



Why a supplemental plan may be essential for many K-12 employees



According to the U.S. Bureau of Labor Statistics' National Compensation Survey, while **nearly a quarter** of public K-12 school teachers had access to a defined contribution (DC) plan in 2016, only **28%** of those who were eligible participated—just **7%** overall.

Teachers and other employees in the K-12 sector may need supplemental retirement savings beyond their core employer-sponsored retirement plan to plan for a comfortable retirement. Offering a cost-effective supplemental retirement plan as a complement to your core plan may help your employees achieve the retirement outcome they want and deserve.

Depending on the income level provided by a pension and Social Security, income from savings may be necessary to fund an individual's desired lifestyle during retirement. With the majority of K-12 public teachers being women (76%)¹, they are likely to need more savings for healthcare expenses through retirement—the average female is expected to live to 81.2 years, approximately five years longer than the average male.²

Engaging employees and advice are key.

While offering a supplemental plan is important, engaging and educating employees on its value are essential. According to the U.S. Bureau of Labor Statistics' National Compensation Survey, while nearly a quarter of public K-12 school teachers had access to a defined contribution (DC) plan in 2016, only 28% of those who were eligible participated—just 7% overall.

Therefore, when considering a supplemental plan for your benefits program, it's important to compel employees to take advantage of it by working with your provider on ways to engage them and provide value with financial advice. Plan participants that use a financial advisor and/or have a written financial plan tend to be more confident concerning their financial future and save at higher rates. According to a survey by the TIAA Institute³, 45% of retirement savers among K-12 teachers received professional advice within the last three years. The issues most commonly addressed with an advisor were how much to save and how to invest. Older individuals were more likely to receive advice on when they can afford to retire and on drawing income from savings during retirement.

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Important considerations when evaluating service providers

Plan design, investment lineup and provider fees can all play a role in participant outcomes. In fact, the impact of different plan fee structures can be substantial. For example, a low-fee plan might provide an income-replacement rate of about 15% versus 12% for a high-fee plan to a teacher seeking to retire at age 55. When viewed in conjunction with back-end loads (sales charges) or surrender charges, the difference may be even more striking.

When selecting a plan provider, consider one that offers personalized advice from qualified financial consultants regarding investments in your plans at no additional cost. Also consider including lifetime-income offerings in your plan that can provide your participants with an income stream for life.

Factors that distinguish TIAA's services

TIAA is #1 in assets among all financial firms serving the not-for-profit and K-12 retirement markets,⁴ we can apply our experience in addressing the specific needs of the K-12 market and help you transform your supplemental retirement program into a strategic tool to attract and retain high-caliber employees.

- We can help you improve employee engagement with targeted messaging relevant to the needs of all demographics.
- Our experienced financial consultants offer comprehensive, in-person advice about plan investments tailored to each participant's individual financial goals, at no additional cost. This can encourage participation in your supplemental plan. And, additional money set aside for retirement can help drive better outcomes.
- Offering guaranteed lifetime-income options is the foundation of our platform, complemented by a full open-architecture menu.⁵ In fact, 80% of our mutual funds and variable annuities have expense ratios that are in the bottom quartile (or 97.86% below their median) of their respective Morningstar categories.⁶
- TIAA's integrated plan management services and tools can simplify plan administration, help streamline operations and can help ensure compliance with the latest rules and regulations.
- Fee and revenue transparency provide clarity around plan costs and revenue-sharing agreements.

¹ National Center for Education Statistics, 2015-2016, nces.ed.gov

² U.S. Department of Health and Human Services, cdc.gov/nchs/data/hsr/hsr16.pdf#015

³ Source: Retirement Confidence Survey of the State and Local Government Workforce (2016), TIAA Institute and the Center for State and Local Government Excellence.

⁴ Based on data from 28 providers in PLANSPONSOR magazine's 2018 403(b) and 457 Buyers Guide, assets as of 12/31/17.

⁵ Guarantees are subject to the claims-paying ability of the issuing company.

⁶ Source: Morningstar Direct, 3/31/2019. Our mutual fund and variable annuity products are subject to various fees and expenses, including but not limited to management, administrative, and distribution fees; our variable annuity products have an additional mortality and expense risk charge.

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