Please note: This is a transcription so there may be slight grammatical errors.

Hello, and welcome to Revamping Retirement, a podcast brought to you by CAPTRUST, where we explore the opportunities and challenges facing today's retirement plan sponsors and fiduciaries. Our hosts Jennifer Doss and Scott Matheson lead the employer sponsored retirement plan practice at CAPTRUST, one of the law largest registered investment advisors in the U.S. and a thought leader in the retirement plan advisory and consulting space. We hope you enjoy Revamping Retirement.

Jennifer Doss:

Hello, everyone, and welcome to another episode of Revamping Retirement. I'm Jennifer Doss and I am joined by my lovely cohost, Scott Matheson. Today, we have a very special guest John Deal. John Deal is senior vice president of Applied Insights for Hartford Funds. John attended Moravian College in Bethlehem, Pennsylvania, where he earned a bachelor's degree in economics. He is a certified financial planner and he holds the chartered financial consultant and chartered life underwriter designations. Now, as part of his job and what we'll be talking to him about today, he oversees the relationship between Hartford Funds and the MIT AgeLab. Now, the MIT AgeLab is a research program that works with businesses and the government to improve the quality of life of older people and those who care for them.

The AgeLab does this by applying consumer centered thinking to understand the challenges and the opportunities that longevity and emerging generational lifestyles pose upon our businesses and our government, and really to catalyze innovation across those business markets. Now, the AgeLab has done some great research recently around what they call the evolving workscape, really looking at how shifting done demographics, tech innovations and new employee expectations are shaping what the workplace of the future is going to look like. Now, as we've talked about in prior episodes, this great resignation is a very real thing, and it is incumbent upon employers to really understand the changing demographics and the changing needs of their workforce over time so that they can properly adapt.

So John, I just gave a very small overview of the topic that we are going to talk about today and a very small overview of the MIT AgeLab, and certainly did not do it justice. So maybe in your words, just to get us started, can you tell us about the MIT AgeLab, its mission and the research on which it focuses?

John:

Well, thanks, Jennifer, and thanks to you and Scott for having me on today. So yes, I've worked with Hartford Funds now for about 34 years, but really the last 20 years was heading our research efforts with the AgeLab at the Massachusetts Institute of Technology. So many people don't realize, but MIT, the rocket scientists up in Cambridge, have a division of their engineering school studying aging, longevity, its impact on product design, delivery mechanisms, even environments we may exist in. I think the most beneficial part of working with the AgeLab is they work across many different industries and they work around the world. It's not just retirement, it's not just financial services. It's about 40 researchers, not all engineers, but sociologists, psychologists, physiologists, certainly engineers, all looking at the impact of shifting demographics, the impact of technology and how people are making decisions based on changing lifestyles.

That certainly applies as we know to the labor market and to recruiting and retaining and attracting talented individuals to help our companies not only survive but thrive moving forward. So it seemed natural that the work that the AgeLab is doing not just in private wealth and retirement, but really is applicable to plan sponsors and retirement plans as well.

Scott Matheson:

All right. Well, thanks for that overview, John, and thanks again for being with us today. Some of the things that the AgeLab talks about most is shifting demographics. America, not too dissimilar, for me is just getting grayer to put it bluntly. We have also heard a lot about a slew of early retirements due to COVID and throughout that pandemic. So in light of that, curious what employers should really be thinking about in the area related to shifting demographics as their workforce ages, and unfortunately here may potentially leaves before the employer had planned for them to.

John:

Well, Scott, it's a great point, and I'll just highlight some of the major demographic shifts that MIT would say we ought be thinking about. First of all, one of the fastest growing segments of the U.S. labor force prior to the pandemic was among the age groups age 65 to 74, and the fastest growing was over age 75, and albeit off a lower base. However, when you look at growth rates in the workforce of roughly four and a half percent in the 65 to 74 and six and a half percent above age 75, you have to question what's going on here. One of the big reasons why MIT says you're seeing that shift is not only the disappearance of defined benefit pension plans, but really the desire on the part of many workers to work longer, but work differently. So maybe not work the way we work the first 20 or 30 years of our career.

At the same time, you have employers who, if they really took an honest look at their workforce, might look at some of their employees who are approaching retirement age with no idea what their future plans are saying, "Boy, if we lose business critical expertise like this, what are we going to do?" So the aging impact, the impact of longevity on aging and the desire to stay involved in work is one big shift. The other, and probably the biggest, what MIT would point to, in fact, Dr. Joe Coughlin in his book The Longevity Economy actually titled an entire chapter The Future is Female. When you look back over the past few decades at female participation in the workforce and education rates, especially among women, women now are out graduating men in undergrad, graduate, even really equal in PhDs. You start to say, "How is the workforce changing and accommodating the social needs and the social structure of what's happening?"

So longevity combined with the future is female, as Dr. Joe Coughlin at the AgeLab would put it, are two things we really need to think about. Then you just mentioned it, kind of the great resignation. We saw older workers at the beginning of the pandemic exiting the workforce, but you know what we have discovered over the past couple of years? Remote work, which offers a lifeline, if you will, to many people thinking about, "If I were willing to stay, how much of my job could I complete given an electric current and a wifi signal?" So technology is beginning to impact the way we think about work and potentially the flexibility with which we work.

Scott Matheson:

Yeah. That's such a good point and obviously really timely too. So maybe just given some of these differences in generations and even the gender differences that you're seeing, I'm curious how you think employers ought to be thinking maybe differently about how their employees work, or maybe I'm really curious if you think there's a new social contract between employer and employees, so to speak, that now exists with where we are in the world, kind of particularly post pandemic, but in light of all these aging that we're seeing.

John:

I think there is, Scott. I think one aspect of longevity, which is when we think about living longer, most of us, we welcome that news right? Better than the alternative, you might say. But there was an epidemic, the researchers at MIT tell us, prior to COVID 19 and it's associated with longevity. It was primarily centered in the male population. The epidemic was one of boredom, loneliness, isolation, and depression. Because think about it, for many, especially men, and I'm not going to leave women off the hook here, but I'll explain the difference in a second. For many men, a lot of the socialization in their lives outside of their spouse and immediate family comes from the workplace, right? It's where our friends are. It's where we contribute. When a man leaves that primary place of employment, oftentimes he'll leave his social network behind.

Now, why do we not see it as severe in the female marketplace? Mainly because women, despite their increasing importance in the workforce, have still retained the role, in many cases, of chief operating officer of the household. We see, we observe, I should say, that women are twice as likely to be the ones in the family taking charge of planning social events, whether those are vacations, get-together with friends, dinners out. So oftentimes when women leave the workplace, they very quickly rebuild social networks. So this is driving this desire, I think, to work longer, but also driving the desire and the need for flexibility, right? Because the key thing about aging is that eventually we get to that point, because a lot of people think the reason why these workers want to work longer is because they haven't done a good enough job saving for retirement.

Well, that may be true for some, but oftentimes we find it's more the social aspect. I enjoy work. It gives me something to do. It gives me something to look forward to, and that's where my friends are. But we also have to realize that as we age, flexibility is key. Flexibility, whether it's caring for children, flexibility, whether it's caring for aging parents and what we're seeing, especially after we went through the last two years, I think what Dr. Joe Coughlin at MIT would say, is that the COVID-19 pandemic did not create new trends. It simply accelerated trends that were already in place.

Jennifer Doss:

So John, I guess, to stay on that thread for a second, and obviously like I mentioned, the tight labor market is something that we've talked about, lots of people are talking about right now. So certainly something that continues to challenge every company across all industries. I guess, why is it important? You said it's been accelerated recently, right? But why is it so important right now for employers to understand that evolving and shifting workforce?

John:

Well, I think it's important because if we're looking to team key talent, or even attract key talent, Scott mentioned the social contract. By the way, employers are not the only ones on the hook here. We have to realize that as we age in our desires and purposes change from an employee standpoint, the needs from an employer standpoint also change. So when we think about flexibility, for example, how might we provide flexibility? Jennifer, I'll just share with you upfront, I'm obviously not an HR expert so I throw these trends out there as something that the people who are need to think about. Should we be redesigning work in some way and communicating to our employees that there's something other than just the traditional we work 40 to 60 hours a week one day, and we're retired the next week.

Is there a way to transition people to retirement? Is there ways to incorporate their skills in mentoring programs and cross training programs? Both ways, by the way, generationally. Up generation and down generation, because we find all the generations say, "We think we would benefit from speaking to other generations in our workplace, but rarely are there opportunities to do so." Then I'll just bring up, again, one large thing to think about in terms of retaining talent. When we think about, as I mentioned, the future is female and I don't mean to say this is the way it should be, not saying that this is the way it always is, but MIT would tell me today in the United States, if you're a woman 47 to 57 years old, especially if you're the eldest daughter in your family, chances are that the care or the management of the care of your parents may likely fall to be your responsibility.

So if we believe what Scott said earlier about the graying of America, and we see our own labor forces starting to age, we'll realize that maybe many of our key employees are going to have these calls in their personal life. They're going to have to juggle all these different roles in their families yet still stay productive at work. As an employer, what kind of flexibility can we add to let those employees know that this is a workplace that understands some of the challenges that you'll be up against, and we're willing to take that step, not only to maybe come up with creative ways to help you deal with those issues in your lives, but also possibly to connect you to community resources and others that may be able to help with some of those struggles.

So that's just one example, but if we are deaf to what is going on in terms of the demographics and the changing need that that's creating, we run the risk of isolating those folks who feel like they don't have a choice. We already know that being called to become, for example, a caregiver is oftentimes a major reason why people either cut back on work hours or exit the workforce entirely. So I think that's the thing, is sometimes I think we're so focused on our day to day business that we don't get an opportunity to kind of step back and look at the big picture.

Jennifer Doss:

Yeah, and I think one of the things about the pandemic that was more of maybe a positive spin was got us to see everybody as human beings, not just employees. So I hope that, to your point, trend continues. I don't know what the word of the year from Oxford dictionary is going to be for 2022, but I feel like flexibility is probably going to be it. So I think that's key. So maybe just to put a bow on it, John. I guess what are some next steps that plan sponsors can take understand their current workforce and maybe also appeal to new talent?

John:

So I think some of the data that we see says that very few employers have ever even taken a census data survey of their workforce to understand ages in key positions, ages in managerial positions throughout the company, and really begin to assess what the risk would be of losing business critical expertise. Almost every company says they realize losing business critical expertise is a bigger challenge today than it was five years ago. But the first step of making any kind of a change I think is assessing it for yourself. I think there are research sources out there that talk about programs like job sharing and part-time work and restructuring work as it is. Remember, we said it maybe a trade off. In a new social contract, it sounds like I'm saying that, look, employers are going to have to think about all these things, all these different programs, mentoring programs and the like, but employees also need to think about, "Because I'm now 72 years old, it may not necessarily mean that I'm making more money than I did at age 58 or 65."

Because we think that employees are going to have to recognize that to trade that for that flexibility, they may have to give up something in terms of either benefits that they may not need or compensation packages. So it's kind of a conversation about where that middle ground is. So I think the first step really, Jennifer, is kind of taking that assessment of where your company stands today, and then it's through employee assistance programs or other kind of forums, really talking to employees not only about their job, but about the things that are pressuring them. We know that financial wellness is a big topic. I guess what I would tell you, Jennifer, is sometimes I think wellness goes well beyond financial. I know we're looking at different types of programs for student loan repayment and the like, but I think we also have to be sensitive to those emotional pulls that may detract from productivity or even participation in the workplace.

Scott Matheson:

So good. Certainly we agree with you with regard to it just not being about the math, that it definitely is about the emotional aspects, how people feel about their wellness and fulfillment in what they do. Again, we're all spending more time working than we are with our loved ones and the things that we have passion for outside of work. So it's important that all those pieces come together. So speaking of that, I'm going to ask you the hardest question as the last question here, John, and that is what does retirement look like for you, John Deal?

John:

Well, it's a great question, Scott, and one of the research initiatives that we actually present to plan participants from the MIT AgeLab is something called 8,000 days and it tells us to envision our life in four, 8,000 day segments, because it's 8,000 days from the day you're born to the day you graduate college or university, another 8,000 days to your first midlife crisis. I say first, we're all living longer, we may have more than one. Then it's another 8,000 days until you retire and then yes, another 8,000 days until you expire on average. Of course, nobody knows how long that last segment is going to work, but through the work that I've done with MIT, I've thought quite extensively about the area that I'm going to age in, how accessible are things in the neighborhood where we're going to live.

How about the home that I'm living in? Will it be to sustain me not just to my early '70s, but '80s, '90s, and beyond. So my wife and I have begun to take some planning steps. We originally still have a home outside of Philadelphia, Pennsylvania, but that home was built in 1860. It's got foot thick stone walls and not a single bedroom or bathroom on the first floor. That's not the home that we're going to be in. We took steps probably 10 years ago to be thinking about purchasing the next step home. We're thinking about how does work impact us going forward? I'm one of those ones, Scott and Jennifer, I think I'll always be working, doing something. I don't know that it'll be doing what I'm doing right now, but I think it will leverage those things that I'm doing because there is so much value in work beyond just the compensation part of it, right?

Work brings a sense of respect and contribution to our communities. The other thing I'll tell you, retirement for me probably involves a good bit of using talents that I've accumulated over time really to contribute on a volunteer basis to some of the causes that I really believe in. Although my three children don't have children yet, I'm ready for my wife to say we're going to be chasing them around the United States, wherever it is that they wind up. So the jury's still out on all of it, Scott and Jennifer, but those are a couple of things that I'm thinking about and looking forward to,

Scott Matheson:

Well, that sounds like a nice 8,000 days, John. So appreciate your willingness to share that with us, for sure, and thanks again for being with us today. We sincerely appreciate your time and the effort you put into this and walking us through all that AgeLab research is certainly interesting and timely given the labor market that we're in right now. So I'm quite confident that your insights, what you shared today, will give our listeners a lot to think about and a lot of action in there for them to chew on too. So, thanks again.

John:

Thanks very much.

Scott Matheson:

We're going to do our usual transition now over to our minute with Mike, where our own Mike Webb will talk about the definition of compensation as it relates to retirement plans, and then Jennifer and I will be back to recap a recent webinar she did with a few of our advisor colleagues discussing plan design and benefit trends in this tight labor market. With that, take it away, Mike.

Mike Webb:

Thanks, Jennifer and Scott. Mike Webb here with another Minute with Mike. This month's minute focuses on the definition of compensation in retirement plans, which is one of the leading causes of operational errors in these plans. Within the plan document, a plan sponsor must specify the plan's definition of compensation for purposes of allocating employer contributions, employee elective deferrals, or both. The definition is then used to determine which pay codes, like base pay, overtime, bonuses, et cetera, are included as a retirement plan compensation definition, part of that definition and which are not.

While many plan sponsors use a W2 or similar definition of compensation to determine the amount of employer contributions or the elective deferrals a participant can make, some plan sponsors do not. For those who don't, the general goal is to reduce employer contributions in an effort to save money. The regulations allow for nearly any definition of compensation, as long as it does not discriminate in favor of highly compensated employees. It should be noted that some prototype and volume submitter plan documents do indeed restrict the definition somewhat. Plan sponsors who get creative with their plan compensation definition may be asking for trouble, particularly if they have endless pay codes in their system, since each one needs to be coded to define whether it's eligible for employer contributions elective referrals or not. Sound complicated? Well, it is, and plan sponsors should try to get their arms around this issue before it comes up during a plan audit.

For Revamping Retirement, I'm Mike Webb and this has been your Minute with Mike. Now back to Jennifer and Scott.

Scott Matheson:

All right. Well, thanks Mike, and welcome back everybody. All right, Jennifer, you did a webinar with three of our advisory colleagues on February 16th of this year talking about trends that we're seeing in employee benefits and retirement plan design specifically around this tight labor market. So I want to spend a few minutes here because there invariably were some of our listeners who weren't able to listen into that. So can you give us kind of the ... we'll call it the five minute overview of what you all discussed and some of the key takeaways for plan sponsors in there?

Jennifer Doss:

Sure. So one of the main things that we talked about in that webinar was really the shift in not only what employees value in terms of benefits, but also this shift in terms of where an employer is drawing talent from, right? So yes, compensation is still important to employees and I think John actually hit on this a little bit at the very end in terms of maybe there's a give and take there in terms of flexibility versus compensation, because it's not necessarily always the number one reason for an employee to stay or to take another job right now. More employees right now are valuing flexibility and mental health over dollars, and that brings things like the work from home policy, flex time policies, working location more into play than ever before. It also places a pretty high emphasis on what are you doing for your employees to support their financial, their physical and their emotional wellbeing? I think John mentioned that as well.

In terms of the shift of where talent is being drawn from, that really impacts who an employer is competing with, right? So because of the remote nature and the virtual nature of many positions these days, for a lot of jobs, you can source talent from across the country now, regardless of where maybe you are physically primarily located as a business. That obviously is good because it means a larger talent pool for you to draw from, but it also means that there's more choice for that talent pool and you have more competitors, right? Which leads me to one of the most important points that I think we hit on in that webinar, which is that data is key. So data that tells you what your employees and potential employees value, and data that tells you how your benefits stack up compared to competitors.

Scott Matheson:

Yeah. I heard somebody say the other day to me that data is the new currency, and I know you and I have talked about concept a good bit, and obviously that's really interesting. Now, I know you guys all focused really a lot of the time on retirement plans and what employers can do with their retirement plans to make them more competitive specifically. So maybe share some of those ideas. What would you guys talk about?

Jennifer Doss:

Yeah, we did focus a lot of time on the retirement plan as an employee benefit and really being competitive in that area. The reason that we did that is because, I mean, survey after survey that we see, the data tells us that a competitive retirement plan and competitive company match are always really top of the benefit list for employees. They're right there with things like healthcare and paid time off. We serve thousands of participants through our participant advice and financial wellness service internally at CAPTRUST, and we surveyed those participants in December to really find out which benefits directly were the most important to them. Again, consistent with what we see broadly speaking, 91% of them indicated that a retirement plan with company match is one of their top three most important benefits. It was actually listed as the most valuable of the options by the majority of respondents.

So in that webinar, we talked about multiple ways to make your retirement plan more competitive, but it all started again with really just understanding how your retirement plan stacks up versus others in your industry or others that look like you in terms of size, really just focusing on that benchmarking piece. From there, we really recommended taking a whiteboard approach, what we call the whiteboard approach, to plan design, really asking yourself as a plan sponsor why you have the design that you do and why you offer or don't offer certain features. Is there a reason? If there is, does that reason line up with your goals and your objectives for the plan today that may or may not be different than what they were five years ago?

Outside of plan design, we did also talk about being competitive with financial wellness programs offering more customized services within the plan, like managed accounts, and catering to retirees more through more retirement income options.

Scott Matheson:

Yeah. So really good stuff. Really interesting. Maybe just catalog the takeaways, if you would.

Jennifer Doss:

Sure. So benchmark your plan was one of the things, the key things we had as a takeaway. Survey your workforce to really understand what they want, what they value. Take that whiteboard approach to plan design and investments. Lastly, really focus on the overall return on investment that you can receive as an employer for a particular benefit. I haven't met a company yet that has just an unlimited budget for benefits, so there are always going to be trade offs and opportunity costs for employers to consider. What is going to get you the most impact for each dollar that you spend as an employer is key, and those are the items that are really going to move the needle for employees, and really also help the employers' bottom line as well.

Scott Matheson:

And that is the magic. Well stated there and great stuff overall here, Jennifer, and the webinar was great for all of our listeners here. The recording of the webinar Jennifer moderated is actually on captrust.com under our resources tab, but to make it easier, we'll actually put a link in our show notes for today's episode for you. As always, thanks for tuning in with us, thanks for listening. Don't forget to subscribe or like our podcast. Of course, if you like what you hear, don't forget to leave us a really positive review. Of course, tune in next time for the next episode of Revamping Retirement too, and until then, this is Scott Matheson, on behalf of Jennifer Doss, signing off.

VO Artist:

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