As Employers We Must Do More

The Case Of Taylor Steel

By: Mike Coughlan

I must admit, I was not relishing the thought of my next meeting with the plant committee as it inevitably resulted in a discussion of the merils of our company pension plan. Our workplace is not unionized, but we work in a city where defined benefit plans are the norm and any conversation around employee benefits presents a challenge.

As an employer, I had become frustraled with lhis situation because, in my opinion. we provided a more than adequale plan (5 + 5), yet because it was a defined contribution plan; it never got lhe crcdil ii deserved. Of course, my opinion did not always resonale with the resl of the staff. whether hourly or salaried. Fortunately, we have always enjoyed a very co-operative and familial working arrangement with our staff. However. in a town and industry where DB pensions rule. It was only natural that some employees fell differently about the issue.

TheChallenge

Like many companies, one of our biggest challenges was encouraging employees to take a more active role in the retirement planning process. Not surprisingly, most of our pension plan members continued to opt for the default option, without really understanding whether it suited their needs. Even more concerning was the fact that a significant proportion of members relied on their buddy for investment advice. Not the ideal situation!

We tried to address this by having our plan carrier arrange annual meetings with the membership to discuss the attributes of sound retirement planning, but the attendance was extremely poor. Since many of our employees do not work at a desk, we wanted to provide the facilities they needed to make retirement decisions. To do so. we set up a kiosk with a computer connection to the carrier's website. However, given the level of apathy we were dealing with, the kiosk failed to work. It aclually reminded me of a piece of unused gym equipment just gathering dust. Ultimately, we had to admit defeat. After several years of effort, less than IO per cent of the workforce had ever logged on to the carrier's website. I know thal if we were to elicit a change in behaviour among our employees, we needed to radically change our approach and offering.

We decided to solicit a number of proposals for a range of pension advisors. However, I was surprised that many advisors had a very similar philosophy. They would provide annual r views and some educational sessions for the members to attend, if they chose to do so. Our company required a new approach to shake up the prevailing attitudes among employees. One of the advisor firms we met with, Wise Riddell Financial Group, offered a more hands-on approach.

Individual Retirement Plan

It proposed to meet with each employee on an ongoing basis and to develop an individual retirement plan tailored to their individual needs. As a firm, we felt this strategy would go a long way in enhancing our plan offering in the eyes of employees while , in turn, helping th m to plan toward a sustainable retirement. It was like nothing we had seen before and we felt that providing this additional service to our members, whether upper management or on the shop floor, would mean that every one of our employees would be in a position to get the most out of the pension plan. After several months of hard work and reviews, a new strategy was developed aimed at resolving our longstanding pension issues.

Peace of Mind

It has been over 10 years since that meeting and the level of engagement in the pension process has exceeded every expectation. I have come to understand that it wasn't just the workforce who had to change their habits; as employers we had to change our attitude to how we provide employee benefits and the impact it has on our overall performance. If we want employees to be engaged in their retirement plans, we need to make sure we are leading by example.

This meant giving every employee time on the company's dime to sit down with the broker's on site advisor to develop a unique and written retirement plan for that member. It also meant developing an individualized investment and contribu-tion plan consistent with that individual's retirement objectives-not an insignificant task for a workforce 450 strong. Further-more, we committed to ongoing annual meetings with Wise Riddell to review the status of our retirement plan.

The most obvious and rewarding result of this undertaking is the fact that the request to convert our DC plan to a DB plan has not arisen in over nine years. Once the workforce became educated and engaged, they were able to acknowledge the quality of the plan and its ability to deliver the results they needed for retirement. Essentially, it became a non-issue.

Another obvious improvement was the fact that the number of members falling into the default investment option has dropped from over 50 per cent to less than four per cent. Furthermore, we now have the facts to support the quality of the plan and the success of the process. We have been able to show that our level of contribution is more than twice the average. However, a more interesting statistic is that our member assets, on average, are more than three times the industry average of plans administered by our pension carrier.

Subtle Issues

Wise Riddell also undertook to have the plan fully marketed, which had not been done before. This unearthed a number of subtle, but important issues embedded in the plan which, at the time it was set up, did not seem important, but as the plan grew, were b coming big issues. As mentioned earlier, over 50 per cent of the plan assets were in GIAs and the plan had a 0.5 per cent penalty calculation in th market value adjustment in favour of the carrier. This could have result d in a penalty exceeding $200,000 if we were ever to move the plan. We were also made aware that the previous broker's compensation was not uniform. There was a greater incentive to the broker for members to be invest d in market based funds versus fixed rate investments, potentially creating a bias in th advice offered.

Marketing the plan has allowed us to reduce member fees by over 40 per cent over the past 10 years. Furthermore, when the CAP Guidelines were introduced in 2004, we were able to tick virtu-ally every box as having been addressed and/or we were able to identify and address any items not completed.

Of course, there is a cost to better pension planning, most notably the 20 to 30 minutes each employee takes during work hours to meet with the advisor. Yet, the benefits totally outweigh these costs, in particular the certainty we have in knowing that the plan is structured in a way that benefits both the company and, more importantly, our employees. By investing in educating and engaging members and individualizing the retirement savings process to meet their specific needs, our plan is now considered a time benefit by our employees. BPM

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