RECESSION READINESS TOOLKIT

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INTRODUCTION

ARE YOU PREPARED FOR AND READY TO NAVIGATE THROUGH A RECESSION?

There's no denying that an economic recession is looming. In fact, **two-thirds of economists** predict the U.S. will experience a recession in 2023, and the instability that comes with that has many anxious and concerned.

While **persistent concern** about the impending economic instability is understandable, a recession also presents **opportunities**.

Organizations that successfully navigate through these kinds of downturns are those that **proactively prepare.**

BECOME RECESSION PROOF

The next recession won't be MJ's first. In this Recession Readiness Toolkit, our experienced team offers **relevant advice** and a list of preparation steps you can use to **your advantage** immediately.

Of course, this toolkit is just a start, but it will highlight essential areas you'll want to reinforce before a recession — or even the next downturn — arrives.

This toolkit is organized into **short sections with big ideas and insights** provided by MJ **subject matter experts.** We encourage you to contact us if you have questions or need more information.

+ **Section 1:** Risk Management Considerations
+ **Section 2:** Employee Benefits
+ **Section 3:** Total Rewards
+ **Section 4:** Retirement

SECTION 1: YOUR RECESSION READINESS CHECKLIST FOR RISK MANAGEMENT

HAVE YOU CONSIDERED THE POTENTIAL IMPACT OF A RECESSION ON WORKERS' COMPENSATION?

In past recessions, when layoffs were used by companies to reduce costs, the number of Workers' Compensation claims increased, which only increased financial pressure on businesses.

This trend was driven by:

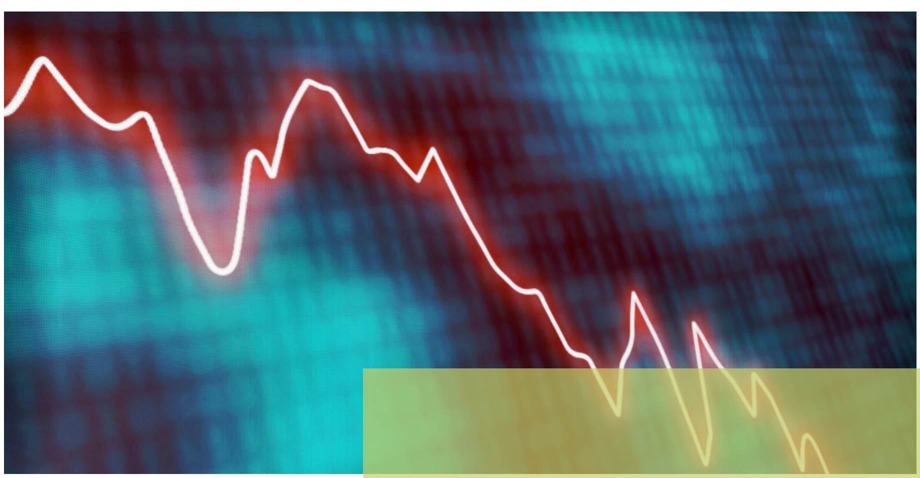
- Employees reporting more "injuries" (often aches and pains) than previously claimed based on **fears of layoff** and subsequent loss of treatment access.
- More employees (or former employees) claiming **past workplace injuries** not previously or immediately reported at the time of the alleged incident.
- A rise in **"contagious" injuries**, where multiple claimants allege the same issue. As an example, cumulative trauma in a grey collar environment involving repetitive motion, such as carpal tunnel caused by keyboarding.
- **Longer than normal recovery times** for insured employees who are taking time off due to a workplace injury and receiving Workers' Compensation indemnity benefits (payroll).
- More **fatigue injuries** suffered by those still working. A downsized team must work longer hours and/or perform tasks outside the normal scope of their regular jobs.

WHAT CAN YOU DO TO PREVENT THESE TRENDS FROM REPEATING?

1. Establish or refresh and then communicate the details of an **Accident Investigation program.** This increases the likelihood that every alleged injury is accurately documented, which can help confirm eligibility for compensation, expedite the claim adjustment process (which reduces costs) and increase safety awareness.

2. Properly train employees performing new tasks on the **correct ergonomics** of their workstation, whether at a machine or on a job site. Learning better posture and movements to perform tasks in the safest manner may be especially beneficial for aging employees, whose bodies may no longer be as strong or flexible. Keep in mind that visual demonstrations work best to avoid issues with language and literacy.

3. Utilize **Nurse Case Managers** as a liaison between the injured employee, medical provider(s) and you, the employer. This ensures the most appropriate treatment is being administered, and the employee is agreeable to and follows the recovery plan.



SECTION 2: YOUR RECESSION READINESS CHECKLIST FOR EMPLOYEE BENEFITS

HOW TO REMAIN AN EMPLOYER OF CHOICE, EVEN DURING A RECESSION

Because traditional employee benefits have been managed and trimmed over time, we don't anticipate them as a target for significant reductions during this next recession. Already, organizations of all sizes and industries seek low or no cost programs to *enhance* the overall perception of their employee benefit package. This requires both **creativity and innovation**, especially when budget dollars are short or unavailable.

It's also critical to start with **timely and complete access to data** about your population, current perceptions and benefits usage. In this era of transparency, *now* is the time to demand more data from your partners. Doing so will allow you to make data-driven decisions and **redeploy existing or even fewer dollars** in ways that **maintain or actually improve employee perceptions**, so you can retain current talent and attract new talent when the time is right.

EVALUATE — THEN PROTECT AND PROMOTE VALUED PROGRAMS

1. If reducing or eliminating benefits becomes necessary, consider a **pulse survey** of your employees, so you don't eliminate something of high value and can find the "low hanging fruit" that may have less impact on perception and moral. To make survey results actionable, consider these best practices:
   - Ask employees to force rank their preferences from a predetermined list.
   - Ask employees to choose between limited option — then reverse the options later and see if the answer remains the same.
   - Ask employees for their one "must have" benefit from a predetermined list.
   - Ask employees for their biggest "don't need" benefit from a predetermined list.
   - Commit to listening, but not necessarily to acting.
   - Communicate why action is being taken — or not taken — once the survey concludes.

2. When looking at reductions in healthcare plan benefits specifically, **access to your claims detail** is key. This will help to know what's driving your spend and where you should focus first. If you can't get this from current partners in a timely and/or affordable manner, start small by identifying your top disease states, such as musculoskeletal or oncology. If dollars are being directed to other, less costly areas instead, there may be immediate opportunity to redeploy investment and lower costs.
3. Employees will be most concerned about benefits that give them a sense of stability in unstable times. Highlight **financial wellbeing** programs such as paying off debt, debt refinancing, college savings programs, financial planning, income replacement and life insurance.
4. If there are reductions in other areas of your business, consider promoting or increasing **paid time off** programs. Benefits related to flex time, remote work allowances and life balance initiatives may increase morale without adding costs.
5. Remind employees that **mental health** benefits and resources are available — either company-provided or publicly-available — and remind them often.
6. Expect a rise in disability claims, particularly for mental health issues, as employees seek income stability. This could be a good time to **seek multi-year rate guarantees** from your carrier on all possible coverages too.
7. Don't leave disability benefits as an afterthought. When was the last time you evaluated your **disability and leave programs** to ensure they are meeting the needs of your employees during uncertain economic times? And when was the last time you reminded employees they were available?
8. Employees may also appreciate an opportunity to **increase supplemental life insurance elections.** Ask your life insurance carrier about a special re-enrollment window where they can also waive evidence of insurability requirements.

SECTION 3: PREPARING YOUR TOTAL REWARDS STRATEGY FOR A POTENTIAL RECESSION

WILL YOU HAVE THE DATA AND TOOLS YOU NEED TO ADJUST?

As the economic landscape continues to evolve during a recession, **employee needs will change**. An employee **pulse survey** can uncover how employees are using their rewards and if there are underutilized benefits that you could leverage for cost savings. Annual performance and salary reviews, which most often happen in the first quarter of the calendar year, are a great opportunity to assess and understand **individual employee engagement and their personal "why"** for working and staying at your organization — which may include compensation and benefits, growth and professional development, leadership, meaningful work, community impact, brand promise or more. Aggregating this feedback and comparing it to your current compensation and rewards philosophy allows you to **adjust and align** how you invest in and communicate your human capital investments.

BE PROACTIVE

1. Before any economic downturn like a recession, dust-off and **re-evaluate** your Compensation and Rewards programs such as:
   + Incentive plans
   + Overtime and scheduled work-week guidelines
   + Severance plans
   + Leave of Absence programs
   + Salary increase and staffing budgets
   + Travel and relocation policies
   + Professional development allowances
2. To improve your payroll budget, consider shifting your compensation mix so there is a **higher percentage of incentive or variable pay**. If this incentive pay is tied to company performance, this could also reduce costs and protect the organization if overall profit is low.
3. If appropriate for your organization, a **hybrid work schedule** reduces travel to and from the office. This saves employees time and money, which they can then allocate elsewhere. It may also positively impact productivity in some roles.

4. **Early, clear communication** about decision-making is crucial. As learned during COVID-19, current and potential employees judge how an organization responds to crisis. This will be especially true during the unstable times of a recession. To ease concerns, your organization may want to create a team within HR or upper management to:

   + Be responsible for consistent employee communication.
   + Share information on a regular basis about the organization's strategy and how those decisions may directly affect the employee.
   + Demonstrate empathy and transparency. It won't be business as usual for the typical employee — who's navigating the same financial challenges as the organization — so don't minimize the challenges of economic uncertainty.

**Sources: WorldAtWork Total Rewards Association;*

Society for Human Resource Management

SECTION 4: YOUR RECESSION READINESS CHECKLIST FOR RETIREMENT

SMART RETIREMENT PLAN MOVES

As you look to cut costs amid a recession, retirement plans can either **help or hinder your bottom line** depending on the changes you implement. If you're considering business changes prior to or during a financial downturn, advance consideration of different options can alleviate some of the pains of a recession and allow for a smoother experience.

Remember that there are always legal, tax and other business factors to consider. Please reach out to your attorney, retirement advisor and record-keeping providers to assist you throughout the process.

WHAT TO LOOK FOR WHEN MAKING CHANGES

QUALIFIED PLANS

1. **Partial Termination**
   + There are potential **vesting requirements** if you lay off employees. This becomes important to avoid administrative issues finding lost participants.
   + Be aware of **stable value fund provisions** that can cause monetary penalties and/or lock-up fund assets.
2. **Employer Contributions**
   + If altering employer contributions, be mindful of **notification requirements**. Employees may have "earned" a contribution.
   + Safe Harbor Plans have **unique procedures** to follow. Consult your advisor or recordkeeper for more details.
   + Removing the safe harbor provision would subject the plan to **non-discrimination** testing.
3. **Plan Expenses**
   + There may be potential to have the **retirement expenses** paid through the plan. This depends on the plan document and type of expense.

4. **Mergers**

    + If anticipating a **merger or acquisition**, consider retirement plan benefits ahead of time.

5. **Employee Assistance**

    + Reach out to your retirement plan vendors to see what **support resources** they have available to help your employees through difficult times.

6. **Governance**

    + Recessions are a peak time for litigation, make sure the retirement plan committee meets on a regular basis and consistently documents **fiduciary responsibilities**.

NON-QUALIFIED RETIREMENT PLANS:

1. **Benefit availability**

    + Depending on structure of a non-qualified plan, most benefits could become available when the employee has a severance of employment.

WE CAN HELP YOU PREPARE

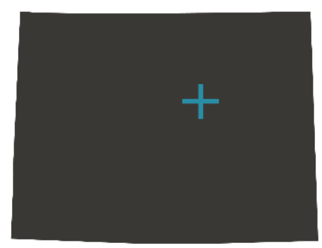
GET RECESSION READY WITH MJ INSURANCE

None of us have the power to prevent a recession, but there are concrete steps you can take to make your organization **less vulnerable and more resilient** when the predicted recession — or any other economic downturn — arrives.

In this toolkit, we've highlighted some of the top line tips related to Risk Management, Employee Benefits, Total Rewards and Retirement, but our team of specialists can tailor a plan specific to your own organization's size, structure, industry and goals.

The time to prepare is now. We're recession ready; let's make sure you are too.

CALL OR CONTACT US TODAY.



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