Hot Topics in Retirement and Financial Wellbeing 2021

alight

About the *Hot Topics in Retirement and Financial Wellbeing* report

This report is based on an annual survey that Alight Solutions administers to employers to capture the changes they intend to make to their retirement and financial wellbeing plans in the year ahead. The 2021 version is the 17th installment of the report and comes from the responses from over 115 employers that employ 5.5 million workers. The survey was administered in the fall of 2020.

This year's version of the Hot Topics report addresses a number of new issues, including:

— The impact of the COVID-19 pandemic on retirement and financial wellbeing plans.

— Employer attitudes toward provisions of the SECURE Act.

— The popularity of electronic disclosures and private equity in defined contribution (DC) plans.

We thank you for your interest in this report and hope you find our data and insights valuable.

About Alight Solutions

With an unwavering belief that a company's success starts with its people, Alight Solutions is a leading cloud-based provider of integrated digital human capital and business solutions. Leveraging proprietary AI and data analytics, Alight optimizes business process as a service (BPaaS) to deliver superior outcomes for employees and employers across a comprehensive portfolio of services. Alight allows employees to enrich their health, wealth and work while enabling global organizations to achieve a high-performance culture. Alight's 15,000 dedicated colleagues serve more than 30 million employees and family members. Learn how Alight helps organizations of all sizes, including over 70% of the Fortune 100 at alight.com.

Much can change in a year. This time last year, nobody would have predicted that COVID-19 would impact 2020 as much as it did. From a massive switch of many people working from home to the shutting of schools and entertainment, little was untouched by the pandemic. Extreme volatility in the stock market and record-high unemployment amplified the focus on financial wellbeing. Fortunately, many employers remained steadfastly committed to helping their workers save and plan for retirement.

Most employers are not adjusting their contributions as a result of the pandemic.

— 91% of employers say that they made no changes to their match formula in 2020.

— Of the employers who made changes, all stated that they suspended their contribution instead of permanently reducing the amount.

— 99% of employers say that they don't plan on making any changes to their match in 2021 on account of the pandemic.

With millions of workers across the U.S. facing economic strife, **employers are expanding their focus on financial wellbeing**. Almost all employers adopted at least some of the provisions of the Coronavirus Aid Relief and Economic Security (CARES) Act that allowed people to tap into their retirement savings and delay repaying their outstanding loans. However, employers are also taking a forward-looking approach so that workers can be better prepared should another economic downturn occur.

— Nine-out-of-10 employers say they are very or moderately likely to create or expand their financial wellbeing programs beyond retirement decisions.

— 56% say that they have a financial wellbeing strategy that is either fully executed or in the process of being implemented. This percentage increased from 35% two years ago.

— 83% say that they have a financial wellbeing as part of a broader wellbeing initiative — up from 67% two years ago.

At a time when workers may not be in their physical workspaces, **electronic disclosure appears to be a welcomed change** with 95% of employers saying that they are very or moderately interested in adopting the new 2020 safe harbor. Conversely, **employers are not currently keen on the new provisions of the Setting Every Community Up for Retirement (SECURE) Act**.

— 1% say they are very interested in becoming part of a broad pooled provider plan, which would allow them to join forces with other employers.

— 3% say they are very interested in adding annuities to their plans, even though the SECURE Act provided some protections.

— 15% say they are very interested in allowing workers to withdraw up to $5,000 from the DC plan for the birth or adoption of a child.

At Alight, we applaud the many plan sponsors who responded to this survey for their commitment to help their workers build retirement nest-eggs and improve their financial wellbeing. It is encouraging to see so many employers continue with their plans in the face of 2020's adversity. We hope that you find the benchmarking information valuable as you progress through 2021.

The COVID-19 pandemic did not cause employers to change their DC plan contributions.

There is no doubt that the COVID-19 outbreak shook the economy and the general way of life for employers and workers alike. Fortunately, few employers scaled back their contributions to workers' retirement plans. More than 9-out-of-10 employers made no change to their matching contributions with the remaining 9% stating they were suspending their contributions, indicating that they are committed to restoring the contributions once the pandemic is over. Only a handful of employers are planning on making changes in 2021.

Did you make any changes to employer contributions in your DC plan in 2020?

	No changes	Reduced	Suspended	Eliminated
Match formula	91%	0%	9%	0%
Non-Match formula	98%	1%	1%	0%

As a result of the COVID-19 pandemic, do you plan on making any changes to employer contributions in your DC plan in 2021?

	No changes	Reduced	Suspended	Eliminated
Match formula	99%	0%	1%	0%
Non-Match formula	98%	2%	0%	0%

Most employers ramped up financial communication during the pandemic and adopted at least some provisions of the CARES Act.

Almost 80% of employers increased communications about the retirement and/or financial wellbeing benefits that they provide to their workers. Additionally, nearly all employers added at least some of the provisions of the CARES Act, which allowed plans to expand their loan and withdrawal provisions. Two-thirds of employers say that they have expanded or are planning on expanding their financial wellbeing tools and services as a result of the pandemic.

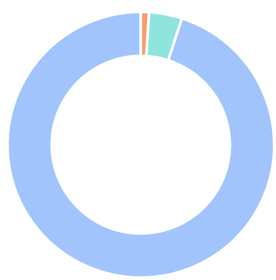
As a result of the COVID-19 pandemic, did you make any of the following changes?

	Did in 2020	Did not do in 2020, planning in 2021	Did not do in 2020, not planning in 2021
Implemented at least some provisions of the CARES Act in our DC plan	96%	1%	3%
Increased communication about retirement benefits and/or financial wellbeing	79%	4%	17%
Added financial wellbeing tools or services	49%	17%	34%
Eased loan provisions in the DC plan, waived waiting periods, increased number of loans available	28%	0%	72%
Had an early retirement program	10%	0%	90%

Employers are unsure about adding retirement provisions of the SECURE Act.

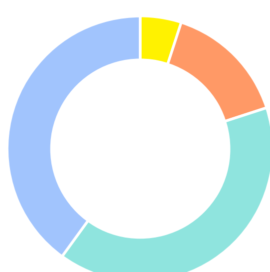
The SECURE Act was passed in late 2019 and contained several retirement-related provisions. So far, few employers have incorporated these provisions and not many employers say they are very likely to add them in 2021.

How interested are you in joining a Pooled Employer Plan (PEP) with other employers?



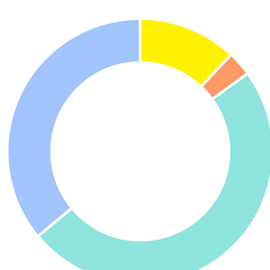
0%	We already participate in a PEP
1%	Very interested in PEP
4%	Moderately interested in PEP
95%	Not at all interested in PEP

How interested are you in allowing workers to withdraw up to $5,000 for the birth or adoption of a child?



5%	Already have this provision
15%	Very interested in the provision
40%	Moderately interested in the provision
40%	Not at all interested in the provision

How interested are you in having annuities in your DC plan?



12%	Already have annuities in DC Plan
3%	Very interested in annuities in DC Plan
49%	Moderately interested in annuities in DC Plan
37%	Not at all interested in annuities in DC Plan

Annuities still have many hurdles to clear before employers will add them to their plans.

Although the SECURE Act extended safe harbor protections for plan sponsors when they select annuities, there are many other obstacles that remain before employers will add annuities to their plans. Notably, 89% of employers express concern about the operational or administrative procedures of having annuities, and three-quarters of employers say that they have concerns about the percentage of participants who will use annuities.

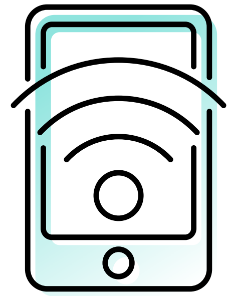
What are the reasons your organization does not intend to add annuities?

2021
2020
2019

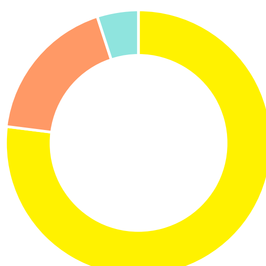
		Major reason	Minor reason	Not a barrier
Fiduciary concerns	2021	50%	25%	25%
	2020	60%	21%	19%
	2019	53%	29%	18%
Operational or administrative concerns	2021	47%	42%	11%
	2020	52%	33%	15%
	2019	40%	40%	20%
Participant utilization concerns	2021	43%	33%	24%
	2020	28%	42%	30%
	2019	27%	40%	33%
Waiting to see the market evolve more	2021	35%	38%	27%
	2020	50%	30%	20%
	2019	45%	32%	23%
Cost barriers	2021	30%	38%	32%
	2020	30%	40%	30%
	2019	17%	35%	48%
Difficulty with participant communication	2021	27%	43%	30%
	2020	29%	36%	35%
	2019	23%	45%	32%
Not interested in making plan enhancements for terminated participants	2021	21%	18%	61%
	2020	21%	17%	62%
	2019	17%	23%	60%
Preference for participants leaving the plan at termination	2021	18%	18%	63%
	2020	5%	17%	78%
	2019	6%	18%	76%

Electronic delivery is a welcomed change.

In 2020, the Department of Labor issued a new safe harbor that makes it easier for plan administrators to provide information to participants by electronic means instead of on paper. Almost all employers say that they are interested in electronic delivery with more than three-quarters saying that they are very interested.



How interested are you in electronic delivery?



77%	Very interested
17%	Moderately interested
5%	Not at all interested

Financial wellbeing remains the top priority for employers.

Over the past several years, employers consistently say that they are most focused on creating and expanding financial wellbeing programs in ways that extend beyond retirement decisions. 2021 is no different. In fact, most employers say that the importance of financial wellbeing has increased at their organization. Nine-out-of-every-10 employers say they are either very likely or moderately likely to focus on financial wellbeing programs in 2021.

Create or focus on financial wellbeing of employees (plan features, planning resources, communication, mobile apps or online tools) that expands beyond retirement decisions

	2021	2020	2019	2018
Very likely	58%	66%	65%	52%
Moderately likely	31%	26%	29%	39%
Not at all likely	11%	8%	6%	9%

Create or promote a network of benefits and solutions that are available to employees

	2021	2020	2019	2018
Very likely	37%	39%	N/A	N/A
Moderately likely	37%	39%	N/A	N/A
Not at all likely	27%	22%	N/A	N/A

Measure the competitive position of the retirement program

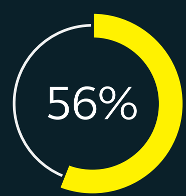
	2021	2020	2019	2018
Very likely	34%	42%	47%	39%
Moderately likely	40%	40%	35%	45%
Not at all likely	26%	18%	18%	16%

Measure/project the expected retirement income adequacy of the employee population

	2021	2020	2019	2018
Very likely	28%	27%	33%	31%
Moderately likely	44%	46%	40%	44%
Not at all likely	28%	27%	27%	25%

Note: Missing data indicates that the survey did not ask about the initiative that year.

Financial wellbeing remains the top priority for employers.



of employers believe the importance of financial wellbeing programs has increased at their organization over the last two years. Nobody says the focus has decreased.

Implement initiatives to address retirement saving gaps within the employee population

	2021	2020	2019	2018
Very likely	20%	24%	28%	29%
Moderately likely	56%	52%	47%	50%
Not at all likely	24%	24%	25%	21%

Measure employee perceptions and/or suggestions for benefit improvements

	2021	2020	2019	2018
Very likely	19%	23%	19%	N/A
Moderately likely	44%	44%	51%	N/A
Not at all likely	37%	33%	30%	N/A

Evaluate phased retirement alternatives

	2021	2020	2019	2018
Very likely	2%	9%	4%	7%
Moderately likely	23%	27%	30%	26%
Not at all likely	75%	64%	66%	67%

Note: Missing data indicates that the survey did not ask about the initiative that year. For example, "Measure employee perceptions and/or suggestions for benefits improvements" was added in 2019.

Financial wellbeing is moving from strategy to execution.

Over the last couple of years, employers have shifted from developing financial wellbeing strategies to executing on those strategies. In 2019, over half of employers say that they were creating their financial wellbeing strategy, but that percentage has dropped to 30% in 2021. Conversely, the percentage who say they are executing on their strategy grew from 27% in 2019 to 41% in 2021. Over the last two years, we have also seen the percentage who say that they have fully executed on their strategy nearly double from 8% to 15%.

Development of financial wellbeing strategy

	2021	2020	2019
At this time, we do not intend to create a broad financial wellbeing strategy	15%	11%	12%
We are in the process of creating a financial wellbeing strategy	30%	45%	53%
We have created a financial wellbeing strategy and are in the process of executing it	41%	31%	27%
Our financial wellbeing strategy is fully executed	15%	13%	8%

More employers believe they should focus on the foundation stage of financial wellbeing.

Alight believes that there are four stages that people move through on their way to financial independence: security, foundation, growth and freedom. Over the past few years, employers have increasingly been focusing on the foundation stage for their workers.

Now, two-thirds of employers say that it is the stage where they are most focused. While the security phase is the second most popular, fewer employers say they are most focused on it, even though almost half of workers are in it.

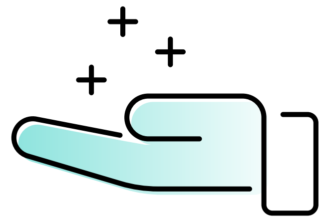
Four stages of financial wellbeing

	Explanation	Common mistakes	Employers most focused on this stage			Percentage of workers in this stage[1]
			2021	2020	2019	
1 Security	Understanding income and expenses, managing debt	Overspending, not saving	26%	32%	35%	48%
2 Foundation	Establishing savings goals, understanding investments and insurance	Under-saving, backtracking	67%	60%	56%	18%
3 Growth	Maximizing asset growth, understanding investment vehicles	Focusing exclusively on market risk, leakage	6%	8%	8%	28%
4 Freedom	Estate planning, understanding social security options	Cashing out without researching, underestimating life expectancy	1%	1%	1%	6%

[1] Alight Solutions, *Financial Mindset Study*, 2017

Employers continue to expand their financial wellbeing programs.

Employers have been adding more financial wellbeing tools, services, and educational campaigns over the years. Topics that were once a rarity have now become commonplace, and the likelihood of employers adding more tools in 2021 remains high.



Does your organization currently offer (or how likely is it to offer) services, tools or educational campaigns to address the following financial wellbeing topics?

	Financial wellbeing stage(s)	Already offer	Among employers that don't already offer		
			Very likely	**Moderately likely**	**Not at all likely**
Basics of financial markets and simple investing: The relationship between risk and return and the differences between stocks and bonds	Foundation, Growth	65% +15% since 2019	44%	33%	23%
Budgeting: How to manage day-to-day expenses	Security	61% +17% since 2019	21%	53%	26%
Financial planning: Creating a broad financial plan incorporating major purchases, medical expenses, retirement savings and income planning	Foundation, Growth and Freedom	51% +13% since 2019	24%	44%	31%
Debt management: Debt reduction, credit counseling, credit score management	Security	45% +13% since 2019	18%	50%	32%
Healthcare education and planning: Active medical expenses, HSAs, retiree medical planning and government-provided healthcare programs	All	44% +5% since 2019	27%	40%	32%
Prioritizing savings: Emergency savings vs. debt reduction vs. retirement savings	Security	42% +11% since 2019	33%	43%	24%
Assistance with saving for specific life stages: Emergency savings, home purchase, college savings	All	41% +16% since 2019	28%	35%	37%
Assistance with post-retirement programs: Retiree forum or continuum, estate planning, retiree health expenses	Freedom	22%	14%	33%	53%

Note: We did not ask about tools related to assistance with post-retirement programs in 2019.

Employers are expanding their financial wellbeing offerings into non-traditional benefits.

While an overwhelming majority of employers believe it is important for them to provide tools and education for traditional topics, such as saving for retirement, an increasing percentage believe it is important to help with non-traditional topics as well. Among the areas with the largest increases from 2020 are creating budgets, saving for children's education and helping with student loans.

To what extent do you believe that employers should help workers with the following financial wellbeing topics?

	Employers should provide a tool to help workers with this topic	Employers should provide education only to help workers with this topic	It would be nice for employers to help, but not necessary	Employees do not need help from their employers
Save for retirement/ long-term needs	72%	16%	11%	1%
Obtain disability insurance	61%	18%	17%	3%
Obtain life insurance	63%	19%	16%	3%
Obtain identity protection services	33%	21%	38%	8%
Establish an emergency fund	28%	32%	36%	4%
Create or manage a budget for personal expenses	27%	30%	39%	4%
Help with debt management	26%	34%	37%	4%
Pay off all or a portion of student loans or refinance at lower rates	26%	26%	41%	7%
Save for short-term needs	25%	28%	44%	4%
Save for children's education	24%	39%	35%	2%

More employers are helping workers consolidate and repay their student loans.

Student loan benefits remain a hot topic among employers and the prevalence of benefits such as student loan consolidation and repayment assistance have been increasing. At the same time, the likelihood among employers who do not have student loan programs has been waning. This hints that student loan benefits may remain a niche offering that has a foothold in certain industries but might not become widespread across employers.

Does your organization currently offer (or how likely is it to offer) the following benefits related to student loans and college savings?

			Among employers that don't already offer		
Benefit	Year	Already offer	**Very likely**	**Moderately likely**	**Not at all likely**
Student loan consolidation: Employer provides tool that helps consolidate and/or refinance existing student loan	2021	25%	7%	41%	51%
	2020	21%	16%	46%	38%
	2019	17%	16%	45%	39%
Student loan repayment assistance: Employer provides money to help pay off existing student loans	2021	11%	3%	30%	67%
	2020	6%	8%	33%	59%
	2019	5%	11%	41%	48%
College savings facilitation: Employer provides tool that allows for payroll contribution to 529 plan	2021	7%	5%	40%	55%
	2020	15%	5%	41%	54%
	2019	14%	6%	34%	60%
College savings assistance: Employer contributes money to 529 plan	2021	2%	1%	13%	86%
	2020	3%	2%	17%	81%
	2019	0%	2%	18%	80%
Employer money to defined contribution plan: Employer contributes to DC plan for workers who make student loan payments	2021	1%	1%	23%	76%
	2020	1%	3%	35%	62%
	2019	N/A	N/A	N/A	N/A

Financial wellbeing is part of a broader total wellbeing initiative.

Employers are integrating wellbeing programs to help workers create a healthy wallet, body, mind and life. Over the past two years, the percentage of employers who say they have a broad wellbeing program has increased from 67% to nearly 85%.

Integration of financial wellbeing with other wellbeing

	2021	2020	2019
We include financial wellness as a pillar of a wellbeing program that includes other aspects of wellbeing (e.g., physical, emotional, social, etc.)	83%	72%	67%
Our financial wellbeing program is separate from other wellbeing programs	12%	20%	28%
We have a financial wellbeing strategy, but no other wellbeing initiatives	1%	1%	0%
We have wellbeing initiatives, but nothing related to financial wellbeing	4%	8%	5%

Almost half of employers are folding retirement plan topics into annual enrollment.

Because annual enrollment is a time for workers to decide how to spend their money on benefits, many employers are incorporating reminders and education about the savings program into annual enrollment. Employers are also increasingly likely to communicate the link between financial stress and health and wellbeing.

How likely is your organization to address the following initiatives related to integrating retirement with health and welfare decisions?

Initiative	Year	Very likely	Moderately likely	Not at all likely
Incorporate reminders and education about the savings program into annual enrollment communications	2021	45%	32%	22%
	2020	42%	23%	35%
	2019	37%	38%	25%
Communicate the link between financial stress and health and wellbeing	2021	37%	46%	17%
	2020	33%	46%	21%
	2019	34%	51%	15%
Provide information to help employees decide between contributing to the HSA and the retirement plan	2021	28%	48%	24%
	2020	25%	42%	33%
	2019	22%	50%	28%
Provide employees with help on prioritizing and optimizing their health and retirement decisions	2021	26%	42%	32%
	2020	23%	47%	30%
	2019	24%	50%	26%
Include healthcare education and plan choices in the retirement commencement process	2021	23%	29%	48%
	2020	17%	29%	54%
	2019	18%	27%	55%
Incorporate defined contribution plan elections in annual healthcare enrollment	2021	21%	14%	65%
	2020	26%	15%	59%
	2019	23%	23%	54%
Show projected healthcare costs in retirement projections	2021	17%	27%	56%
	2020	15%	31%	54%
	2019	16%	41%	43%

The most popular reason for offering financial wellbeing programs is to enhance the overall employee experience.

Employers are offering financial wellbeing programs for a variety of reasons. Most say that they are doing so to enhance the overall employee experience, and because offering the tools and services is the right thing to do. Employers are becoming less likely to say that they are offering them to differentiate themselves, most likely because the financial wellbeing programs have become more popular with employers. The percentage who say that they offer financial wellbeing programs to decrease medical costs has reduced by half over the last two years — from 28% to 14%.

Why are you creating or expanding your financial wellbeing program?

	2021	2020	2019
Enhance the overall employee experience	85%	83%	84%
We believe it is the right thing to do	84%	81%	82%
Increase employee engagement	72%	68%	72%
Improved retirement statistics (e.g., improved adequacy, decreased leakage, higher participation rate)	49%	46%	49%
To increase attractiveness and/or differentiate ourselves as an employer	47%	58%	53%
Decrease employee time spent addressing financial issues (either on the job or through absenteeism)	43%	45%	49%
Employees are asking for these types of benefits	38%	36%	43%
Decreased medical costs (e.g., healthcare, disability, workers compensation)	14%	19%	28%

Most employers gauge the effectiveness of programs by how many workers are using the benefits.

Measuring the effectiveness of financial wellbeing programs can be hard. In "normal" times, it might take months or years for a person to pay down accumulated debt and build a savings nest egg — and 2020 was anything but normal. As a result, most employers say they are using employee usage as a barometer for their effectiveness.

How do you intend to measure the results of your financial wellbeing program?

	2021	2020	2019
Employee usage of benefits	85%	82%	76%
Retirement statistics (e.g., decreased leakage, higher participation rate)	55%	50%	51%
Employee engagement	52%	60%	58%
Medical costs (e.g., healthcare, disability, workers compensation)	12%	13%	21%
Absenteeism	5%	8%	9%
We do not intend to measure the results of our program	6%	4%	10%

Nine-out-of-10 employers say they have obstacles keeping them from fully realizing their financial wellbeing strategy.

Consistent with what we heard in 2020, most employers say that they have at least some barriers keeping them from fully realizing their financial wellbeing strategy in 2021. However, the obstacles have changed from last year. More employers say that competing benefit priorities are a hurdle, but fewer have budget constraints.

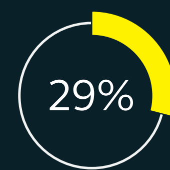
What, if any, are hurdles to executing your financial wellbeing strategy?

	2021	2020
Competing benefit priorities	88%	75%
Budget	53%	63%
Lack of internal resources to manage	43%	36%
Leadership buy-in	18%	18%
Organizational	3%	15%
No hurdles	10%	9%

Three-out-of-10 employers remain connected to their retiree population.

Most employers would like to keep a relationship with their retirees. Providing support to retirees through a call center or a website is the most common method, with almost three-quarters of employers offering these services in 2021.

The percentage of employers who say they currently have a way to interact with their retirees increased from **25%** in 2020 to **29%** in 2021.



What types of education and communications do you offer or plan to offer to your retiree population?

2021
2020

	Year	Already offer	Among employers that don't already offer: **Very likely**	**Moderately likely**	**Not at all likely**
Support through call center and website	2021	72%	7%	17%	77%
	2020	73%	9%	13%	78%
Retiree health	2021	40%	8%	17%	75%
	2020	38%	4%	13%	83%
Mental health	2021	14%	2%	14%	88%
	2020	18%	0%	14%	86%
Post-retirement financial education	2021	14%	1%	14%	85%
	2020	17%	0%	14%	86%
Estate planning	2021	9%	2%	5%	93%
	2020	13%	2%	10%	88%
Budgeting for one-time expense	2021	7%	0%	4%	96%
	2020	5%	1%	6%	93%
Automatic donation from retirement check to a charity	2021	1%	1%	23%	76%
	2020	5%	0%	5%	95%

More employers want terminated workers to keep their balances in the DC plan.

In 2021, almost 40% of employers want former workers to keep their balances in the DC plan; the percentage who say they prefer all terminated employees remain in the plan increased by 50% over the past two years. For some employers, this could be because they want to have more assets under management, and therefore access to different asset share classes. For others, it could be because they view their DC plan as a sound investment vehicle for both accumulation and decumulation.

Does your organization have any preference on terminated employees leaving money in your defined contribution plan versus rolling over to another qualified vehicle?

	2021	2020	2019
We prefer that all terminated employees remain in our plan	18%	15%	12%
We prefer that terminated employees with a minimum balance remain in our plan	21%	25%	21%
We prefer that terminated employees leave our plan	7%	7%	5%
We have no preference	54%	52%	62%

Employers are becoming more satisfied with the DC plan behaviors of their workers, but there is still room for improvement.

Between 2020 and 2021, there was large increase in the percentage of employers who say they were satisfied with their workers' savings and investing behavior (with all aspects seeing an increase). However, no topic showed the majority of employers responding with full satisfaction, indicating that there is still work to be done.

Please indicate your organization's attitude on the importance of each aspect of employee behavior below and any

2021
2020

			Among employers not satisfied		
	Year	Satisfied with current position	**Very likely to address**	**Moderately likely to address**	**Not at all likely to address**
Increasing participation: Having more eligible employees actively saving in the plan	2021	46%	46%	37%	17%
	2020	47%	66%	23%	11%
Retaining assets: Encouraging individuals to keep their assets in the plan upon retirement or termination	2021	42%	11%	36%	53%
	2020	21%	18%	39%	43%
Consolidating assets: Encouraging individuals to roll assets into the plan	2021	32%	16%	32%	51%
	2020	25%	18%	36%	46%
Discouraging cash-outs: Encouraging terminated employees to keep their assets focused on retirement and not cashing out their retirement savings	2021	29%	15%	44%	41%
	2020	21%	19%	32%	49%
Improving diversification: Having participants investing in a diversified asset mix with "appropriate" risk	2021	27%	35%	49%	16%
	2020	22%	44%	36%	20%
Encouraging lifetime income: Supporting the process to have participants convert account balances to lifetime income	2021	27%	20%	35%	45%
	2020	20%	12%	36%	52%
Encouraging higher contribution rates: Supporting participants contributing more to help meet their future retirement needs	2021	23%	53%	31%	16%
	2020	22%	62%	30%	8%
Assessing long-term savings opportunities: Understanding various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc.) and how to choose	2021	23%	34%	39%	28%
	2020	12%	18%	39%	43%
Minimizing leakage: Having employees avoid taking loans and withdrawals from the plan	2021	21%	24%	37%	39%
	2020	18%	33%	47%	20%
Addressing broad financial wellbeing: Focusing on underlying reasons individuals do not participate or save more to the plan	2021	21%	56%	21%	23%
	2020	18%	46%	33%	21%
Recognizing retirement readiness: Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	2021	16%	49%	33%	18%
	2020	11%	47%	38%	15%

Financial wellbeing and retirement readiness are the top priorities for employers.

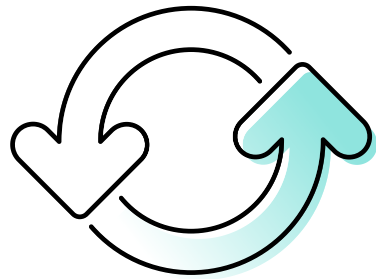
Employers say that they are most focused on addressing broad financial wellbeing of workers.

Which aspect of employee behavior within DC plans do you think is the most important one your organization should address?

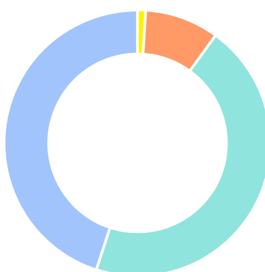
	2021	2020
Addressing broad financial wellbeing: Focusing on underlying reasons individuals do not participate or save more to the plan	28%	26%
Recognizing retirement readiness: Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	20%	16%
Encouraging higher contribution rates: Supporting participants contributing more to help meet their future retirement needs	16%	23%
Minimizing leakage: Having employees avoid taking loans and withdrawals from the plan	11%	13%
Increasing participation: Have more eligible employees actively saving in the plan	11%	13%
Improving diversification: Having participants investing in a diversified asset mix with “appropriate” risk	8%	4%
Encouraging lifetime income: Supporting the process to have participants convert account balances to lifetime income	5%	2%
Discouraging cash-outs: Encouraging terminated employees to keep their assets focused on retirement and not cashing out their retirement savings	2%	2%
Assessing long-term savings opportunities: Understanding various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc) and how to choose	0%	1%
Retain assets: Encouraging individuals to keep their assets in the plan upon retirement or termination	0%	0%
Consolidating assets: Encouraging individuals to roll assets into your plan	0%	0%

Most employers are interested in automatic portability of workers' retirement accounts.

Even though 58% of employers believe that lawsuits hamper their ability to be more innovative, the majority of employers are interested in a clearinghouse service that will automatically roll balances from one employer's DC plan to another employer's plan when individuals change jobs.



How interested are you in a clearinghouse service that will automatically roll balances from one employer's DC plan to another employer's plan when people change jobs?



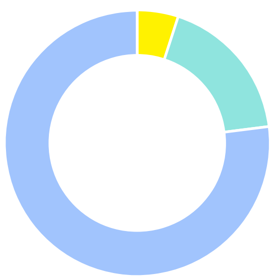
1%	We already have a clearinghouse service
9%	Very interested in a clearinghouse service
45%	Moderately interested in a clearinghouse service
45%	Not interested in a clearinghouse service

More than three-quarters of employers are not interested in adding private equity investments.

In 2020, the Department of Labor issued an information letter that allows private equity investments as a component of in-plan, professionally managed allocation funds.

Right now, few employers are keen to the idea — none say they are very interested and more than 75% say they are not at all interested in adding private equity investments.

How interested are you in adding private equity investments as a component of professionally managed asset allocation funds?



5%	We already have private equity as a component of the professionally managed asset allocation
0%	Very interested in private equity
18%	Moderately interested in private equity
77%	Not interested in private equity

Employers are increasingly looking for target date fund innovation.

Over the last few years, there has been a sizable shift in employers' perceptions of target date funds. In 2018, only about one-third of employers believed that target date funds should innovate and allow for more inputs than just investment horizon. Now, the percentage is almost 50%.

Do you believe that target date funds should be revised to allow for more inputs than just investment horizon?

	2021	2020	2019	2018
Yes	48%	42%	40%	35%
No	52%	58%	60%	65%

Almost all DB plan sponsors hear from former employees claiming they are due benefits.

It is quite common for employers to hear from people who say they are due pension benefits yet do not exist in the employer's data. One-quarter of employers say that they hear from at least 30 of these individuals each year, including 7% who say that at least 120 people contact them every year. More than half of employers say that it takes at least one hour to research each of these people.

Approximately, how often do you hear from an individual for whom you have no account on your system but the individual has a letter from the SSA indicating that they may have a benefit due from one of your plans?

	2021	2020
Never	14%	5%
<5 per year	20%	13%
5–9 per year	13%	13%
10–19 per year	17%	18%
20–29 per year	12%	21%
30–59 per year	13%	16%
60–119 per year	4%	8%
120+	7%	7%

On average how much time is spent researching each of these participants?

	2021	2020
15 minutes to one hour or less	47%	52%
More than an hour but less than two	28%	23%
More than two hours but less than three	11%	9%
More than three hours but less than four	7%	7%
More than four hours but less than five	0%	2%
More than five hours but less than ten	4%	4%
More than 10 hours	3%	2%

Defined benefit pension plans are not expected to change.

Very few pension plan sponsors say they are likely to make any changes to their plans in 2021. Purchasing annuities could be the most popular action with 15% of employers saying they are very or moderately likely to do so this year. While fewer employers say they are currently in the process of terminating their plan, there has been an increase in the percentage who say they will terminate the plan once the funded status improves.

What actions are your organization likely to take with respect to the defined benefit plan design?

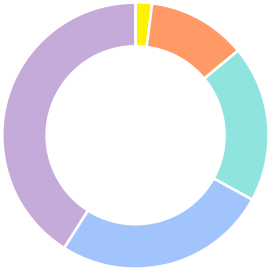
		Very likely	Moderately likely	Not at all likely
Purchase annuities for some participants	2021	5%	10%	86%
	2020	9%	14%	77%
	2019	8%	22%	70%
Reduce benefits but continue to offer a defined benefit plan	2021	4%	6%	90%
	2020	2%	4%	94%
	2019	1%	5%	94%
Freeze benefit accruals for all or a portion of participants	2021	4%	4%	92%
	2020	6%	6%	88%
	2019	9%	12%	79%
Terminate the plan (remove all employer liability through lump-sum payout to participants or third-party annuity purchase)	2021	1%	2%	96%
	2020	3%	6%	91%
	2019	4%	7%	89%
Close participation and no longer allow new employees to enter your defined benefit plan	2021	0%	6%	94%
	2020	7%	4%	89%
	2019	5%	11%	84%

Which statement best reflects your organization's attitude on terminating your pension plan?

	2021	2020	2019
We are not interested in terminating the plan	74%	77%	78%
We are interested in terminating the plan once the funded status improves	24%	20%	18%
We are currently in the process of terminating the plan	2%	3%	4%

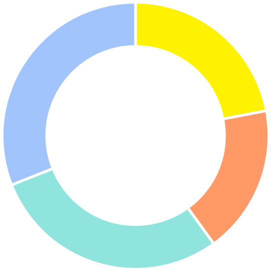
116	47,000	19,300
respondents with 5.5 million employees	average number employed by respondent	median number employed by respondent

Distribution of employer size



2%	Under 1,000 employees
12%	1,000–4,999 employees
19%	5,000–9,999 employees
26%	10,000–24,999 employees
41%	25,000+ employees

Distribution by DB plan status



22%	Does not have a DB plan
18%	Ongoing DB plan
29%	Closed DB plan
31%	Frozen DB plan

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