

Reimagining the Retirement Transition Journey: How Employees and Employers Are Enhancing Traditional Paradigms

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Saving for Retirement Was the Easy Part

Without question, the events of 2020 have changed the world around us in lasting ways. Importantly, however, as much as recent uncertainty dominates the strategic agenda, now may be a time to turn back to foundational questions that remain front and center for an aging workforce. Our recent discussions with insurance leaders have almost ubiquitously noted that new ways of working are very likely to stick, even for organizations that could not have imagined transitioning to these models just a few short months pre-COVID. These new realities position traditional questions in a new light, in particular for employees progressing towards nearer-term retirement.

How will I sustain my income in retirement? Do I want to leave the workforce altogether? How does my value proposition as an employee evolve as I get older?

Interestingly, 2020 may have added complexity to these considerations, but it has also presented opportunities for employers to rethink traditional resource management paradigms. Additionally, employees are shifting their attitudes towards the workplace as well. A 2015 study published in the CDC Journal Preventing Chronic Disease that covered 83,000 older adults over 15 years suggested that, compared with people who retired, people who worked past age 65 were about three times more likely to report being in good health and about half as likely to have serious health problems, such as cancer or heart disease¹. The complex consideration balance between financial health, physical health, and personal fulfilment has led many late-life employees to renewed interest in sustaining work involvement and a redefined retirement transition.

This surge of interest in alternative late-life employee transitions has translated to corresponding employer attention as well. Particularly in the insurance industry, where legacy mainframes, systems, and processes often present unique challenges and skillset requirements, the prospect of losing institutional knowledge can be an untenable risk. The good news for employee and employer alike is that new tools, methods, and ways of working offer mutually beneficial solutions that can be seamlessly integrated to existing business processes. As we envision the future of work for aging, skilled employees, the most immediate gaps fall under three distinct areas:

1. **Employee Tools & Guidance:** On-demand, self-service work model tools to guide employees to the options right for their financial goals and employment preferences
2. **Employer Business Intelligence (BI):** Dynamic BI for insurance leaders illustrating rapid cost-benefit analyses on various resource scenarios and enabling tailored work models that evolve with changing business needs
3. **New Resource Models:** Advanced workforce management analytics and platforms enabling more accurate prediction and management of resource needs. This, in turn, enables the offering of tiered-employment models, more part-time or seasonal resource allocation, and ad hoc consultative relationships far easier to plan and manage.

What Factors Should Be Taken into Consideration Here?

Important to note is that the mechanisms supporting these new ways of working serve to enhance current models rather than disrupting them altogether. Traditional employee lifecycles tend to remain intact as a primary option, given that they are well ingrained within the common understanding, culture and infrastructure of most organizations. Understanding this, our experience is that insurance organizations are understandably incremental as they embark on their change journey. Due diligence across multiple domains is critical with particular attention spent on regulatory, legal, technology, and HR. It may go without saying, but the approach must be well aligned with the needs and desires of the employees themselves to avoid a “bridge to nowhere” scenario. Thus, purposeful and well-explained employee surveys, interviews, and group feedback sessions add important “voice-of-the-customer” (or voice-of-employee) insight to planning and design.

In the current external environment, remote working, intermittent cost pressures, and regulatory uncertainty all lend to the complexity of these issues. Developing a clear strategy, understanding the foundational purpose and business rationale, and supporting any assumptions with data-driven insight will enable the organization to stay the course during development. Once a common understanding of the business case, employee demand, and the preliminary plan for operationalization is laid out, carriers can begin to investigate solution options.

Bridging the Capability Gap

Retirement planning tools to help an employee calculate funding requirements and income projections are available via investment management firms, aggregators and industry bodies. These tools, while helpful, are not surprisingly focused on the investment dollars. After all, the entities offering these tools are driven by capturing these dollars (and of course, the associated fee revenue). The gap here is true consideration of the confluence of employee financial wellness needs and the employee’s working relationship with their employer. The employee faces the hard choice of working longer or living on less – while the employer faces uncomfortable levels of risk as they face the prospect of losing invaluable institutional knowledge and skills. The solution – and opportunity – to resolve these issues lies in rethinking the constraints. What if workers could continue working, but in a different, more manageable capacity? What if employers could benefit from tenured employees expertise while also gaining a longer runway for training or technology transition?

More tactically, employees and employers both need better tools. For example, an ability to ‘goal seek’ retirement age based individually-specific factors would help employees visualize personalized summaries of their consideration points and be better prepared for retirement transition. Similarly, the ability to model part-time work would inform decision-making for extended working via a phased retirement should this option apply.

Additionally, from the outset, strong employee / employer partnerships are needed as these models are developed. Take illness related gap durations, for example – a salient focus point in the post-pandemic world. Particularly in the insurance industry where role requirement diversity deepens the need for focus, employers must carefully consider what they are comfortable with, what availability minimums are

acceptable, and how expectations for resources in these new paradigm models will differ from traditional relationships. Defining expectations and risk appetites early on helps to get all stakeholders aligned on what models and methods are a good fit for the business.

Business Intelligence Solutions – Features, Benefits, and Dev/Support Requirements

The most immediate and tangible benefits that can be seen by an insurance organization are noted under our first category, **Employee Tools & Guidance**. Providing these support services can be thought of in many ways as an extension of benefits provision in that they provide valuable help making sense of the transition between working life and a potentially lengthy retirement. Not surprisingly, this challenge can be daunting to even financially experienced professionals – and so, features such as retirement income calculators, automated pre-planning retirement questionnaires, and on-demand research libraries are a great start. These entry-level services only serve to scratch the surface however, and often do not enable an employee to engage in personalized planning aligned to their specific set of circumstances. To bridge the gap, more dynamic, personalized intelligence dashboards that offer bespoke assessment, planning, tracking and even facilitation of transitions are ideal.

An Employee Change Journey

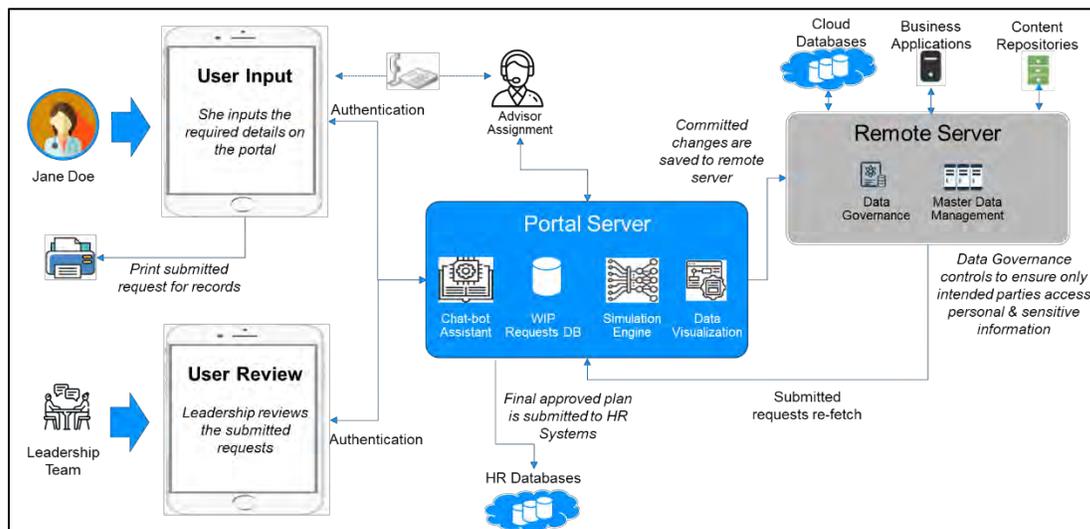
To illustrate, let's introduce an illustrative employee avatar, Jane Doe. Jane is a COBOL programmer who has been working on the enterprise mainframe for the past 20 years. She is highly valued across the organization and is looking forward to retirement in 1-2 years. From the carrier standpoint, technology leadership recognizes that while the volume of maintenance needs on the mainframe have fallen substantially over the years, Jane is one of the few (if not the only) people that thoroughly understands and can adequately maintain their monolithic legacy systems.

Luckily for Jane, her employer has recently implemented new tools and guidance designed to assist her as she explores her workplace options. She logs on to a secure personalized benefits site, quickly navigates to the Ways of Working support portal and is greeted by an automated support chatbot that will take her through the first assessment steps. The chatbot knows Jane because her profile has been pre-loaded from the enterprise HRMS. Jane answers a series of questions -- security protected for her eyes only -- including how long she might want to work, whether she would be interested in part-time or contract work, a more detailed description of skillset, and other key financial planning questions (e.g., income, retirement assets, etc.). Once completed, her answers are compiled into an interactive scenario dashboard that allows for her to explore her options further, as well as scenario modeling that allows her to see what the impact of varying market performance conditions would be on her planned retirement income. Finally, she may have the option to extract this planning report as the basis for further follow-up with an advisor – or, depending on the use case structure – the option to be connected to an agent/advisor directly.

Once Jane has decided on a plan, she submits it to her employer for review and approval. This step in the journey introduces the need for our second category: **Employer Business Intelligence**. Experienced HR leaders will quickly recognize that in order to avoid an unusable deluge of data (vs. actionable information), a separate set of BI tools are a critical need at this stage concurrent to employee tool deployment. Successful enterprise leaders who have engaged in these efforts typically choose to develop these efforts in

parallel, such that the employee toolset and employer BI support launch at the same time. Doing so allows the leadership team to rapidly access decision-critical information including CBA's, job market availability, industry vs. internal trends, and skillset mapping/gap projections.

Innovation-focused business and IT leaders interested in pursuing these solutions will need to map its various parts against the current state technology ecosystem. Referring back to Jane Doe's journey noted above, a series of integrated elements are required to deliver a seamless experience. At a high-level, single-sign on is needed to access the employee site, as are a series of solutions including portal functionality, AI-enabled chatbot's, data integration with support systems or centralized data lake architecture, multi-tiered access rights & governance, 3rd party vendor integration, visualization tools and predictive analytics model integration.



Source: ExlService Holdings, Inc.

Moreover, access to experienced development resources that can rapidly design, develop, and deploy an end-to-end solution seamlessly is critical. Adequately planning, funding, and resourcing experienced data, IT, and analytics talent will streamline both development and implementation. Proper preparation for the end-to-end effort also helps avoid downstream delays and challenges relating to foreseeable program requirements.

Ultimately, the data, analytics, and technology innovations described here are a means to support an end-to-end solution, our third category, **New Resource Models**. Insurance leaders are quickly realizing that traditional ways of working have changed – permanently. How many of your employees have a strategically important need to return-to-office as COVID-related restrictions ease? If you are like most of the insurance client leaders we have spoken with here at the end of 2020, the answer ranges somewhere between far fewer, not many, or none. The implications of this change are profound on a number of fronts – but in the context of employment paradigms, they may present the perfect storm opportunity that allows the industry to take a large innovative leap forward. A first principles approach reveals that all things being equal, employee flexibility will have net positive impacts – but only for carriers that are willing to adjust their assumptions, expectations, and management of talent going forward. Tiered or graduated employment models, 1099 contractor “gig-economy” approaches, or simply part-time models are trending upwards – and represent a reaction to recent macro-economic events. As is often the case, carriers that seize on these opportunities quickly will be best positioned to enjoy sustained competitive advantage.

Looking forward, carriers face a strategically critical and organizationally-defining question: Will non-traditional ways of working, specifically for aging employees transitioning to retirement, work as a viable option for their organization? While these new approaches present a modicum of risk, the benefit potential outweighs these downside considerations. On balance, we observe a defined trend towards these new resource models (or in some cases, early-stage planning for associated development) and what is more is that the carriers at the leading edge of change envision a broader shift in the overall employment culture. Leading carriers should be asking themselves right now how these new models can advantage the business – which in turn, will change how employees begin to consider their own desire to engage with their employers later in life. As many employees develop different attitudes and desires to sustain purpose and vigor in the professional elements of their lives, employers too must evolve their approaches. Falling behind in this space will leave laggards at the unenviable disadvantage of losing institutional talent to competitors and not being able to avail themselves of more attractive resource models that are cheaper, faster, and better. Investing in the abovementioned tools, models, and methods enable win-win scenarios for both employee and employer and represent a means to navigate in the post-COVID environment.

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