

# PROMOTING EMPLOYEE WELLNESS

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A STRATEGY FOR  
RETIREMENT PLAN SPONSORS

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# THE ROLE OF HEALTH IN BUSINESS STRATEGY

## **Productivity is key to a healthy balance sheet. And what's a healthy balance sheet without a healthy workforce?**

There are many reasons retirement plan sponsors should encourage participants to lead healthy lives. Traditional arguments are simple — healthier employees have lower healthcare expenses and by encouraging employee health, business owners and executives may be able to add to their bottom line by decreasing the overall cost of employer provided healthcare options. However, there may be much more to consider.

As the focus on employee wellness and the corresponding role of the employer is amplified, it becomes increasingly clear that business owners and executives who are strategic with their wellness programs often see more dynamic, positive results in their businesses. Physical and financial wellness go hand in hand, and by recognizing the strength of the connection, desirable outcomes may be achieved for employers and employees alike.



**“Well-being and company culture initiatives must be at the top of every company’s list if they want to continue being successful.”<sup>1</sup>**

## WHY SHOULD RETIREMENT PLAN SPONSORS CARE ABOUT PARTICIPANT WELL-BEING?



**A healthy, resilient workforce is good for businesses of all sizes.**

Wellness and well-being have been on the radar screen for a while, but since the pandemic, it has taken center stage. A recent survey found that 68% of senior HR leaders rated employee well-being and mental health as a top priority. In fact, the corporate wellness market is now estimated to be \$20.4 billion in the U.S., with a forecast to grow to \$87.4 billion by 2026.<sup>2</sup>

To get ready for the future of wellness, think holistically. Wellness has expanded from physical and mental to include emotional, financial, social, career, community/connectedness and engagement. Flexibility is at the heart of employee wellness.<sup>2</sup>

Forward-thinking plan sponsors should work closely with their financial professionals to conduct (at least) annual reviews. Doing so can help ensure they are offering wellness benefits that are cutting edge, relevant to their current workforce, and set them apart from other employers.

## A HEALTHY WAY TO APPROACH RISK

Risk mitigation has emerged as another motivation to engage in employee wellness. Retirement plan sponsors are considered fiduciaries. This means the highest standard of care applies. Plan sponsors must act in the best interest of plan participants or they could face legal liability.

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- **WORKFORCE RISK**

The management of employees joining, progressing through, and leaving an organization can be chaotic and difficult to track.

- **LITIGATION RISK**

Fiduciaries are often targets.

- **TALENT RISK**

It is increasingly important to ensure alignment with retirement plans and total reward strategies to compete for top talent.

- **DISTRACTION RISK**

Retirement plans are complicated and require a significant investment in time and attention to detail.

- **COMPLIANCE RISK**

The regulatory environment is as thorny as ever.

- **INVESTMENT RISK**

Offering a diverse mix of investment choices is essential for plan participants to achieve their desired results.

- **SAVINGS RISK**

Many participants do not understand how to make informed decisions when confronted with competing financial priorities.

- **TAX RISK**

Distribution and tax optimization strategies may require plan sponsors to provide additional options such as a Roth component to 401(k)s.

- **LONGEVITY RISK**

Many participants have not adjusted their retirement in light of significant changes in life expectancy.

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As such, risk is a constant consideration for plan sponsors, and emphasizing the importance of overall participant wellness could prove helpful in this regard.

Many plan sponsors recognize enhanced emphasis on employee well-being as an effective path to moderating some of these concerns. For instance, sometimes plan sponsors find it challenging to manage the process of offboarding employees. It can create administrative headaches, comes with a heightened level of sensitivity, and still requires adherence to a fiduciary standard. One way to alleviate this burden is to improve retention. Employee wellness programs can have a significant positive impact here. Demonstrating to employees that you care about them by investing in their overall well-being can improve loyalty.

# 70%

of workers believe their employer has a responsibility to ensure employees are mentally, physically, and financially well.<sup>3</sup>

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# 66%

of employees are waiting to review their company's new benefits offerings before deciding to stay or go.<sup>4</sup>



## AN IMPORTANT DIFFERENCE:

## TWO TYPES OF WELLNESS PROGRAMS

Plan sponsors should recognize the different types of results they are likely to experience depending on the focus of their wellness program. Broadly speaking, there are two types of employee wellness programs: those that focus on chronic disease management and those that focus on lifestyle management.

### CHRONIC DISEASE MANAGEMENT

Chronic disease management programs target common chronic illnesses such as diabetes and heart disease. Not surprisingly, the success of this type of program is often both direct and measurable because the most common consequences are both expensive and preventable. That is to say, treatment for heart attacks can be expensive, but heart attacks can often be avoided by making consistent healthy choices.

### LIFESTYLE MANAGEMENT

Lifestyle management programs take a different approach. These programs typically take aim at long-term outcomes — attracting top talent, lower rates of absenteeism, reduced stress in the workplace, employee retention, and increased productivity, just to name a few. While these outcomes usually take longer to materialize, it does not mean they are without value. In fact, over the long term, the economic value of these “softer” results could be significantly more than the short-term advantages to disease management programs.



**The key for plan sponsors is understanding their objectives and having a program that works for both the plan sponsor’s organization and plan participants.**



## WELLNESS TAKES TIME

Regardless of wellness program specifics, the rewards for encouraging employee health are not immediate. In many ways, it's like going to the gym to work out. If you go to the gym one day, and then go home to look in the mirror, you're not likely to see profound change. If, on the other hand, you go to the gym daily for six weeks, adopt an overall healthy lifestyle along the way, and then look in the mirror, it's likely you'll achieve noticeable results.

Realizing the practical benefits to encouraging employee wellness is no different. It doesn't happen over night, and it requires more than just checking the box. But again, much like going to the gym routinely and making health-conscious choices on an individual level, the business benefits to creating a workplace environment that encourages healthy habits will often yield dynamic positive outcomes.

# ACTIONABLE WELLNESS CONSIDERATIONS FOR PLAN SPONSORS

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Most employers have some form of wellness program for their employees. It could be as simple as a single-option health insurance plan. Or, it could be a complete suite of health and wellness benefits.

The question should not be, “Do you have an employee wellness plan?” Instead, it should be, “Do you have the right plan for your particular employee population?”

**Employee expectations are changing and, as a result, creative solutions, new approaches and innovative responses are the name of the game.<sup>5</sup>**



# FINDING WHAT WORKS

For meaningful, measurable results, your employee wellness approach must be specific to your business — tailored to your people.



## MAKE IT A GOOD FIT

Understand that there's no one-size-fits-all wellness program. Apply the requisite due diligence you would normally pursue in any business decision.



## TARGET 'BIG TICKET' ITEMS

Assess your employee population. Are there any glaring opportunities for improvement? Priorities such as smoking cessation or a high rate of heart disease may be self-evident. Tackle the big issues first, and keep long-term objectives in mind.



## TRACK CURRENT HEALTHCARE EXPENSES

You cannot improve what you do not measure. Develop a complete picture of current healthcare expenditures and allocate resources based on your identified priorities. Leveraging technology and analytics to gain insight is vital to the process.



## DISEASE MANAGEMENT RESOURCES VS. LIFESTYLE MANAGEMENT INITIATIVES

Understand the type of program your company offers. Manage expectations and assess outcomes accordingly.



## MANAGERIAL SUPPORT

Empower managers and their direct reports to take action. This may come in the form of increased flexibility with work schedules or investment resources such as standing desks or other on-site facilities.



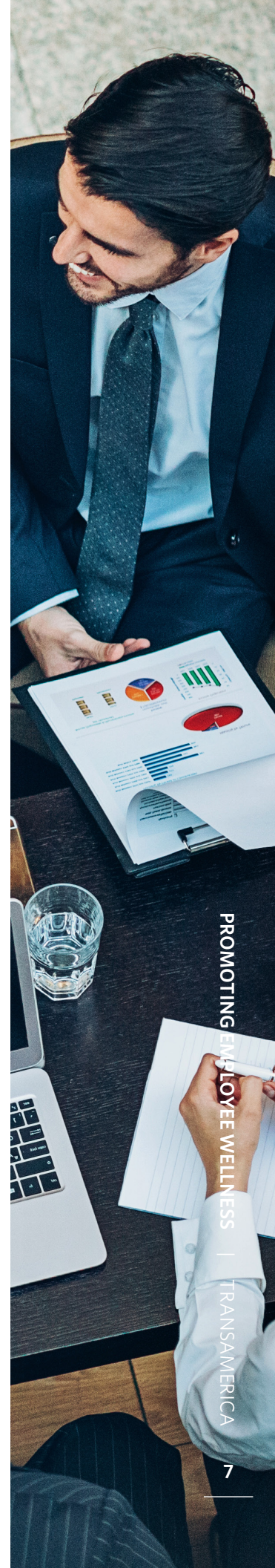
## LEADERSHIP BUY-IN

In order for people to adopt and embrace something, they have to believe in it. Business leaders should demonstrate their commitment to the wellness program.



## COMMUNICATION

Be sure workers are aware of the wellness program. Routine reminders of available options, progress updates, and new opportunities such as friendly inter-office competitions are key. Also, be sure to convey compassion and support when talking about wellness initiatives, but try to avoid moralizing the topic. Instead, focus on the practical advantages to program participation.



## THE BOTTOM LINE

Wellness enrichment is a highly individualized process and plan participants will engage with the program for their own personal reasons. Emerging trends suggest that there is no one-size-fits-all wellness solution, and companies should look for options that are both strategic and holistic to match their individual needs.<sup>5</sup> As a result, they should be able to accommodate the needs of increasingly diverse worker populations. In addition, more and more employees are looking to their employers for the essential components to health and financial well-being for themselves and their families.

With the accelerating pace of workplace wellness programs, plan sponsors should be keen to take advantage of the opportunity to realize the advantages of such programs for the benefit of both their employees and their own businesses.



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<sup>1</sup>"The Growing Importance of Employee Wellness: How are You Responding?" Forbes, April 2022

<sup>2</sup>"The Future of Work is Employee Well-Being," Forbes, August 2021

<sup>3</sup>"2021 Workplace Wellness Survey and 2021 Financial Wellness Survey," Employee Benefit Research Institute and Greenwald Research, 2021

<sup>4</sup>"What Benefits Can Employers Offer to Improve Employee Retention?" Society for Human Resource Management, accessed September 2022

<sup>5</sup>"Wellness and the Future of Work: Some of the Best Companies Share Their New Solutions," Forbes, March 2021