



A hybrid plan for boosting government employees' confidence



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Many state and local governments are seeking to manage costs by reducing employee benefits and increasing plan costs for employees.

Employees accustomed to having a defined benefit (DB) plan are unprepared for the challenge of self-directing their investments in a defined contribution (DC) setting, leaving them anxious and feeling less confident about their retirement. Only about 20% are very confident that they are saving and investing appropriately for retirement, with approximately 55% somewhat confident in their savings and investing.¹

- 20% of all state and local workers, 20% of teachers, and 11% of public safety officers are not sure how much of their in service income they will need to replace for a comfortable retirement.¹
- 40% of public sector employees saving for retirement have received retirement planning advice from a professional financial advisor within the past three years.¹

The challenges facing plan sponsors are how to offer employees investments and education to help them more confidently retire, while reducing plan costs to overcome the short-term impacts of the recent recession.

Solution: Consider a hybrid plan structure.

As an alternative to traditional DB plans, many state and local governments are turning to a hybrid DB/DC model.¹ This balanced structure can help public employees build savings and pursue retirement readiness which can, in turn, reduce future liabilities for taxpayers and provide governments with greater predictability regarding budgets.

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A hybrid approach focused on providing lifetime income through a combination of a DB structure with a DC model featuring an in-plan annuity—the only product that guarantees an income stream for life—can help boost your employees' confidence about retirement.² Also, allowing your employees to contribute to a fixed annuity through their plan during their working years makes the plan more like a pension plan with a defined contribution structure.

At TIAA, we promote a risk-managed plan that joins DB and DC plan designs onto a single platform with services designed for governments of all sizes. Our mutual funds and variable annuities are available at some of the lowest costs in the industry.³ Our approach to retirement readiness is designed to promote high replacement income levels for employees based on our institutional client base in the nonprofit market (past performance is no guarantee of future results).

Financial consultants also offer financial advice and education in person and online to help your employees make informed decisions. Our approach to providing investment advice to plan participants regarding investments in your plan at no additional costs can help encourage participation, ease employees' anxieties about investing and build confidence.



¹ 2016 Retirement Confidence Survey of the State and Local Government Workforce, a joint research project of the Center for State and Local Government Excellence

² Guarantees are subject to the claims-paying ability of the issuing company.

³ Applies to mutual fund and variable annuity expense ratios. Source: Morningstar Direct, December 31, 2017. 80% of TIAA-CREF mutual fund products and variable annuity accounts have expense ratios that are in the bottom quartile (or 98.14% below median) of their respective Morningstar category.

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