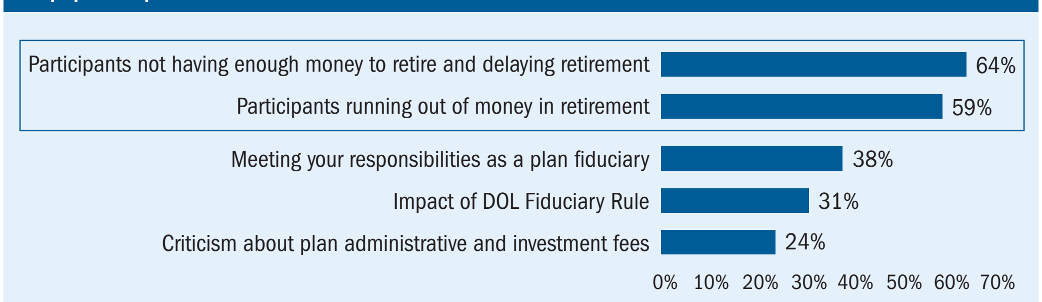
Retirement readiness: Helping not-for-profit employees pursue income for life

As a plan sponsor, you're focused on preparing your employees for a secure retirement while managing a competitive and compliant plan. TIAA conducted its first Not-for-Profit Plan Sponsor Insights Survey[1] to better understand the challenges you're facing and to uncover opportunities that can help improve your employees' retirement outcomes.

The survey revealed that despite the past year's heightened focus on fiduciary responsibility, plan sponsors' #1 concern is focused on helping employees pursue retirement income for life.

Top plan sponsor concerns



The survey also reveals opportunities for plan sponsors to increase the likelihood that their employees won't run out of money in retirement. Some of the steps you may want to consider taking include:

- Strategic success measurement
- Making in-plan guaranteed lifetime income options available
- The wider adoption of employee education and advice programs

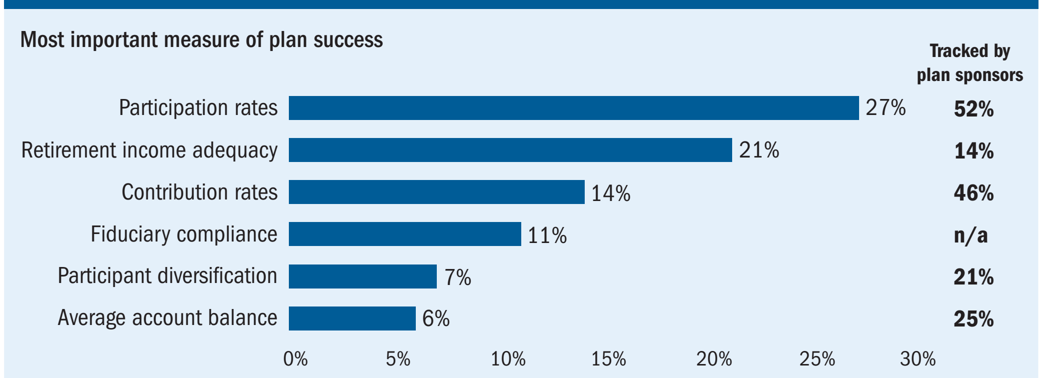
Focusing on income as the goal

Preparing your employees for retirement starts by aligning your plan with the most important objective—helping your employees generate retirement income they can't outlive. Yet, there seems to be a gap between plan sponsors' primary concerns and objectives, and the metrics they track.

Plan sponsors are more likely to say that participation rates (27 percent) rather than retirement income adequacy (21 percent) is the most important measure of their plan's success. Further, only 14 percent track their participants' average income replacement rate compared to 52 percent of plan sponsors tracking participation rates. It's important to focus on the metrics that most support your plan's goal of helping employees pursue lifetime income.

More than half of surveyed plan sponsors (55 percent) find measuring their plan's success a significant challenge.

How do plan sponsors measure and track plan success?



With lifetime income as the goal, you may also want to consider the right income replacement targets for your plan. Experts typically recommend between 70 percent and 100 percent of pre-retirement income (including Social Security). However, 47 percent of surveyed plan sponsors think their employees should target an income replacement rate of 70 percent or less. Your provider or plan consultant can work with you to help you determine what an appropriate target may be for your plan and employees.

Offering solutions that can generate income for life

Offering lifetime income options can help you address concerns about employees running out of money in retirement. Almost half (46 percent) of surveyed plan sponsors don't offer a guaranteed income option as part of their retirement plan. Retirees face many risks in retirement and it's important to remember that only fixed annuities can provide guaranteed income your employees can't outlive.*

Further, 35 percent of plan sponsors expect their employees to only generate retirement income through systematic withdrawals. Although systematic withdrawal strategies can be an effective part of an income plan, this approach comes with the risk of outliving one's savings.

For employees not engaged with their plan, a designated default investment option can help these employees build a solid investment strategy and pursue better retirement outcomes.

But more than a third of plan sponsors (34 percent) don't have a designated default investment option and 18 percent don't know if they do. Of those with a default, 58 percent offer a target-date fund or lifecycle fund as the investment option. When thinking about a default for your plan, you may also want to consider an option that includes a guaranteed lifetime income feature.

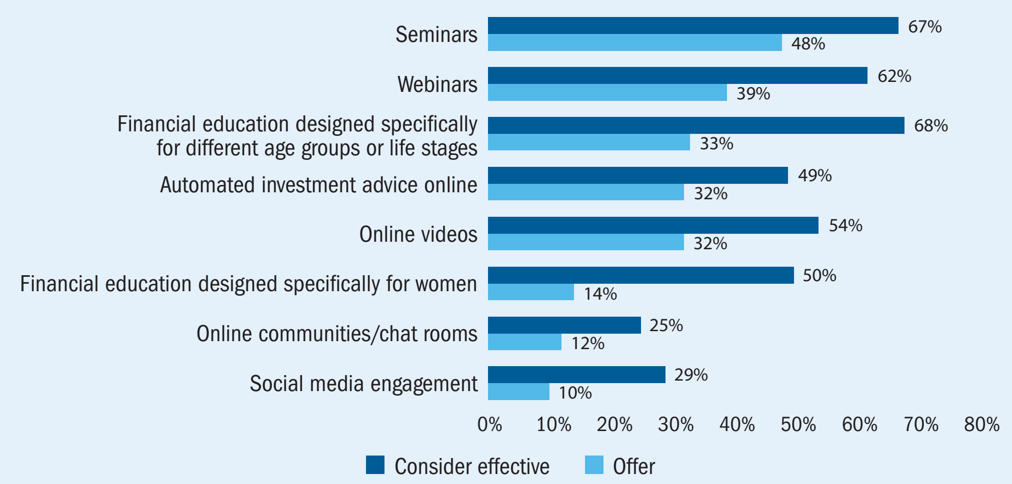
Finding new ways to engage your employees

Survey results show plan sponsors recognize the importance of education and advice and 81 percent offer one-on-one advice services. However, almost three-quarters (71 percent) of plan sponsors consider it a significant challenge to get employees engaged in their plan.

Part of the challenge may be that there's a split between the employee engagement tactics plan sponsors believe to be effective and what they offer. More than two-thirds of plan sponsors (68 percent) believe financial education designed specifically for different age groups or life stages is effective, but only 33 percent offer it. And 50 percent believe financial education designed specifically for women is effective, but only 14 percent offer it.

Evaluating your employee engagement strategies with your provider or advisor may help you identify services and approaches that better meet your employee needs and preferences.

Divergence between employee engagement tactics plan sponsors offer and consider effective



You're not alone

Meeting your fiduciary responsibilities and preparing your employees for a secure retirement can be challenging. But you're not alone. Your retirement provider or advisors can help you evaluate your plan options, assist with any changes, and take steps to help you put more employees on the path to a secure retirement.

1. The Not-for-Profit Plan Sponsor Insights Survey was conducted by KRC Research, for TIAA, from January 18 to February 17, 2017, via a phone survey of 835 plan sponsors in the not-for-profit sector, including higher education institutions, private K-12 schools, not-for-profit hospitals, government agencies and other nonprofit institutions.

*Applies to fixed annuity products only. Guarantees are subject to the claims-paying ability of the issuing company.

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