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KPMG in Canada offers its workforce a customized benefits shopping experience



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Shifting DC Times caught up with **Emilie Inakazu**, Senior Manager, Benefits & Pension in the Total Rewards Team at KPMG in Canada. She is responsible for the management of national firm-wide benefits and retirement savings programs, ensuring they remain relevant to the multigenerational workforce across 40 locations in Canada. Here, she talks with us about the redesign of KPMG in Canada's Total Rewards program – a dynamic, intuitive and personalized benefits marketplace centered on employee choice. With 65% of their workforce under the age of 35, the Total Rewards Team, in partnership with KPMG leaders and employees, focused the program's redesign in 2018 to better reflect the current digital "on-demand" experience, as well as new definitions of lifestyle and wellness.

Q How does KPMG think about pensions and benefits worldwide? Is it a top-down approach or are the individual countries encouraged to manage their benefits and pensions offerings the way they see fit?

Our Total Rewards program differs according to the varying regulatory requirements, but we do collaborate often to share insight and advice about what works and what doesn't, especially if there's a particular country that's looking to make a change in that location. While we may differ in the execution and delivery of our offerings (tied to our respective countries), we all adhere to our global brand in striving to be best-in-class and forward-thinking – not only in how we serve our clients across the globe but in the benefits we provide to our people.

Q Please provide an overview of the firm's Total Rewards program.

Our Total Rewards program is centered on the idea of employee choice. It's based on our guiding principle to take care of our people, so they can take care of business. We recognize that everyone has their own definition of personal wellness. We offer programs that can support our people physically, financially and with respect to their mental well-being, including options that help employees meet both their personal and professional goals. And, we provide a wellness pool of dollars, which individuals can allocate to available offerings that are personal and meaningful to them.

Q What was the impetus for the redesign of the Total Rewards program?

Over the past five years, we were hearing from both employees and our partners that while some individuals saw value in the existing Total Rewards program offering, others didn't. Instead, they found the program difficult to understand. While everyone had access to the program, there were certain areas that were underutilized or not accessed at all.

Our issue wasn't lack of a great program; rather, we had so many offerings that the challenge was for our people to find what they needed. When we dug into it, we discovered it was really more about how we organized all of those offerings. Before, it was just a laundry list of benefit options, versus an organized set of more inclusive options across the entire wellness spectrum.

On top of that, the benefits offering was not matching our workforce demographics – of which 65% are under the age of 35. We realized that we weren't meeting all of our people's needs and we needed to change that. For example, we started to actively think about and consider the broader scope of what people do to stay healthy. Before the revamp, we had a fitness program that offered certain traditional options, such as a gym membership or golf passes. We discovered it was a very narrow definition of fitness, as opposed to overall wellness combining body and mind. And so, someone who didn't go to the gym in the traditional sense essentially just lost access to all of the free benefits available to them. They couldn't use it for anything else that might have helped them in their overall well-being.

What's the (Canadian) difference?

A **Defined Contribution (DC) Plan** is similar to the US market and is a type of registered pension plan offered by employers where both the employee and employer contributions are locked in until retirement. The contributions and any gains on the assets are tax-deferred and, therefore, taxed when the money is withdrawn.

A **Group Registered Retirement Savings Plan (RRSP)** is another type of plan that can be offered by employers where both employers and employees can make tax-deferred contributions similar to a DC plan. One key difference with a DC plan is that members can access the funds within a Group RRSP at any time regardless of age or employment status with withdrawals taxed at the employees' marginal rate. A second key difference is that the regulatory requirements placed upon the employer for offering a DC plan are greater.

A **Tax-Free Savings Account (TFSA)** is an account in which all contributions are net of tax. However, any interest earned, dividends and capital gains are not taxed, and can be withdrawn tax-free at any time. Canadians over the age of 18 are able to contribute up to \$6,000 annually to a TFSA as of 2020. While it's called a savings account, a TFSA can hold certain investments, including mutual funds, securities and bonds, as well as cash. It is commonly used for both short-term and long-term savings goals.



Q You were given permission by your new CEO and leadership team to “think differently and do differently” when redesigning the Total Rewards program. How did this impact your approach to the program’s key components to support an evolved, flexible Total Rewards marketplace?

Giving us this employee-focused directive really translated into an opportunity to be creative and innovative while supporting the needs of our people. We’re a fairly small team, so we co-designed the program with our fellow employees and our national partners.

We began the process by focusing our thinking not just on the individual offerings but on the creation of an exceptional experience overall. In a world where immediate access is key, we realized our online delivery model had to feel similar to a retail experience, which is very personalized and intuitive. We wanted to deliver an all-in-one benefit platform with an “in-the-moment” experience. Using design thinking techniques, we first worked to understand the benefits journey of our people and identify how we can improve their experience when engaging with the program. We then worked to create an experience that empowers people to shop for their lifestyle through a platform of program offerings and content tied to their personal preferences, with access to a digital wallet.

On the technology side, our objective was to implement something simple and intuitive despite the behind-the-scenes technology complexities. The technology we needed didn’t exist in the Canadian market, so we went through the gamut of looking into building our own platform, and meeting with high-profile organizations who loved the idea but didn’t have a solution in place at the time. We finally decided to partner with an innovative organization that wanted to take the journey with us to create the unique experience we were looking for.

The result is now one that offers our people access to a simplified online portal, where they can monitor not only their overall benefits but their wellness pool as it adjusts during the selection process. The system is dynamic. For example, if someone selects medical or dental benefits for a dependent, the system recognizes the additional premiums they’ll need to pay and adds extra money to cover it. The dynamic Total Rewards shopping platform empowers people to make the benefits choices that are best for them and/or their families in their current life stage.

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Q Please elaborate on the wellness pool of money employees now have access to and how it differs from a past approach.

When the revamping process began, KPMG in Canada had around 20 different lifestyle offerings available to employees on a use-it-or-lose-it basis – in addition to fixed spending for medical, dental and drug coverage. To make it simpler for our people to choose their relevant benefits and lifestyle options, we created what we call a “wellness pool.” This pot of money is available to every individual to put toward whatever they feel best supports their definition of well-being for themselves and/or for their families. The choice is up to them. They can allocate their wellness dollars across a mix of offerings they value most, whether that be health and dental benefits, an RRSP, a TFSA, a Health Spending Account or our newest offering, the Lifestyle Spending Account. As an employer, we wanted to really step back and say, “We’re not defining what ‘wellness’ is for you. You get to define that for yourself based on your personal needs and spend the pool as you see fit.”

Every fall, we have an annual enrollment period with a “fresh” pool of wellness dollars. Individuals can continue to maintain their current choices, or they can reallocate dollars based on whatever makes sense for them at that point in time. If they experience what we call a qualifying life event – such as getting married or having a child – then employees have the opportunity to go in and make changes mid-year as a result of that. For example, if an employee is thinking about getting married, they can access their digital wallet and look at all the new offerings they should be thinking about – such as adding a beneficiary to their retirement plan(s). And depending on the nature of the change, employees may be eligible for additional wellness pool dollars.

Q Talk to us about the enrollment experience and access to the digital wallet. What is your approach to inform and excite employees about the Total Rewards program and what it offers?

There are a couple of different components to the online experience. The most important thing is that everything is centralized and easily accessible through a mobile device or desktop platform.

For new KPMG hires, the enrollment experience is really their first interaction with the platform and with the Total Rewards program. During initial enrollment, employees have a narrower view to the programs because we don’t want to overwhelm them. Instead, we want to present them with the key things that are relevant, where they have to make a conscious choice by a certain deadline (such as our flexible benefit medical/dental insurance and the four wellness accounts: Lifestyle Spending Account, the TFSA, the RRSP and their Health Spending Account).

Once they’ve completed their enrollment, they transition to what we call their “day-to-day post-enrollment” experience. This tees up their respective coverage summary and gives them a digital wallet. The experience is customized right when they sign in. Once employees access their personalized digital wallet, they see the full scope of offerings they are eligible for.

We hear from our people that it’s a very positive first interaction with our firm. I think the flexibility of the program is certainly a differentiator when you’re talking about attracting and retaining top talent. Long-term employees may go through a number of life changes, and the Total Rewards program can evolve accordingly. Employees of all ages value that. The key to our ongoing success is to continually solicit feedback on the program and our offerings and be agile in making changes that continue to be personal, flexible and meaningful to all.





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Q What did you learn about your retirement savings options as part of the Total Rewards program review?

For many years, we had two retirement-focused plans in place. Our **DC Plan** is a registered pension plan with a combination of employee and employer contributions based on a specific set schedule of eligibility. It's one of the best recruiting and retention tools we have; we're quite generous for people that have a long tenure with KPMG. Employees have to opt in to participate, and the engagement remains high.

Our **RRSP** is a tax-deferred retirement plan primarily funded with employee contributions, although they can choose to put all of their wellness pool dollars into the RRSP if they like. In the previous Total Rewards design, employees were automatically enrolled in the RRSP and any remaining "free benefit" money was automatically allocated to a target date fund in the RRSP as the default. As a result, many people just ended up in the default because they didn't actively engage in that process.

When we looked closely at these offerings, we realized we were missing something for a majority of our workforce under age 35. In multiple employee surveys and focus groups, we found that the employees over age 40 appreciated the existing two options, as retirement was starting to become top of mind for them. However, for many of our younger employees, we found retirement was not the pressing focus of their savings goals. Instead, they were saving for a wedding, or for something smaller like a vacation, or buying a car. There was nothing in place at work to help support their shorter-term savings goals without complicated and/or limiting access-to-savings rules.

This was really the impetus to introducing our **TFSA** as an "opt-in" option in 2018. We realized that adding a shorter-term savings option in addition to our existing plans would help to better reflect our workforce. It's been a great success: 67% of employees under age 35 are actively enrolled and saving in the TFSA. The group RRSP and the group TFSA are both tied to the wellness pool; employees can choose to allocate some or all of their dollars into either of those accounts. They can also choose to set up payroll deductions and set their own savings schedules.

Defined Contribution (DC) Plan

Enrollment by Age	Percentage
< 35	53%
36 - 45	24%
46 - 55	14%
> 55	9%
Total	100%

Percentages reflect distribution of the enrolled plan members and not a percentage of the nearly 7,100 eligible employees as of October 2020.

Registered Retirement Savings Plan (RRSP) Members

Enrollment by Age	Percentage
< 35	56%
36 - 45	25%
46 - 55	12%
> 55	7%
Total	100%

Percentages reflect distribution of the enrolled plan members and not a percentage of the nearly 7,100 eligible employees as of October 2020.

Tax-Free Savings Account (TFSA) Members

Enrollment by Age	Percentage
< 35	67%
36 - 45	19%
46 - 55	9%
> 55	5%
Total	100%

Percentages reflect distribution of the enrolled plan members and not a percentage of the nearly 7,100 eligible employees as of October 2020.



Q You offer the same investment menu across the DC, RRSP and TFSA plans. Please walk us through the asset categories/options provided and the thinking behind the menu design.

When we look at our investment lineup across the three plans, we're trying to strike a balance between simplicity of options for those with less investment knowledge and comfort level, while still providing enough diversity for people who see themselves as informed investors who are more engaged. Offering the same menu across the three plans ties to simplicity: By offering eight asset classes – six single asset class options and two asset

SINGLE ASSET CLASS OPTIONS

- Canadian Equity
- US Equity · International Equity
- Global Equity · Fixed Income
- Money Market

ASSET ALLOCATION SOLUTIONS

- Target Date Funds (default)
- Balanced fund option

allocation solutions – there's enough variance in the degree of risk and liquidity to support an employee's short and/or long-term savings goals. An employee saving in the TFSA may choose one set of asset classes, compared with what they might choose for the DC plan, which is longer-term. If they don't want to choose, they can default to the target date fund series.

To help, our plan recordkeeper offers educational and informational content about each investment option and asset class, with access to an advisor (at no cost to the employee) if an employee wants to have a conversation about the investment options, the differences between plans, and what is right for them.

Q You recently added a "green offering" (environmental, social and governance [ESG] fund) to the investment menu lineup. Please share the rationale behind this new option.

Wherever possible, we try to respond to employee feedback and make decisions based on that collective information. We had increasingly heard from some of our people that they were seeing investment options available in the market – specifically green offerings – that weren't available on our menu.

As a member of a global network of firms, we are committed to addressing climate change and are focused on reducing global emissions across our whole network and supporting environmental projects designed to advance sustainability. KPMG's Sustainability Practice advises clients on developing strategies that integrate "impact" as part of their business. So it only made sense that we should offer an investment choice that aligns with our corporate values.

As part of our decision-making process, we engaged in discussions with our external consultants and had one of our practice leaders speak to our pension committee about ESG considerations, as well as inform the broader group about what options existed that would make sense for our business and our people.

We then looked at the available options from two perspectives: One, we really wanted to push the envelope and go toward the impact spectrum of ESG, otherwise we felt it wasn't going to be differentiated; and two, we certainly weren't willing to sacrifice performance. We believe that you can incorporate ESG factors without sacrificing return.

KPMG in Canada doesn't roll out new investment options often, so it was important to do it right, leveraging today's communication tools. We had targeted communications from our recordkeeper. We linked to resources on our internal KPMG portal and included a combination of videos, infographics, some more traditional handbooks and FAQs. We had already been activating consistent messaging and education around the existing fund lineup, so we added focused "evergreen" content around what ESG stands for, and what to consider when investing, and partnered with our recordkeeper to provide more detailed fund information as part of the overall education offering.



As a global firm, we are committed to addressing climate change, so it only made sense that we should offer an investment choice that also supports this goal.



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A Health Spending Account (HSA) is a group benefit that provides reimbursement for a wide range of health-related expenses, over and above regular benefit plans. HSA's are administered in accordance with Canada Revenue Agency guidelines and are tax-exempt.

A Lifestyle Spending Account covers many other services and products at the discretion of the employer above what a health spending account would cover. It could include such things as gym memberships, yoga, mediation, etc. Money spent from this account is a taxable benefit.

Flexible benefit insurance includes the option to choose from two or more health and dental options.

A target date fund identifies a specific time at which investors are expected to begin making withdrawals, e.g., Now, 2020, 2030. The principal value of the fund is not guaranteed at any time, including at the target date.

Diversification/Asset allocation does not guarantee a profit or eliminate the risk of loss.

The use of environmental and social factors to exclude certain investments for non-financial reasons may limit market opportunities available to funds not using these criteria. Further, information used to evaluate environmental and social factors may not be readily available, complete or accurate, which could negatively impact the ability to apply environmental and social standards.

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