Not-for-Profit Plan Sponsor Insights Survey by TIAA

Executive Summary

April 19, 2017

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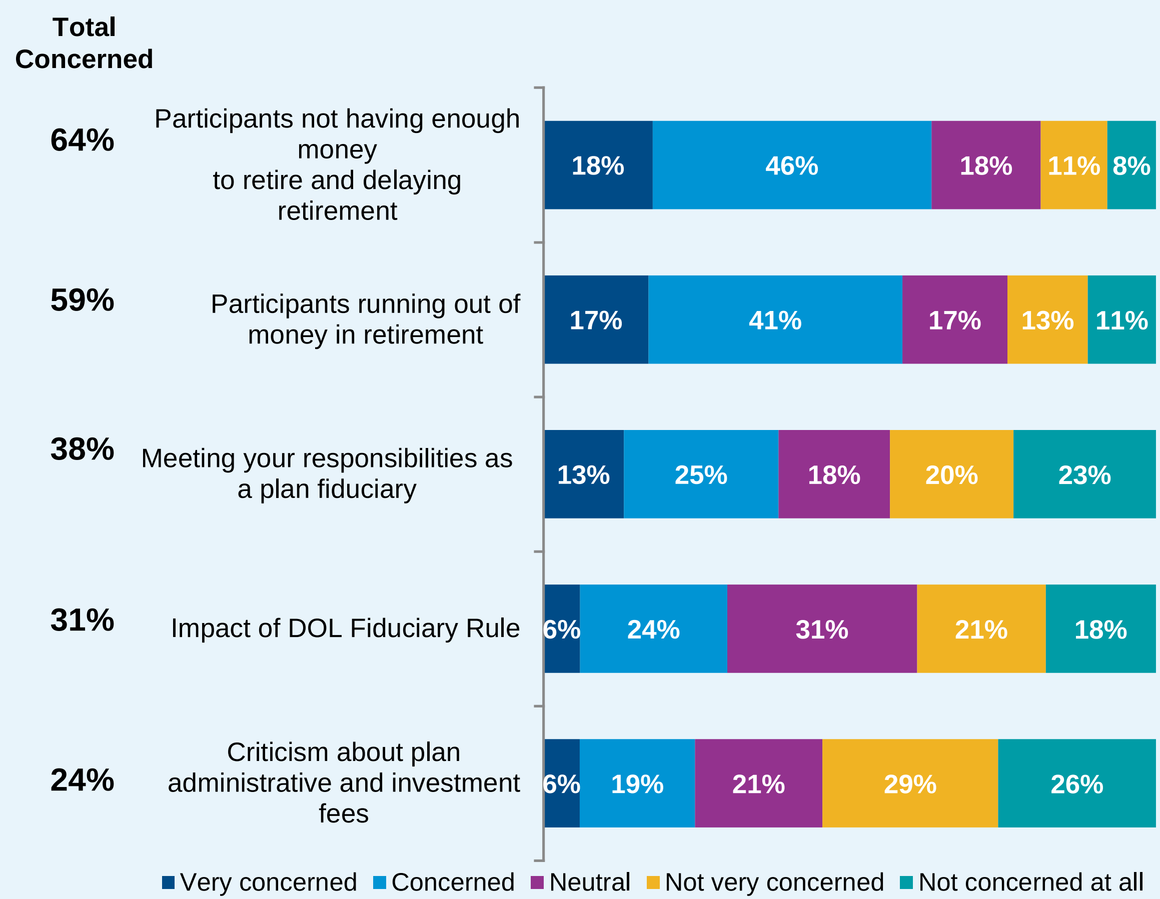
Not-for-profit plan sponsors worry their employees may not be ready for retirement

Employees’ retirement readiness may be keeping not-for-profit (NFP) plan sponsors up at night, according to the first Not-for-Profit Plan Sponsor Insights Survey by TIAA. Fifty-nine percent are concerned their participants will run out of money in retirement, while 64 percent worry about employees delaying retirement because they do not have enough money. Employers are less concerned with fiduciary issues such as the impact of the Department of Labor (DOL) fiduciary rule.

Plan sponsors also face challenges around participants who postpone retirement beyond a traditional age. One-third (34 percent) of sponsors consider getting their employees to retire a significant challenge. That figure increases to 44 percent among higher education sponsors.

The survey was conducted by KRC Research 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.

How concerned are you about each of the following?



Totals may not add to 100 percent due to rounding.

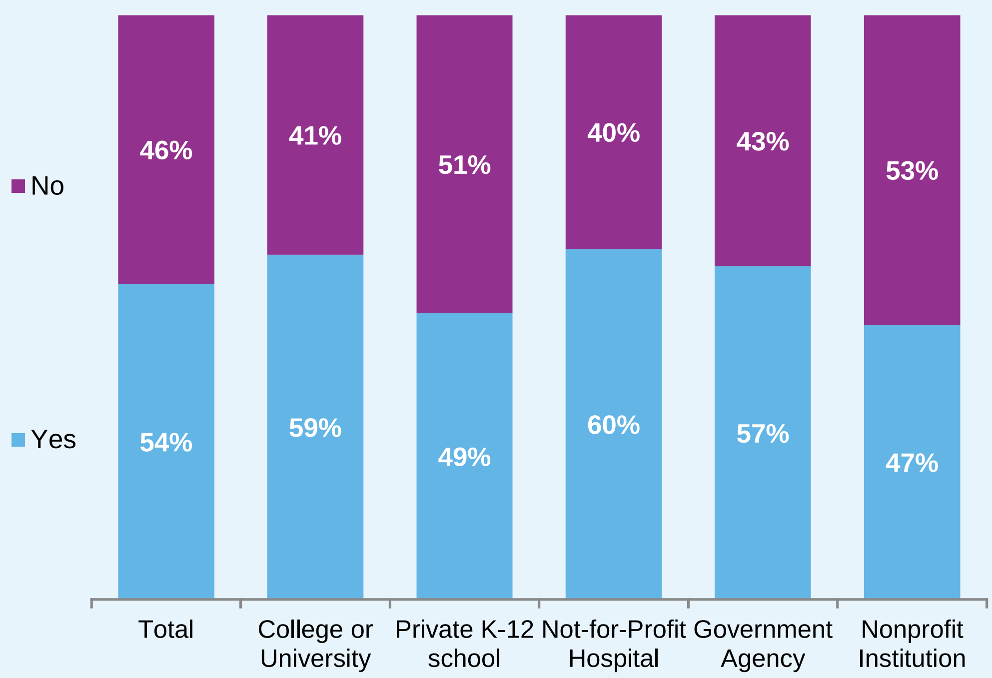
Opportunities for lifetime income

The results show opportunities for NFP plan sponsors to help allay their concerns and improve employees' retirement outcomes by adding guaranteed income options.

More than half of NFP plan sponsors have an option for guaranteed lifetime income[1] within their plan, and the majority (87 percent) of those say they plan to keep it.

Why don't some sponsors include a lifetime income option on their plan's investment menu? Thirty-four percent say it's because participants can access annuities outside of the plan, and 21 percent think fees are too high. However, the truth is that many lifetime income options offered through a workplace retirement plan provide benefits that employees may not find through retail financial solutions and, in most cases, have lower fees.[2]

Do you offer a guaranteed option as part of your investment menu?



[1]Applies to fixed annuity products only. Guarantees are backed by the claims-paying ability of the issuing company.

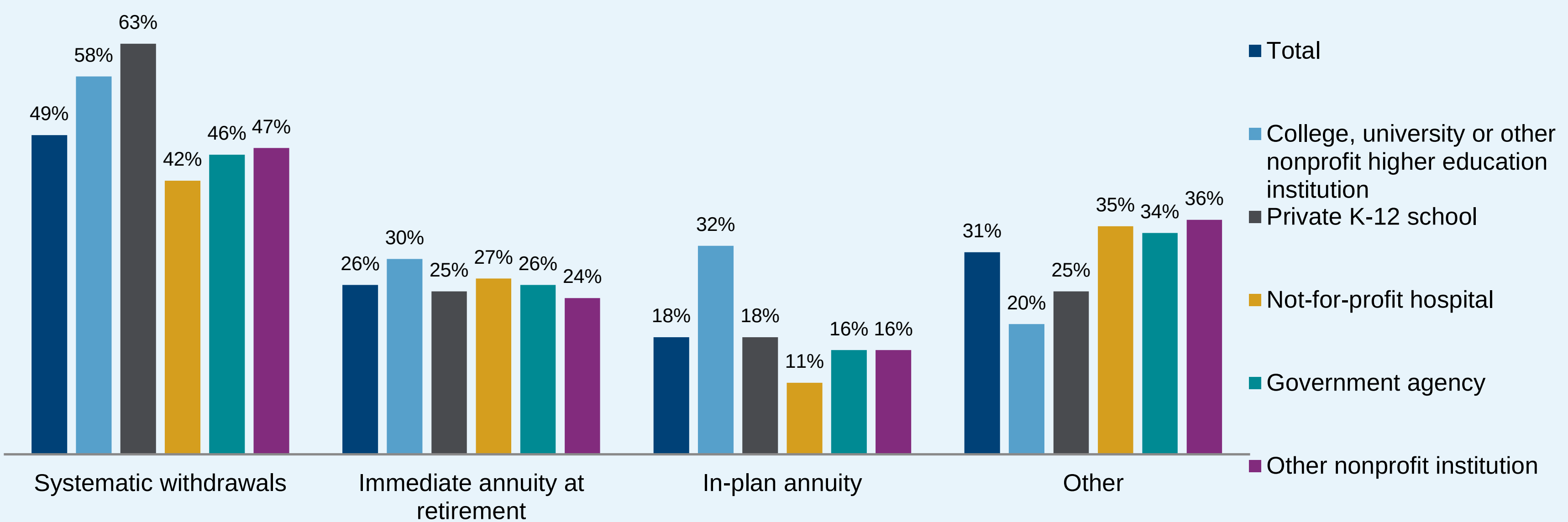
[2] TIAA-CREF Variable Annuities' prospectus net expense ratios as compared against those of U.S. Variable Annuities Subaccounts in their respective Morningstar Categories. Source: Morningstar Direct 1/1/16. Excludes accounts with the highest expenses (top 1 percent).

Rethinking retirement income strategies

Forty-nine percent of sponsors expect employees to generate retirement income through systematic withdrawals—with 35 percent expecting their employees to use it as their only income source. While withdrawing from retirement savings can be part of a larger income strategy, this method generally does not provide guaranteed income in retirement and is subject to longevity, market, cognitive and interest rate risks. Only 18 percent of plan sponsors expect their employees to generate income from an in-plan annuity, but that number increases to 32 percent among higher education institutions.

Less than half (48 percent) of plan sponsors have a designated default investment option. This offering may be especially important to help unengaged employees —who don't feel they have the knowledge or interest to choose investments on their own—save for retirement.

How do you expect your participants to generate income from your plan in retirement?



Engaging employees

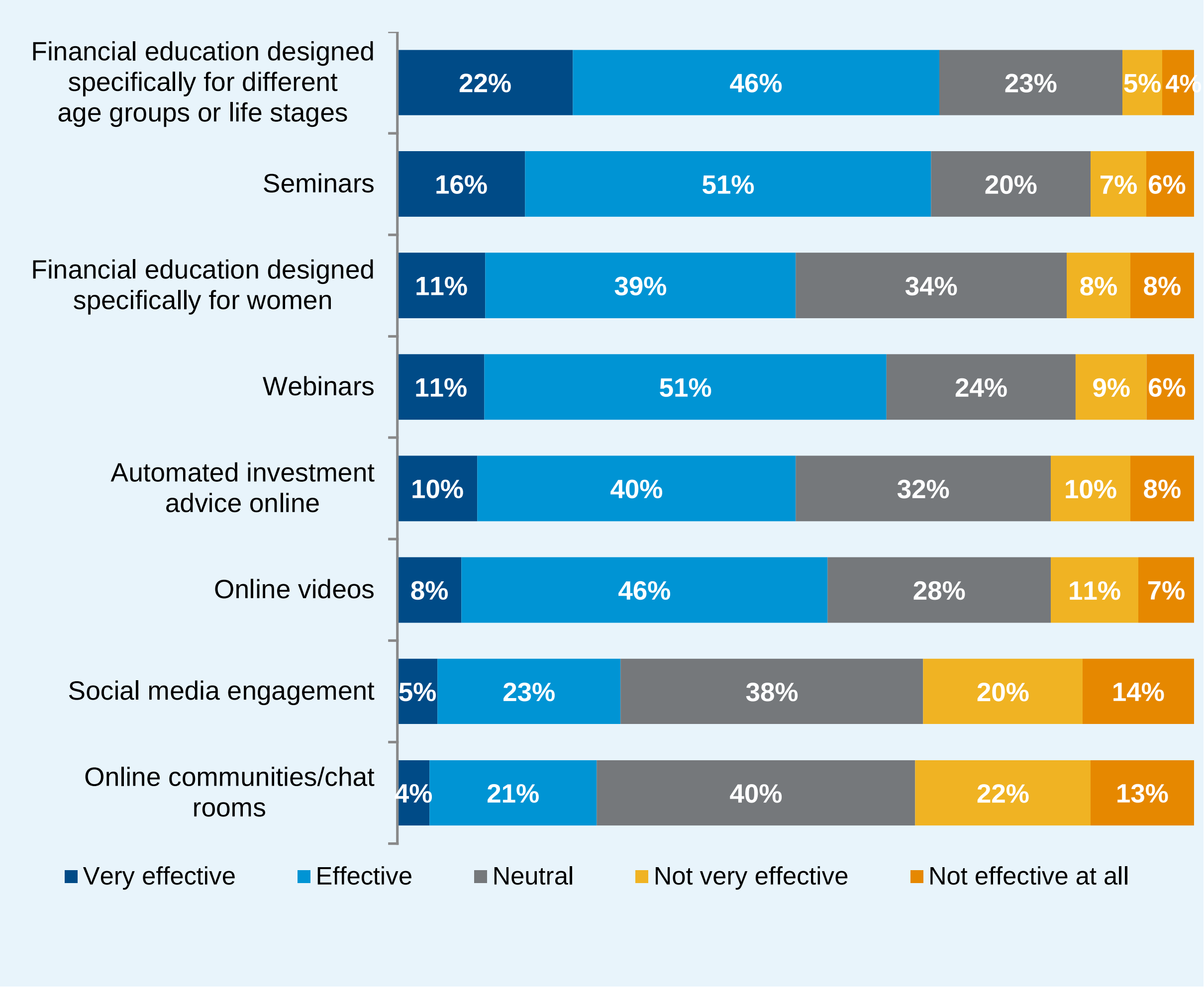
Participant engagement and personalized support can help employees pursue financial well-being. However, 71 percent of sponsors cite employee engagement as a significant challenge.

Eighty-one percent of plan sponsors offer one-on-one financial advice services, but the survey identified opportunities for more personalization in advice and personal support. While 68 percent believe financial education designed specifically for different age groups or life stages is effective, only 33 percent offer it. And though 50 percent believe financial education designed specifically for women is effective, only 14 percent offer it.

The most likely institutions to offer engagement services like webinars, education designed for age groups or life stages, or online videos are:

- Institutions with assets of more than $50 million (87 percent)
- Nonprofits with more than 5,000 employees (86 percent)
- Higher education institutions (82 percent)

How effective do you think each of the following employee engagement services are?



Measuring what matters

More than half (55 percent) of sponsors consider it difficult to determine if their retirement plan is successful. Twenty-seven percent cite participation rates as the most important measure of plan success, followed by income replacement rates in retirement (21 percent). However, while 52 percent track employee participation, only 14 percent track those income replacement rates.

Helping participants achieve a secure retirement generally requires a comprehensive view of success that includes income replacement. Nearly half (47 percent) of sponsors think their employees should target an income replacement rate of 70 percent or less, while most experts recommend a target rate between 70 and 100 percent of preretirement income. Rethinking target income replacement ratios can help plan sponsors feel more confident that employees are saving enough to have lifetime income.

What plan metrics do you track?

	Total	College or university	Private K-12 school	Not-for- profit hospital	Government agency	Other nonprofit institution
Participation rates	**52%**	58%	53%	57%	41%	55%
Contribution rates	**46%**	48%	49%	50%	40%	44%
Average account balances	**25%**	26%	25%	34%	22%	21%
Participant investment diversification	**21%**	17%	19%	34%	17%	17%
Participant data by age groups or generation, such as Gen X	**20%**	25%	19%	26%	15%	16%
Participant data by gender	**17%**	21%	17%	23%	14%	11%
Average income replacement rate	**14%**	19%	10%	20%	10%	10%

Strong processes in place

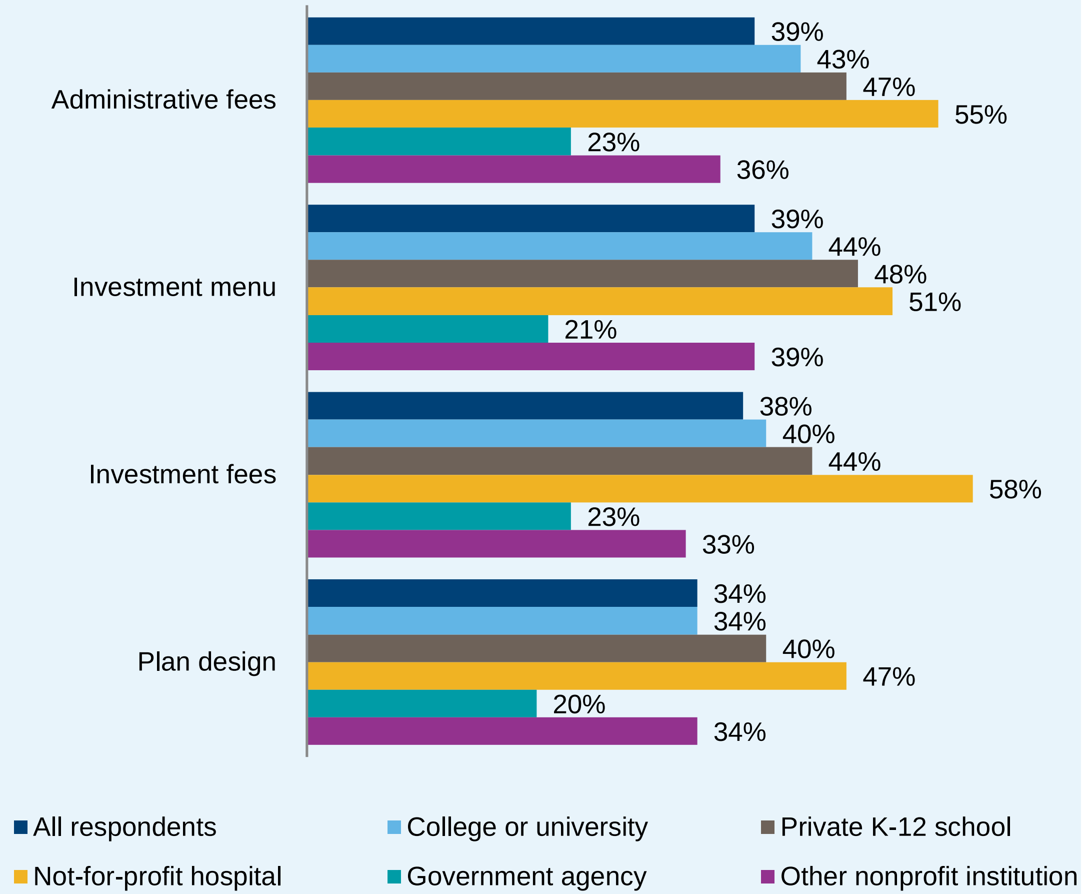
Plan sponsors show disciplined plan management processes, like conducting a formal review of their plan options and services. Many say they will conduct formal reviews of their administrative fees (39 percent), investment menu (39 percent), investment fees (38 percent) or plan design (34 percent) during the next year.

Sixty-five percent of plan sponsors have an Investment Policy Statement (IPS) in place to guide their investment monitoring and selection process, and 86 percent report having a plan advisor.

These strong processes may help explain why fiduciary concerns rank below worries about employee retirement readiness.

- 38 percent of all NFP sponsors – including 47 percent of private K-12 sponsors – worry about meeting responsibilities as a plan fiduciary.
- 31 percent are concerned about the impact of the DOL rule, and that number increases to 46 percent for higher education institutions.
- 24 percent worry about criticism regarding plan administrative and investment fees.

Are you planning on conducting a formal review of the following in the next 12 months?



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Helping support financial well-being for those who make a difference

We apply nearly 100 years of experience in providing retirement plan products and services to the medical, education, research, cultural and governmental communities to understand and meet your unique needs as a nonprofit organization. We work with you to help you:

- **Strengthen your plan design** so that it provides a strong foundation for maximizing plan participation.
- **Offer diverse investment solutions** that will facilitate accumulation potential, provide lifetime income options, and meet a range of participant needs.
- **Inspire confident employee engagement** with relevant communications that drive action, and provide access to both guidance and personalized advice.
- **Manage your plan as efficiently as possible** to keep costs low.

You're supported every step of the way with experienced team members, information, resources and tools. All to help you provide competitive, effective and compliant plans that can help promote retirement readiness and overall financial well-being among your employees.

Learn more about Institutional Plan Solutions.

The survey was conducted by KRC Research from January 18 to February 17, 2017, via a phone survey of 835 plan sponsors in the not-for-profit sector. The margin of error for the entire sample is plus or minus 3.4 percentage points. The margins of error by segment are: not-for-profit higher education institutions (8.2 percentage points), private K-12 schools (10 percentage points), nonprofit hospitals (7.3 percentage points), government agencies (6.7 percentage points), and other nonprofit institutions (6.8 percentage points).

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