/4**

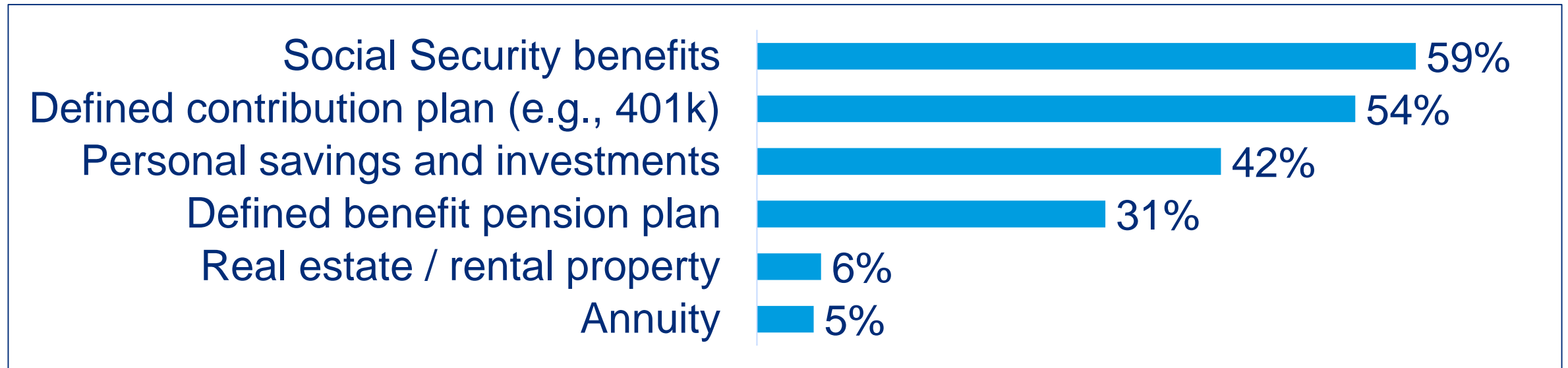
Retirement confidence drops to 1 in 4 for **low wage workers**

 **3x**

Highest income earners >3 times more **confident** vs lowest earners in ability to create a retirement income stream

Sources of retirement income

Which do you expect will be your two largest sources of income in retirement?



➔ Workers age 25-34 are the only demographic that does not rank Social Security in their top 2

➔ Workers making less than \$30,000 and workers below age 25 rank personal savings in their top 2, above DC plans

Inflation is hitting hard for everyone

Workers are making lifestyle changes to adapt



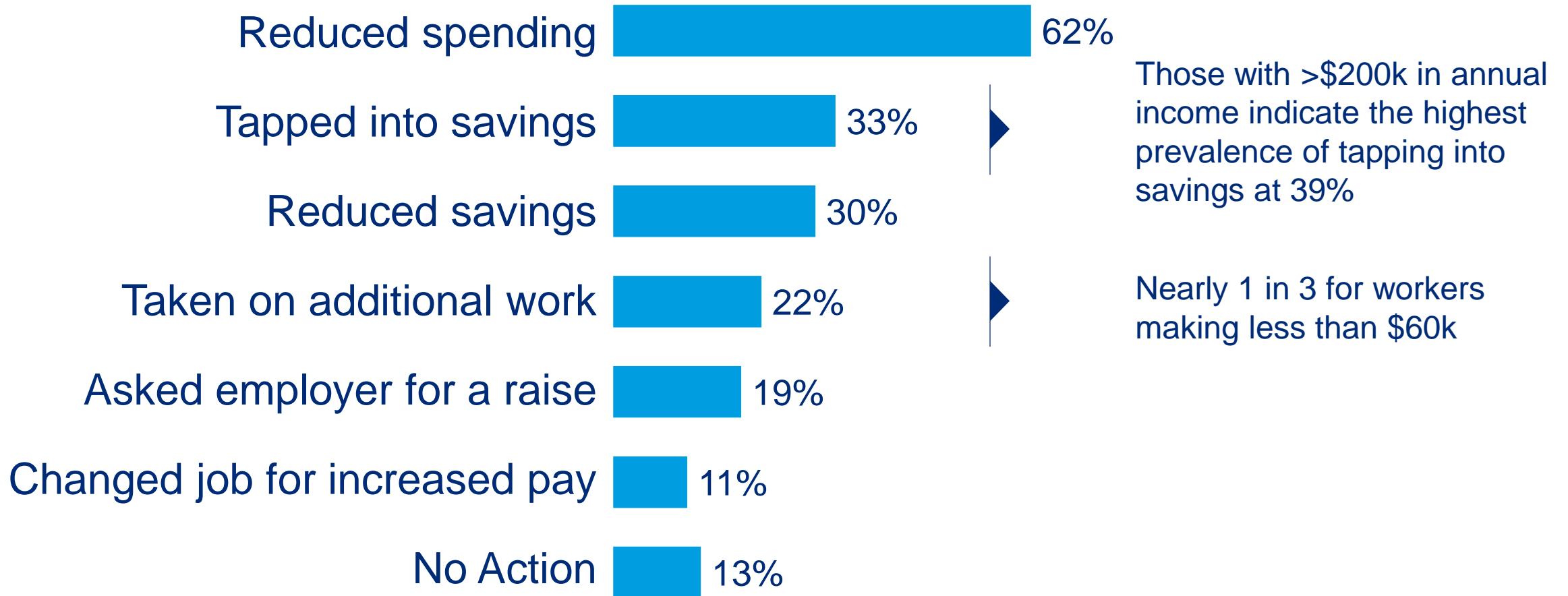
7 out of 10

employees say that high inflation and market volatility in 2022 has significantly increased their **financial stress**...

...and this holds true across income levels

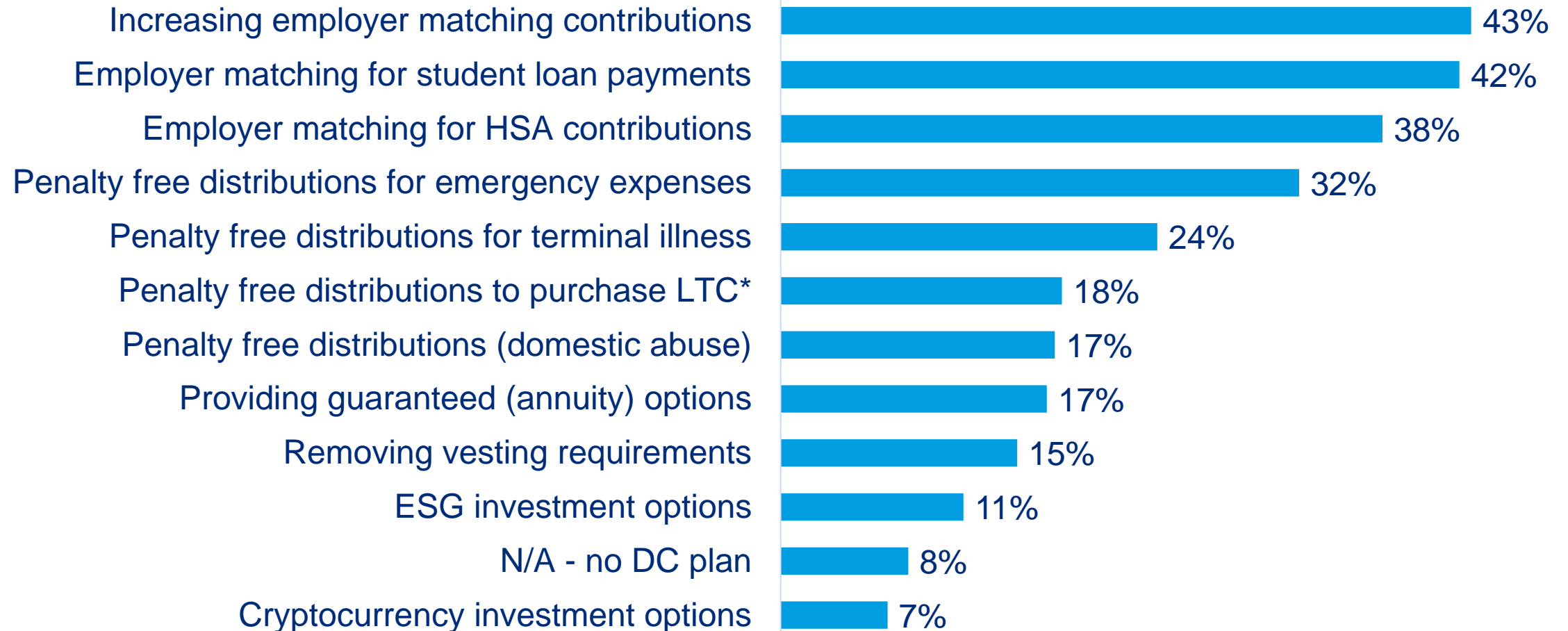
Inflation

What changes have you made in response to the current inflationary environment?



Defined contribution features

What would be most attractive in a DC plan?



Defined contribution features

Employees value varying aspects of their savings benefits



Younger workers (below age 35), who may have less disposable income to contribute, rank employer matching contributions for **student loan debt payments** and **HSA contributions** as their top preference

Key steps for employers

Set your employees up for success

Review plan provisions in light of SECURE 2.0

Lean into personalization opportunities through AI / machine learning

Reevaluate investment menu in light of current inflationary environment

Tighten up governance structures and insurance policies

Consider outsourcing of administrative tasks, investments

Time away from work

6

Disparities in utilizing time off

Employees have trouble using all their leave within a calendar year

▶ **66%**

employees have anywhere from two to five-plus weeks of leave that they haven't utilized¹



Income gaps

56%

of employees making less than \$49,000 a year use all their vacation time¹



Gender gaps

43%

of women were less likely than men to use all their leave, citing hesitancy around how they would be perceived at work¹



Racial gaps

19%

of nonwhite employees are less likely to take all their leave every year¹

Aligning life, absence and disability benefits for today's dynamic landscape



#1 priority: Enhancing benefits to improve attraction and retention

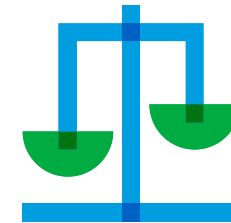
84% of respondents say this will be very important/important over the next few years¹



Top reasons employees stay:

Vacation/time off policies

Since 2021, **vacation/time off** has moved from **#19** in reasons to stay to **#5** for employees²



State leave laws

13 states and DC have passed Paid Family and Medical Leave (PFML) laws

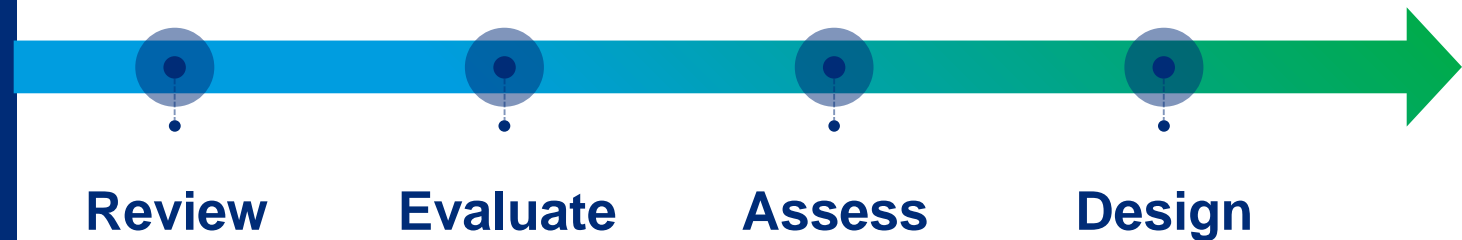
19 states are considering PFML
Counties and localities are also passing leave related laws

Navigating state PFML laws

Market dynamics challenging employers

- Integrating state leave laws with current programs
- Educating employees
- Varying state PFML laws:
 - Payroll deductions, reporting requirements and funding options
 - Financial implications
 - Program administration types
 - Escalated issue troubleshooting requirements

Customize strategies to meet your organization's needs



Benefits snapshot — CO FAMLI leave

Payroll tax begins January 1, 2023 | Benefits begin January 1, 2024



Who's covered

12 weeks of leave to care for employee's own or a family member's serious health condition, bond with a new child, handle a military exigency, or address matters related to domestic violence, sexual assault or abuse, or stalking.



Timeframe

12 weeks combined maximum of paid leave in a rolling 12-month period +4 weeks.



Weekly benefit amount

Maximum weekly benefit of \$1,100. Benefit is calculated as 90% of employee's weekly wage up to 50% of the state average weekly wage, plus 50% of any amounts exceeding 50% of the state average weekly wage. The total weekly benefit capped at 90% of the annually adjusted state average weekly wage.

Contributions: 0.9% of wages

Payroll tax to fund the FMLI program on eligible wages up to the Social Security maximum in 2023 and 2024

- Later years are to be determined, but may not exceed 1.2% of wages
- Employers can charge employees up to 50% of the premium
- Employers with fewer than 10 employees are exempt from the employer contribution

Family and medical leave insurance (FAMLI) program website

The image shows a screenshot of the Colorado Family and Medical Leave Insurance (FAMLI) program website. The top left features the Colorado state logo and the text "COLORADO Family and Medical Leave Insurance Program (FAMLI) Department of Labor and Employment". A search bar is located in the top right. The main header area includes a navigation menu with "Individuals and Families", "Employers", "Health Care Providers", and "Proposed/Adopted Rules". Below this is a large banner image of a family in a kitchen with the text "Welcome to the Division of Family and Medical Leave Insurance". A secondary navigation bar contains "Individuals & Families", "Employers", and "FAMLI".

The "Employers" section is highlighted, featuring a "FAMLI Webinar Series for Employers" banner with a "Watch Now" button. Below the banner are four blue boxes with icons and text: "Employer Webinars", "FAMLI Newsletters", "FAMLI Toolkit", and "Employers FAQs".

Employers

FAMLI Webinar Series for Employers

Watch the latest employer webinars for tips and tricks on how to implement FAMLI into your business.

Watch Now

Employer Webinars

FAMLI Newsletters

FAMLI Toolkit

Employers FAQs

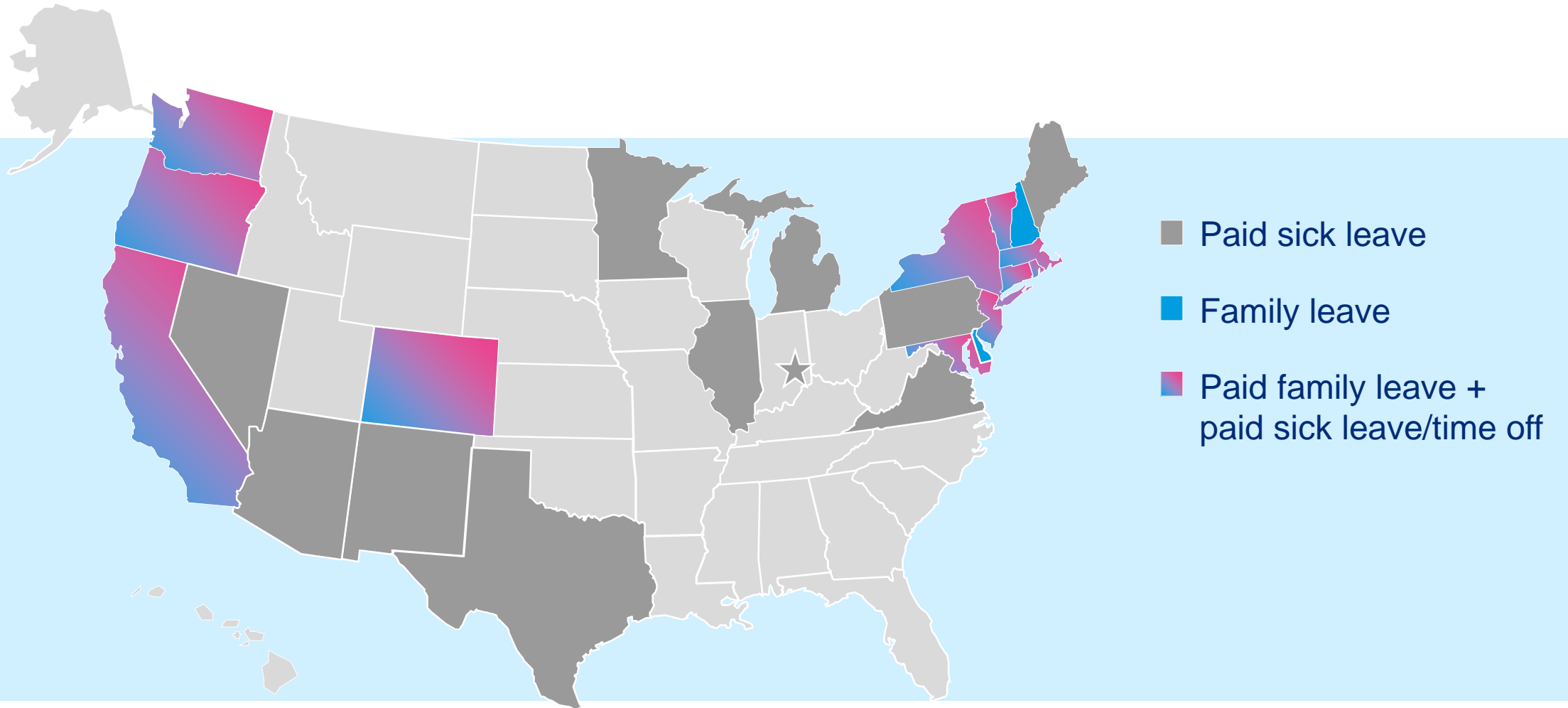
What happens in your workers' lives can impact your business at any time. Car accidents, serious illnesses like cancer, welcoming a new child – some life events do not wait until we are ready for them, but the FAMLI program can help you be ready to rise to the occasion when your employees need you the most.

Employers and their employees are both responsible for funding the program and may split the cost 50/50. The premiums are set to 0.9% of the employee's wage, with .45% paid by the employer and .45% paid by the employee. Employers may also elect to pay

Benefits to Employers:

- Family and medical leave insurance increases employee retention and increases labor force participation through a small, shared cost to employer and employee.
- Small businesses are the heart of communities across Colorado. Soon, small businesses will be able to leverage a benefit previously only larger employers could afford. Taking advantage of paid family and medical leave can help small businesses

State leave sick/medical and family leave laws



Evolution of time-off programs

What is top of mind for employers

as they continue to navigate the marketplace and meet employees' needs



Leave policy
utilization



Strategic
management



Compliance



Vendor partner
performance

Rethinking paid time off

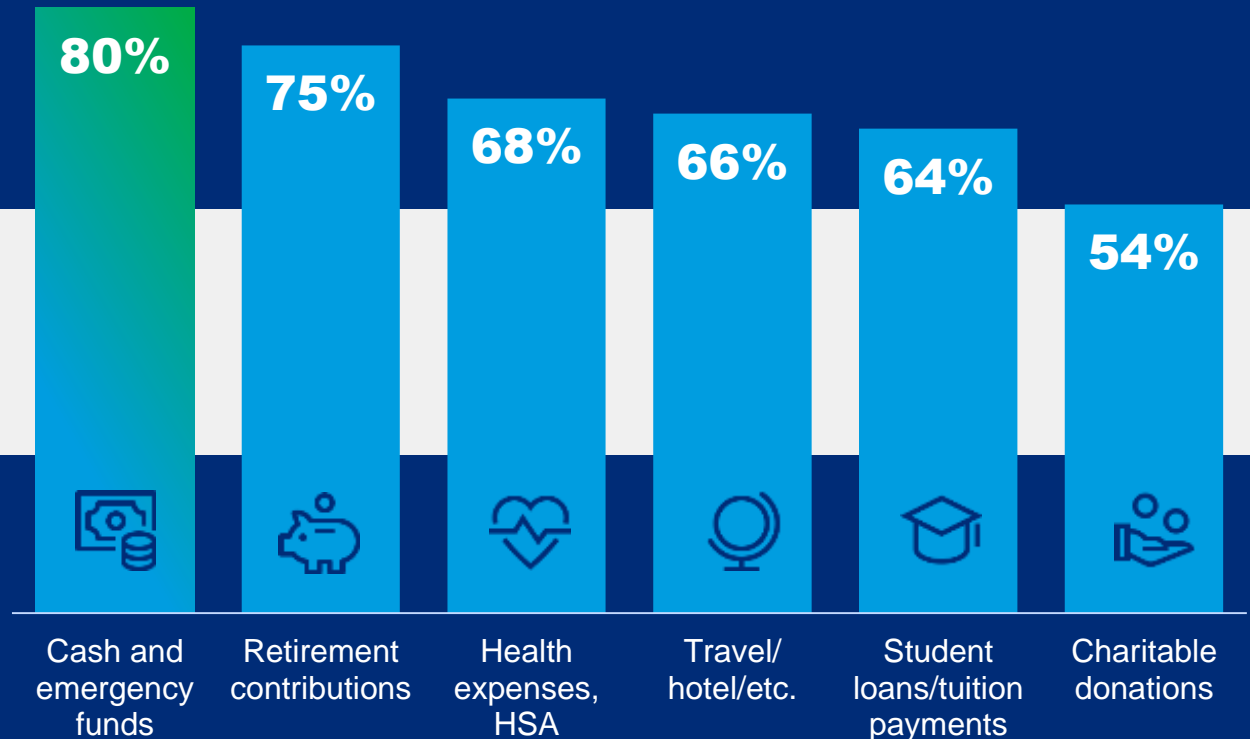


90%

say the ability to exchange their PTO would make them more likely to stay with their employers¹

83%

of employees are very or extremely interested in using their paid leave to support their various personal financial needs¹



PTO exchange

A leading platform that allows employees to self-direct the value of accrued vacation and sick time to help meet personal financial needs and support charitable causes

Employees can exchange unused vacation for:



Financial wellness

- 401(k)/403(b)/Roth 401(k)
- Fund HSA
- Student loan / tuition reimbursement
- Cash out
- Emergency cash



Social wellness

- Donate PTO to nonprofits
- Administer matching programs
- Share PTO with a co-worker



Discounted travel

- Hotels
- Airfare
- Car rentals
- Other travel purchases

Key steps

Make the most of employees' time away from work

Develop comprehensive time off strategy

Develop an approach for state leave laws

Optimize vendor partnerships

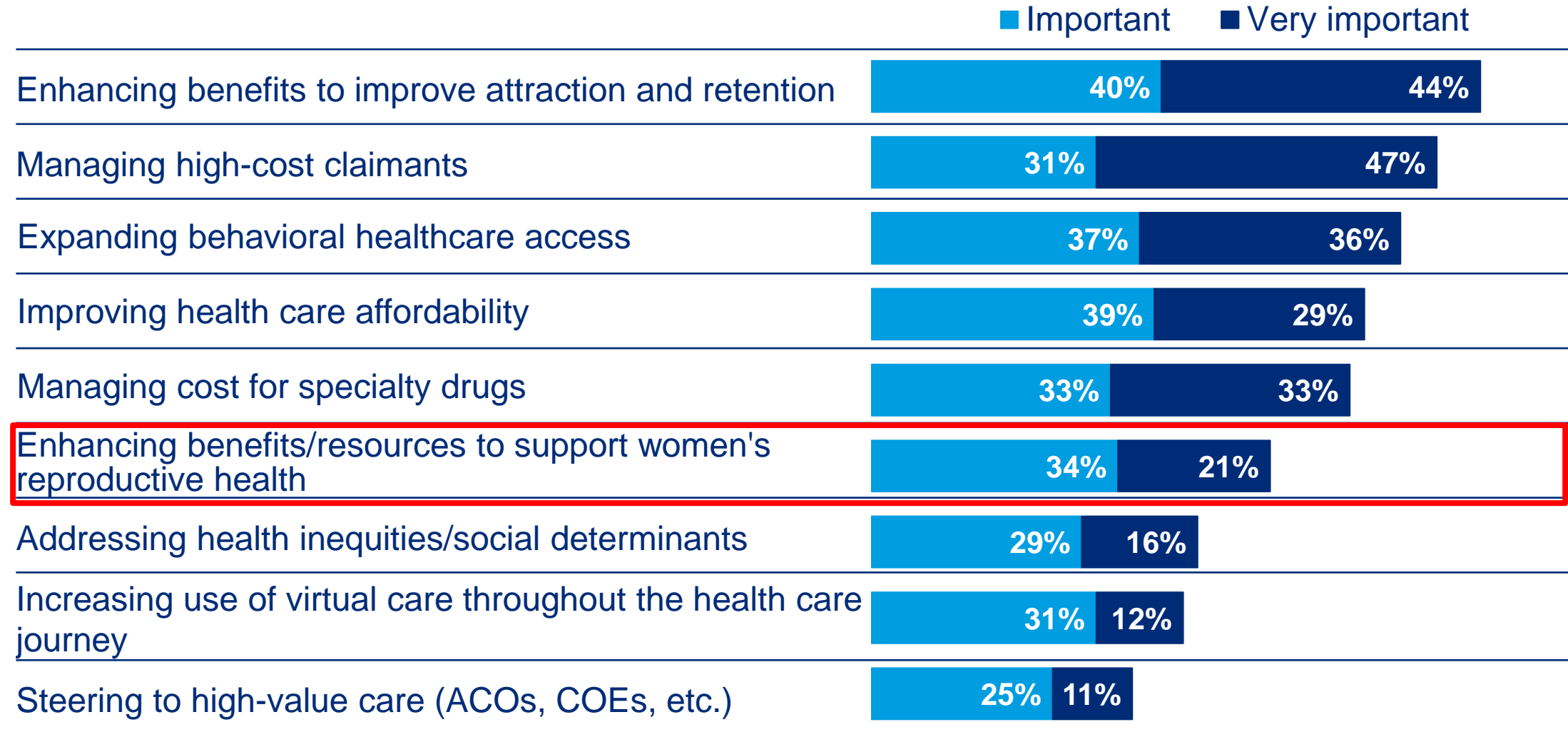
Identify savings opportunities in current plans

Family support benefits for all generations



#1 priority: Enhancing benefits to improve attraction/retention

Most important strategies for the next 3-5 years



Mental, emotional health is a top concern

Ranked #5 out of 16 personal concerns by workers overall

#2

Below age 35

versus #5 among all workers

#2

Female caregivers

versus #7 for non-caregivers

#2

LGBTQ+

versus #6 for non-LGBTQ+

#3

Black, African American, Hispanic & Latino workers

Versus #6 for White workers

#3

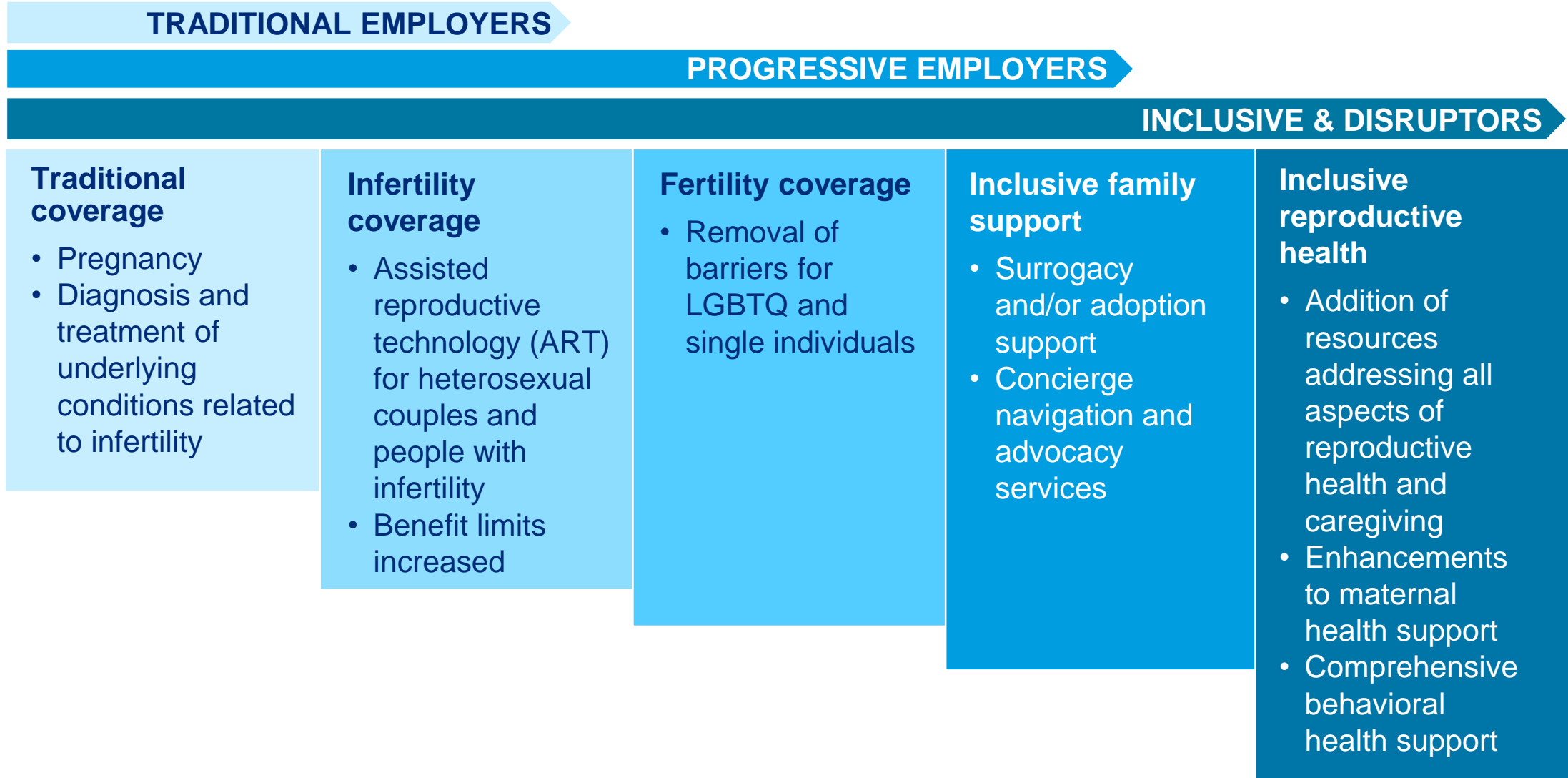
Women

Versus #8 for Men

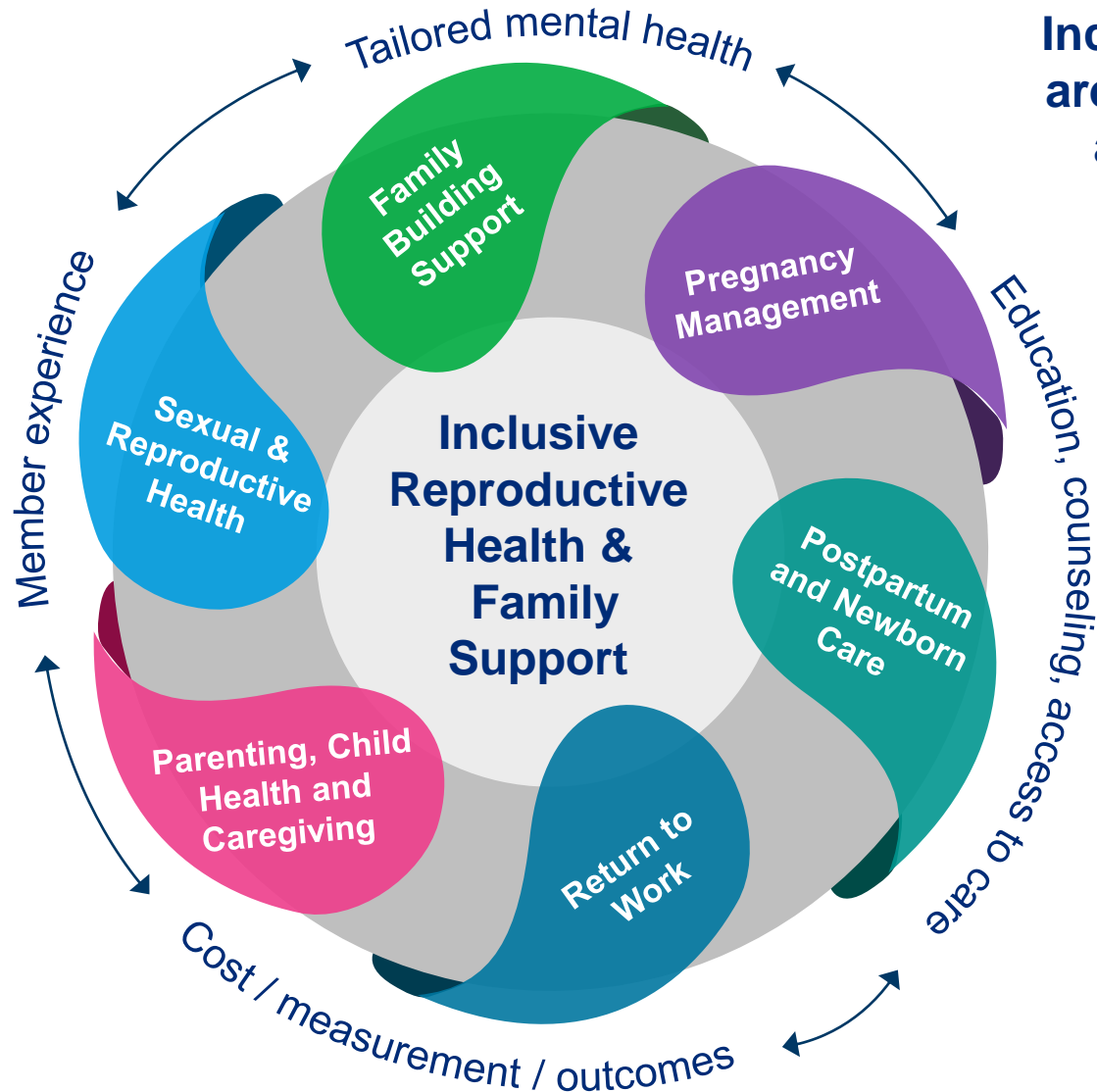


Inclusive reproductive health & family support

Continuum of benefits: long-term vision



Inclusive Reproductive Health & Family Support



Inclusive reproductive health and family support benefits are interconnected components of a holistic approach to addressing broader employee health and well-being.

Be relevant to all employees and families regardless of gender, sexual orientation, age, ethnicity, or relationship status

Drive employees to high quality resources and providers, reflecting best science and practice

Remove/reduce unnecessary barriers to care (access, cost, etc.)

Ensure accessible, tailored mental health resources are available

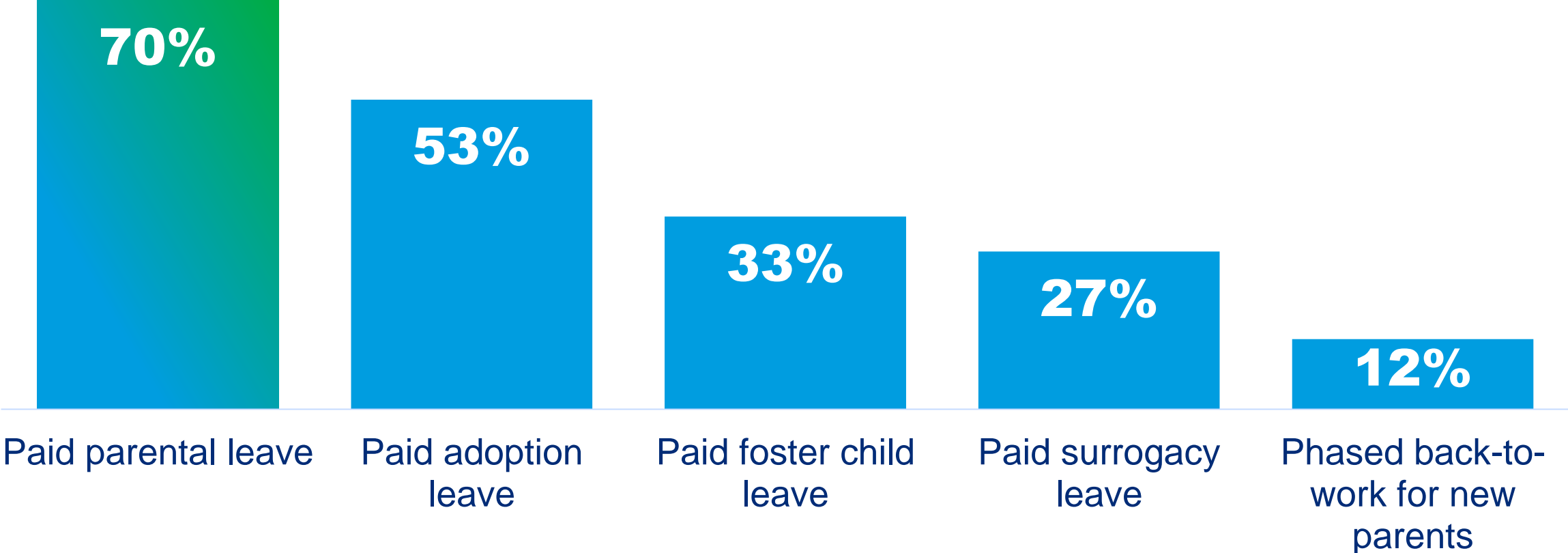
Be wise stewards of dollars; deliver value to the business and the employee

Foster an environment where employees feel comfortable and supported when at work

Family-friendly benefits

Offer or plan to offer in 2023

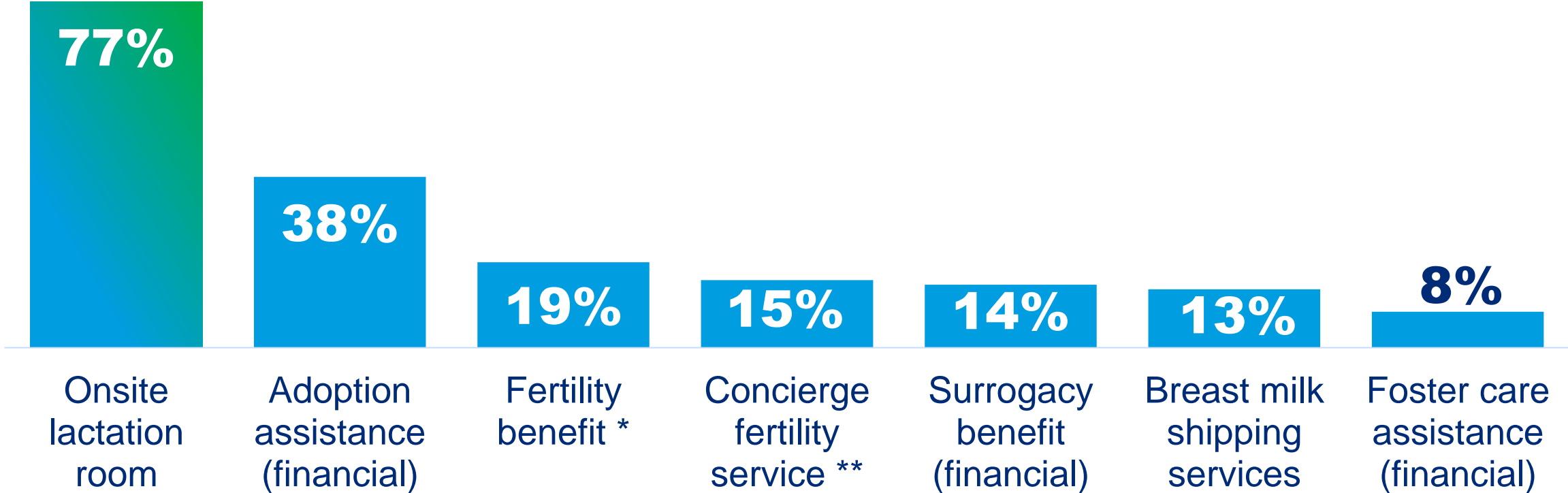
Parental leave



Family-friendly benefits

Offer or plan to offer in 2023

Family-building benefits



Respondents with 500 or more employees; from Mercer 10-Minute Survey on Health & Benefits Strategies for 2023

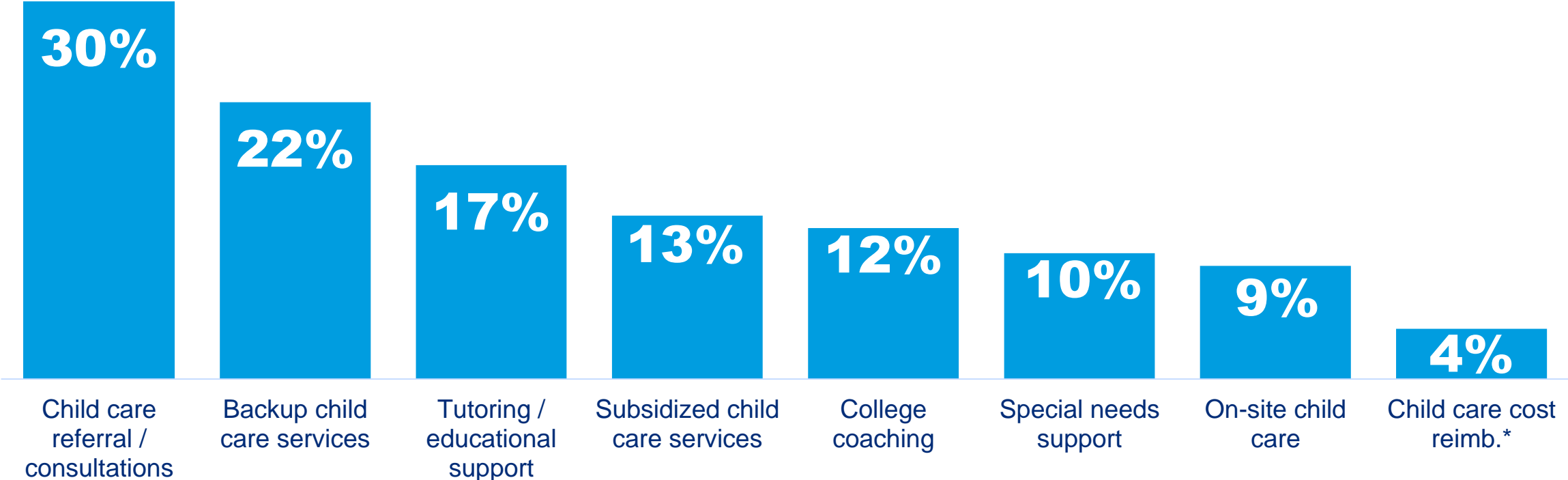
* Financial support for fertility treatment outside the health plan

** Enhanced support, typically with a dedicated specialist who works with the care team and the member

Family-friendly benefits

Offer or plan to offer in 2023

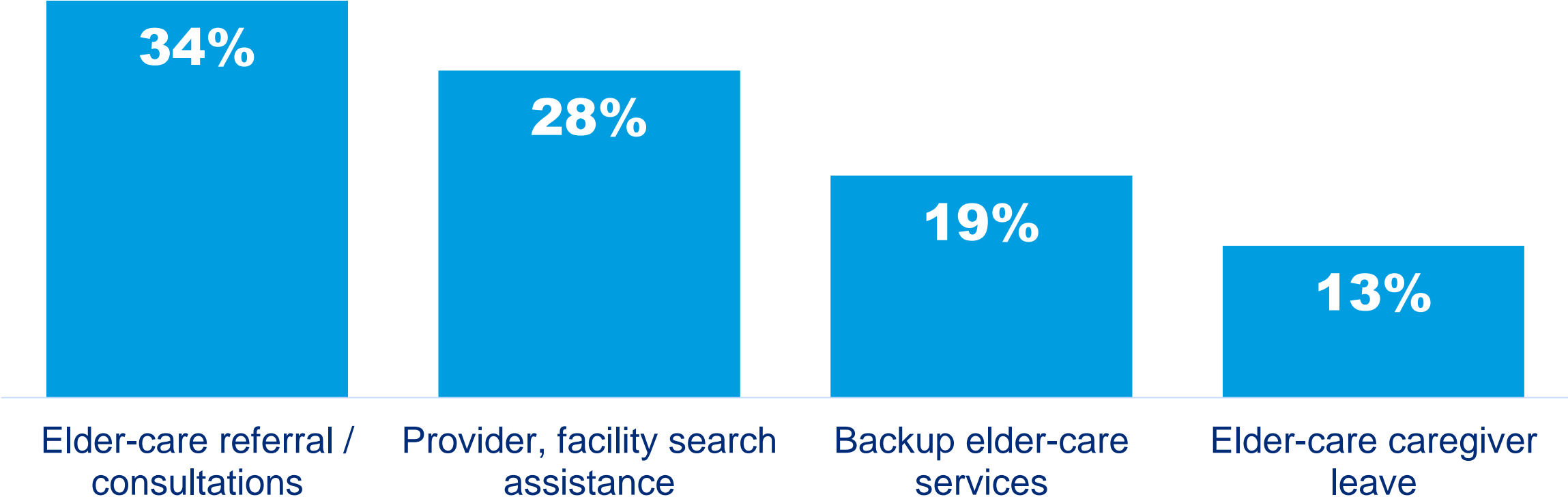
Child care assistance



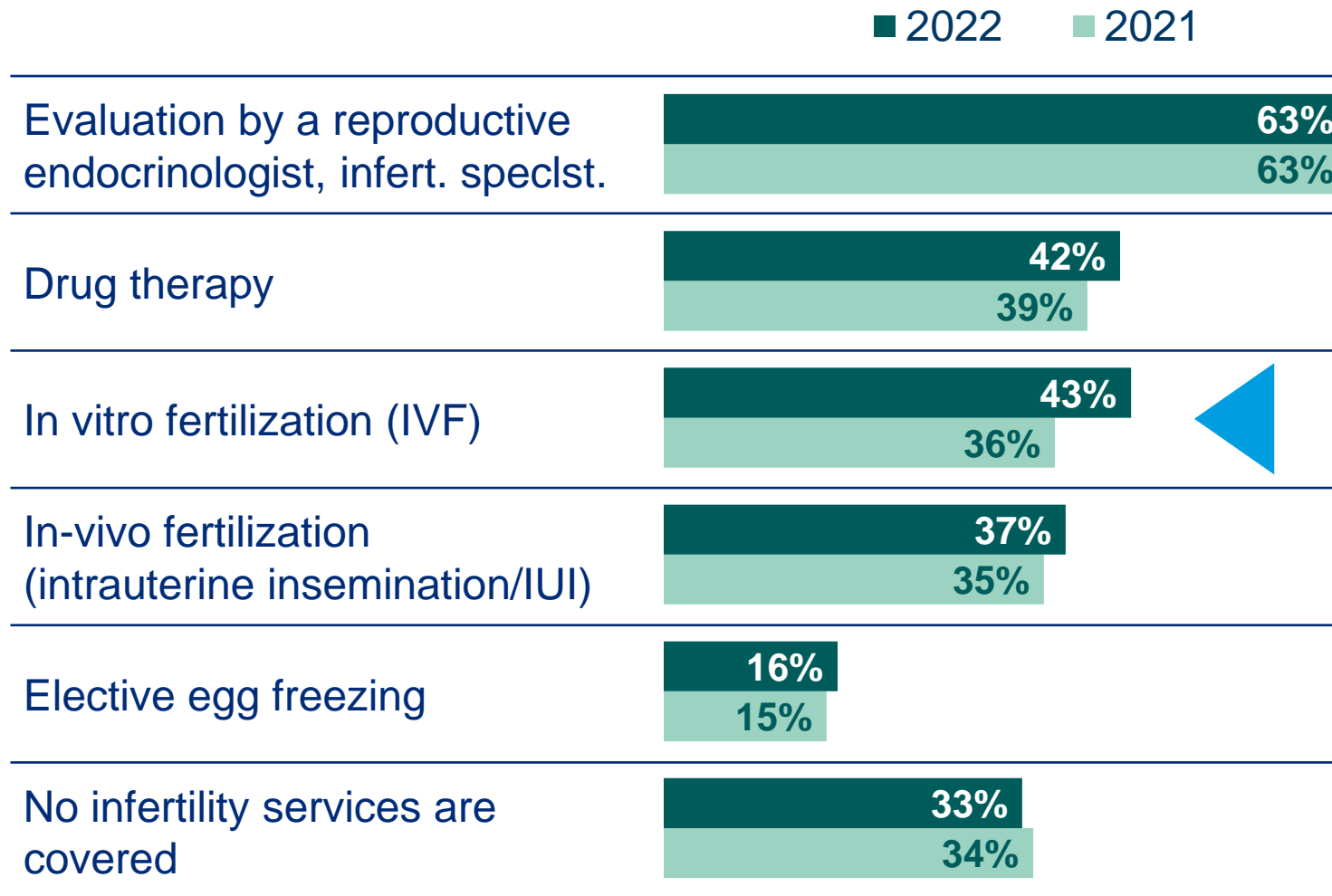
Family-friendly benefits

Offer or plan to offer in 2023

Elder care assistance



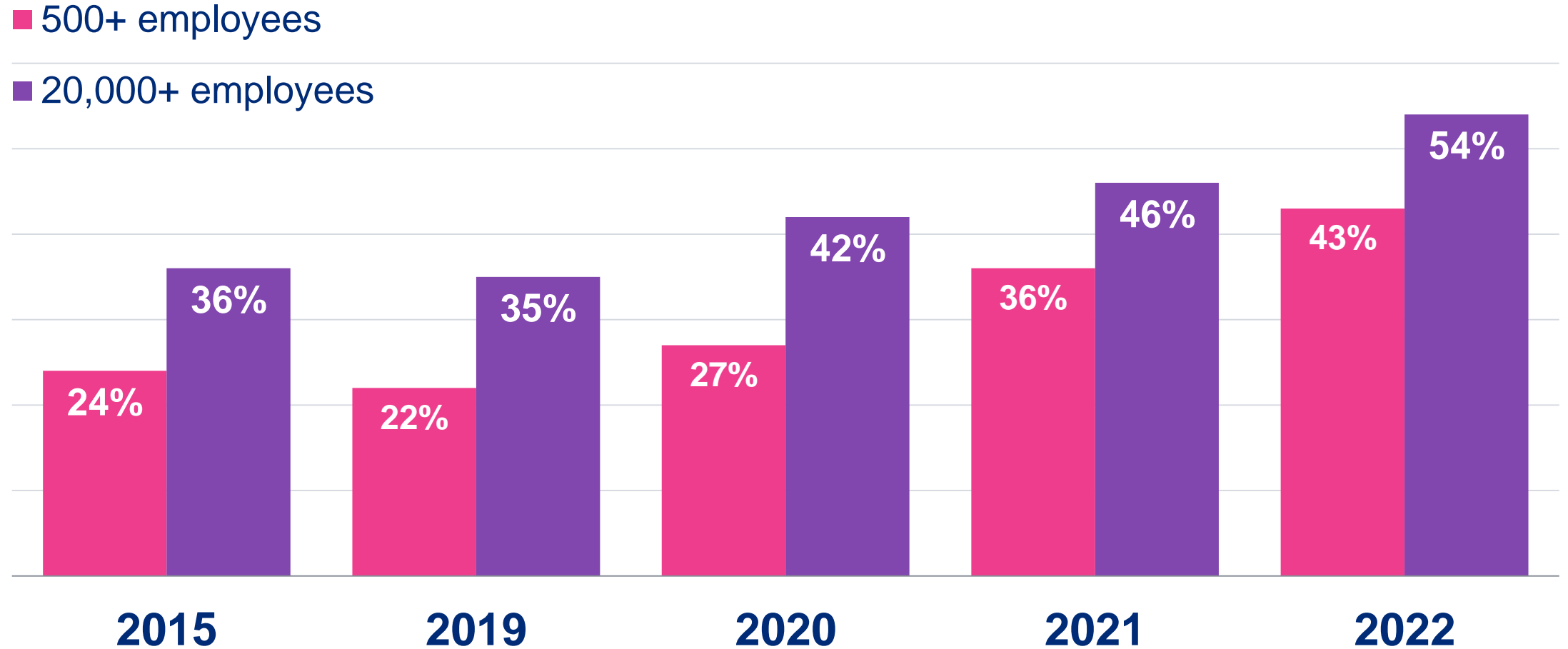
Sharp growth in coverage for IVF services in 2022



Limits on IVF benefits

Have a lifetime benefit maximum	58%
Median lifetime benefit maximum	\$20,000
Have a limit on number of cycles	15%
Median # of cycles	3
Have other type of limitation in place	9%

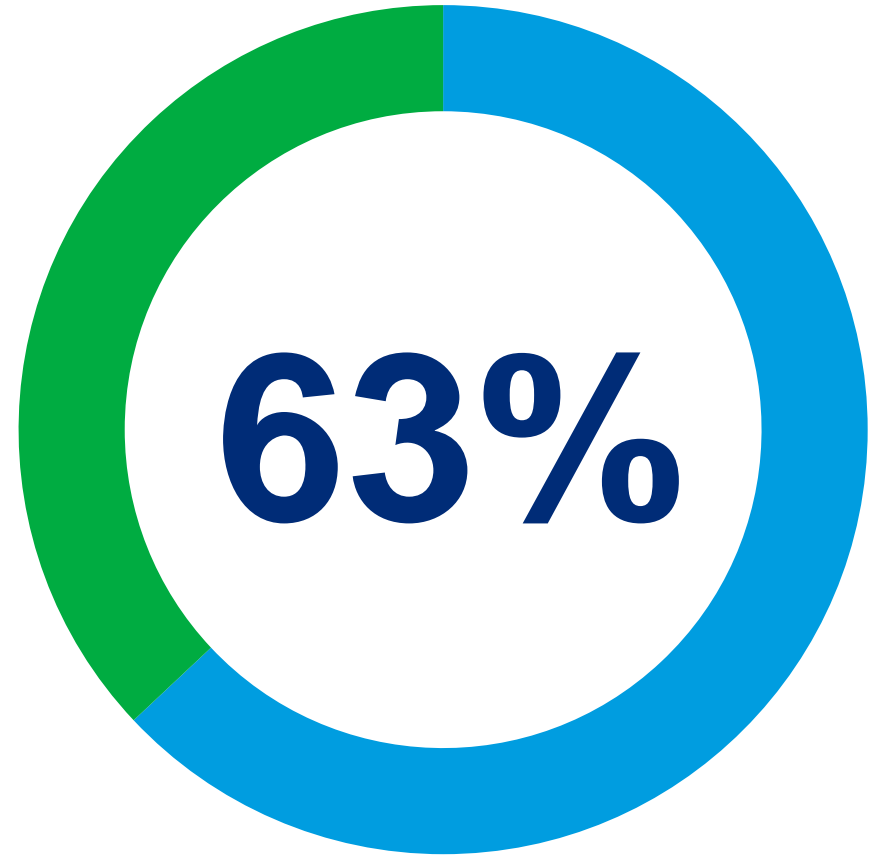
IVF coverage has grown significantly over the past three years



The majority of employers design fertility benefits to be inclusive -

fertility benefits are not limited to women who meet the

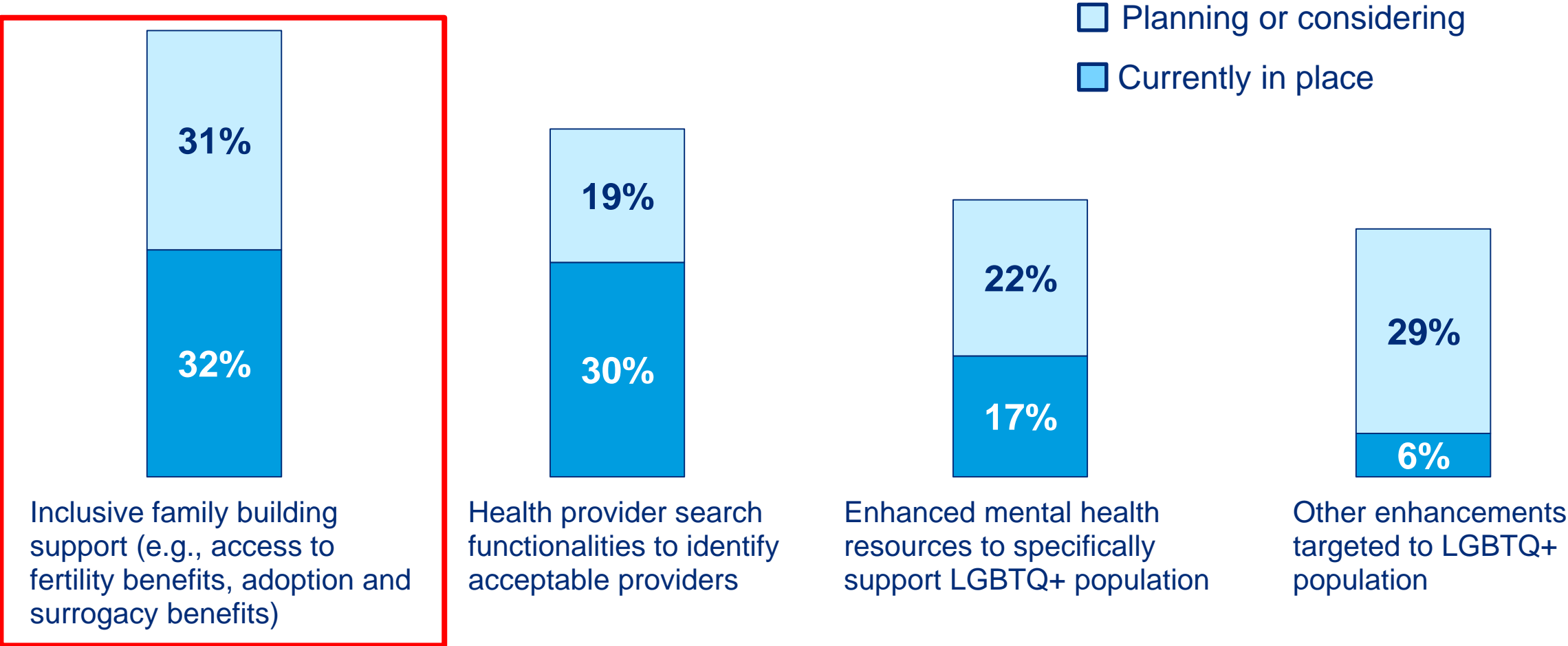
clinical definition of infertile



Employers with 500 or more employees

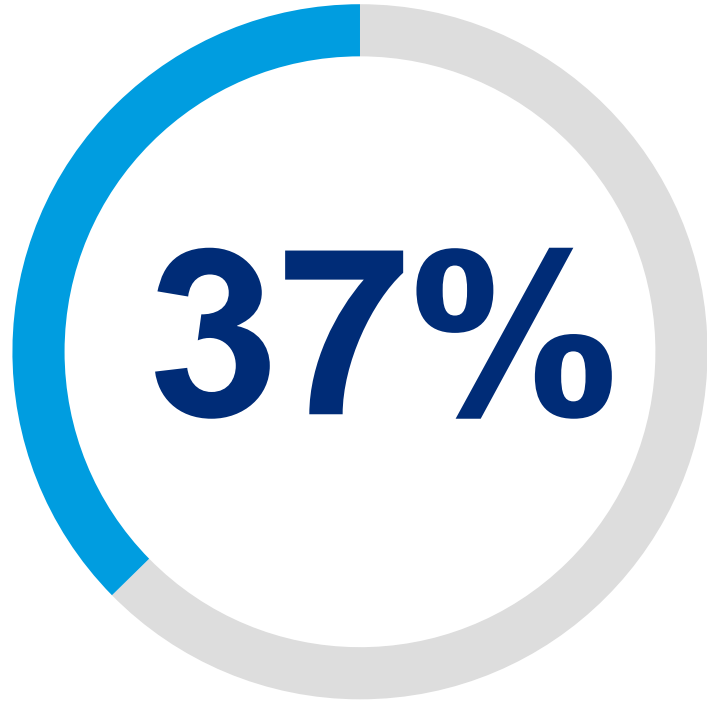
Addressing LGBTQ+ benefit gaps and health disparities

Enhancements planned or in place

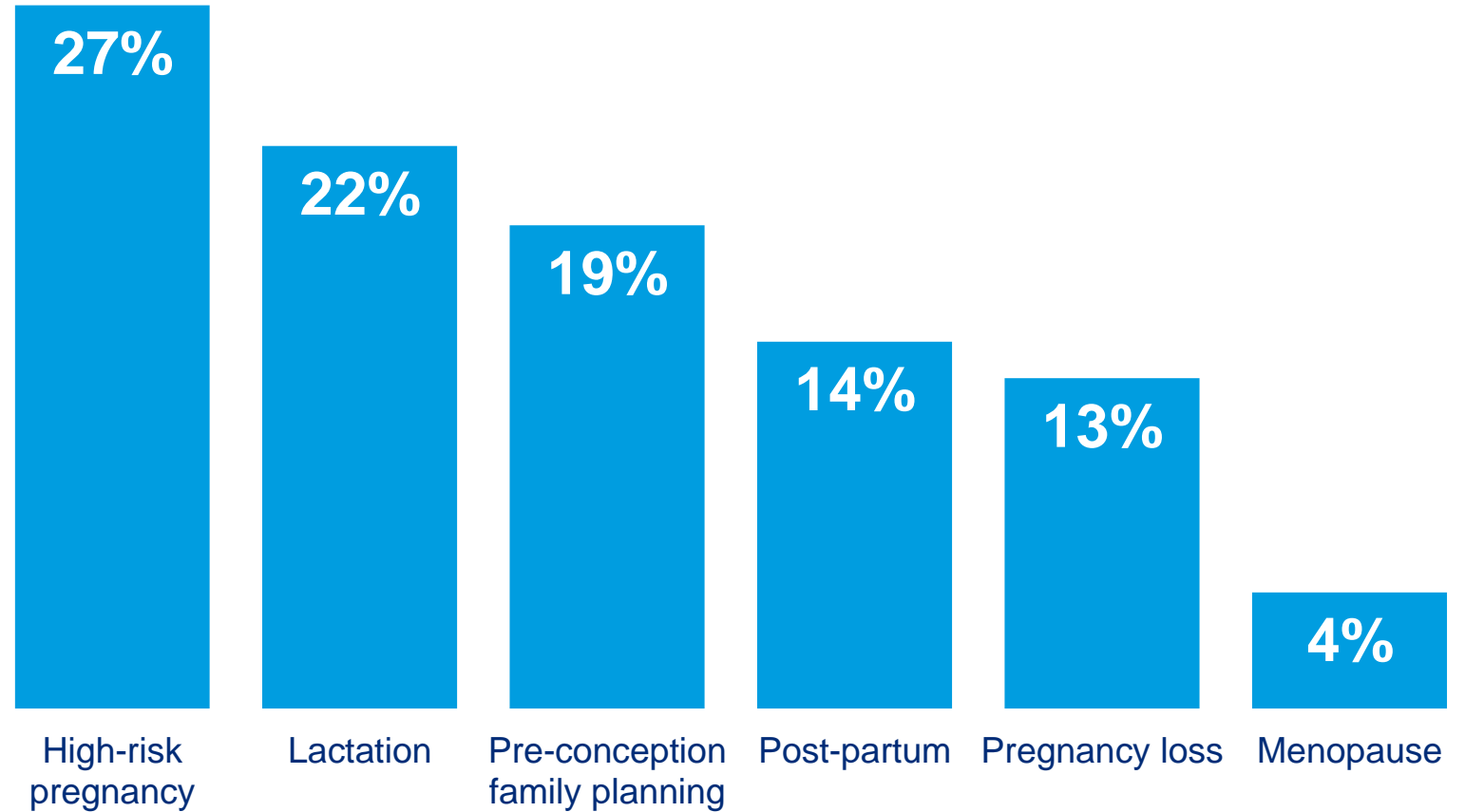


Women's reproductive health benefits

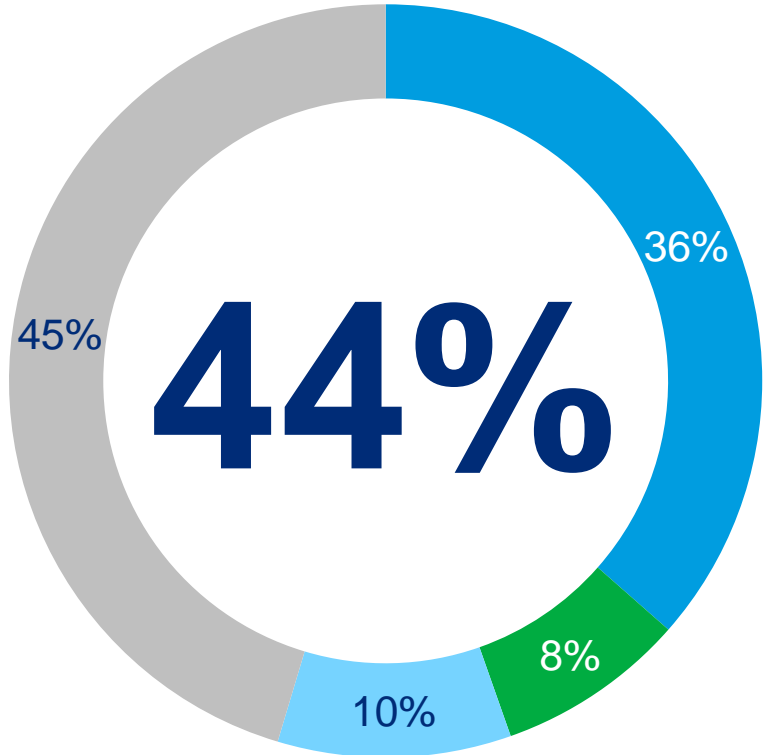
Offer or plan to offer in 2023



Provide one or more specialized benefit or resource to support reproductive health



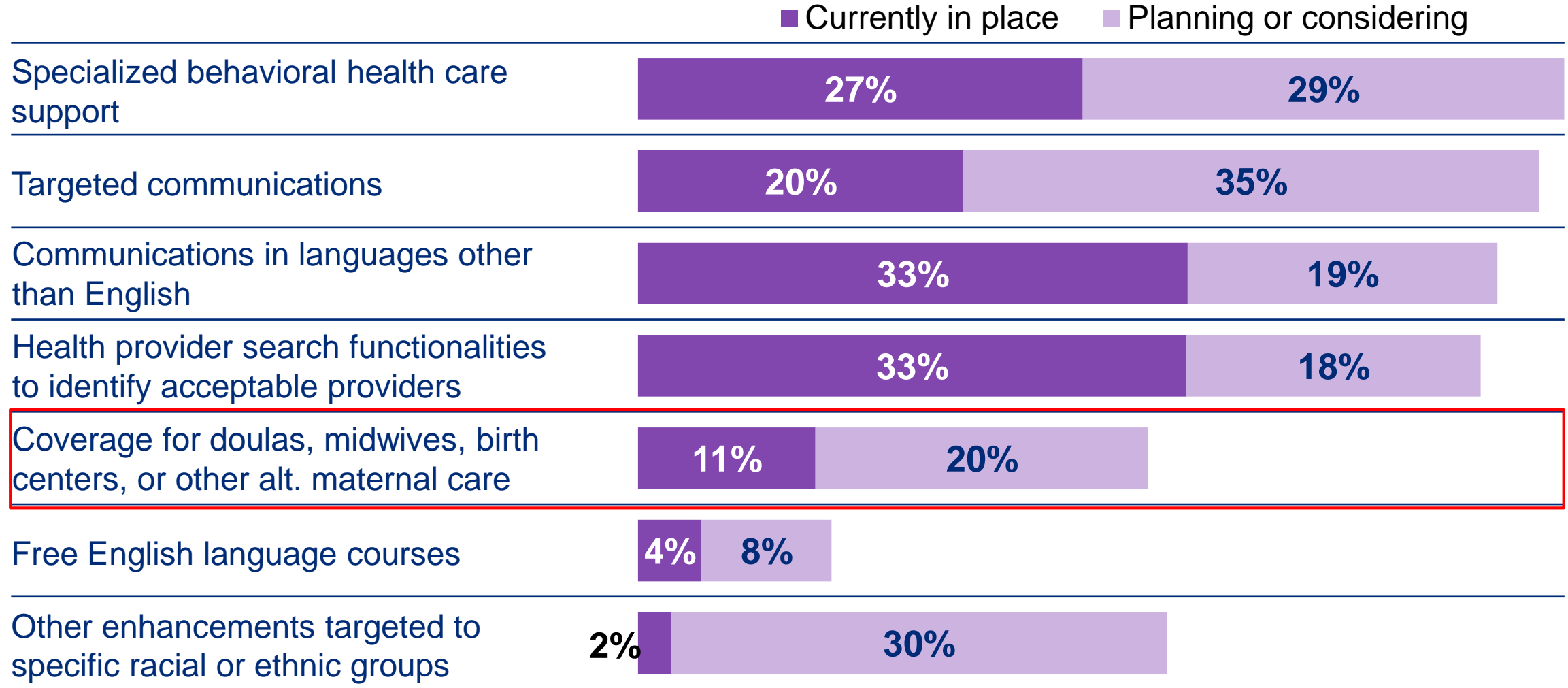
More than two-fifths of large employers offer a benefit to assist with travel expenses for at least some medical services, or will in 2023



- Offer benefit to assist with travel expenses for medical services
- Planning to offer in 2023
- Do not offer, but considering
- Not considering

Women's reproductive health benefits

Addressing racial disparities in health outcomes



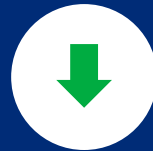
The case for birth doulas

Birth doulas are non-clinical individuals who are trained to provide continuous, one-on-one care, as well as information, physical support, and emotional support to birthing persons and their birth partners or companions



28%

Decreased risk of having a Cesarean birth³



4x

Less likely to have a low birth weight baby⁵



27%

of birthing parents would have liked a doula but did not have access⁴

Better outcomes lead to cost avoidance

Low-cost addition but highly valued by employees

Key trends to evaluate

Provide greater benefits to more of your employees

Provide greater reproductive health support

Move toward inclusive concierge approach

Address social determinants of health

Reduce stigma within the workplace

Enhance benefit coverage within medical plan

Closing



The three realities shaping the future of total rewards

The New Shape of Work requires
new approaches to rewards



Total well-being is delivered
through personalization



Leaning into digital enables
scale and speed



Thank you!

Feedback survey

welcome to brighter



