2024 Hot topics in retirement

alight

About this report

The *Hot topics in retirement* report summarizes the findings of an annual survey from Alight Solutions capturing the changes employers intend to make to their retirement and financial wellbeing plans in the year ahead. This is the 20th installment of the report and features responses from 87 organizations employing almost three million workers. The survey was administered in the fall of 2023.

This year's report includes insights on several new topics, including:

— Importance of financial wellbeing in employer-sponsored DC plans
— Adoption of optional provisions of SECURE 2.0
— How employers perceive the success of their employee behavior initiatives

Thank you for your interest in these key findings. We hope you find value in our data and insights.

Alight offers its sincere gratitude to the many plan sponsors that participated in this survey and commends them for their focus on helping people strengthen their financial wellbeing in these interesting times.

About Alight Solutions

Alight is a leading cloud-based human capital technology and services provider that powers confident health, wealth and wellbeing decisions for 36 million people and dependents. Our Alight Worklife® platform combines data and analytics with a simple, seamless user experience. Supported by our global delivery capabilities, Alight Worklife is transforming the employee experience for people around the world. With personalized, data-driven health, wealth, pay and wellbeing insights, Alight brings people the security of better outcomes and peace of mind throughout life's big moments and most important decisions. Learn how Alight unlocks growth for organizations of all sizes at **alight.com**.

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EXECUTIVE SUMMARY

Turbulent financial markets, inflation and global uncertainty have people and employers wondering "what's next?" Employers are responding to these broad challenges by focusing on their employees' overall financial wellbeing. At the same time, employers are in no hurry to adopt the optional provisions of SECURE 2.0. Instead, they are waiting for more guidance on the gray areas. While asset classes like ESG, cryptocurrency and NFTs grab the headlines, only a handful of employers are considering them.

Our Hot topics in retirement report identified three key themes for employers in 2024:

THEME 1

Employers are shifting their focus in DC plans from simple measures like participation to higher-level outcomes like financial wellbeing and retirement readiness.

Employers are more satisfied with most aspects of employee behaviors, such as participation, asset diversification and encouraging lifetime income. More than half of employers say they are very likely to now focus on improving broad financial wellness, helping their employees recognize retirement readiness and assessing long-term savings opportunities.

THEME 2

Employers need more clarity on the SECURE 2.0 provisions before fully embracing them.

Employers are most keen on provisions that have a well-worn playbook, like increasing the force out limits and allowing for self-certification. Additionally, employers say they are very likely to adopt super catch-up contributions for age 60-63, loan extensions for disasters and withdrawals for domestic abuse. Least popular are the provisions with the most questions, like the $2,500 emergency fund and matches on a Roth basis.

THEME 3

Interest in lifetime income is growing.

Employers are showing more interest in lifetime income than they have in the past. They are particularly interested in non-guaranteed features than annuities.

Throughout this report, we compare the new data to historical data from our past *Hot topics* reports to illustrate the magnitude of change over a longer time horizon.

Employers are more satisfied with their DC plans, but there is still much to do.

Employers are more satisfied with most aspects of employee behavior in their defined contribution plans, but there are still key behaviors that need additional attention. Fifty-three percent of employers say they are satisfied with their plan's participation level — the first time we have seen this be above 50%.

90% of employers plan to address broad financial wellbeing in 2024

Please indicate your organization's attitude on the importance of each aspect of employee behavior below and any plans to address the topic this year:

		Among employers not satisfied		
	Satisfied with current position	**Very likely to address**	**Moderately likely to address**	**Not at all likely to address**
Increasing participation	53% (2024) 48% (2023)	49%	44%	8%
Retaining assets	42% (2024) 41% (2023)	23%	33%	44%
Improving diversification	40% (2024) 35% (2023)	38%	42%	20%
Consolidating assets	37% (2024) 39% (2023)	13%	40%	46%
Encouraging higher contribution rates	33% (2024) 30% (2023)	48%	43%	9%
Encouraging lifetime income	33% (2024) 25% (2023)	16%	33%	51%
Discouraging cash-outs	31% (2024) 33% (2023)	21%	39%	40%
Minimizing leakage	27% (2024) 26% (2023)	30%	39%	31%
Assessing long-term savings opportunities	22% (2024) 17% (2023)	52%	34%	14%
Addressing broad financial wellbeing	20% (2024) 17% (2023)	58%	32%	11%
Recognizing retirement readiness	19% (2024) 14% (2023)	55%	34%	10%

2024
2023

Addressing broad financial wellbeing and recognizing retirement readiness are the most important focus areas.

39% of employers say addressing broad financial wellbeing is the most important employee behavior. One-quarter cite recognizing retirement readiness as the most important.

89% of employers say they offer their employees a Health Savings Account (HSA)

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

Addressing broad financial wellbeing: Focusing on underlying reasons individuals do not participate or save more to the plan	39%
Recognizing retirement readiness: Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	25%
Increasing participation: Having more eligible employees actively saving in the plan	14%
Encouraging higher contribution rates: Supporting participants contributing more to help meet their future retirement needs	12%
Minimizing leakage: Having employees avoid taking loans and withdrawals from the plan	6%
Encouraging lifetime income: Supporting the process to have participants convert account balances to lifetime income	2%
Assessing long-term savings opportunities: Understanding various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc) and how to choose	1%
Retaining assets: Encouraging individuals to keep their assets in the plan upon retirement or termination	0%
Discouraging cash-outs: Encouraging terminated employees to keep their assets focused on retirement and not cashing out their retirement savings	0%
Improving diversification: Having participants investing in a diversified asset mix with “appropriate” risk	0%
Consolidating assets: Encouraging individuals to roll assets into your plan	0%

Financial wellbeing programs show no signs of slowing down.

Over the last decade, employers have been building broad financial wellbeing programs and the construction is expected to continue this year with almost 60% of employers saying they are very likely to create or focus on financial wellbeing beyond the retirement plan.

How likely is your organization to address the following initiatives this year?

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

Very likely	58%
Moderately likely	31%
Not at all likely	11%

Measure the competitive position of the retirement program

Very likely	35%
Moderately likely	49%
Not at all likely	16%

Expand inclusion and diversity efforts in the retirement and financial wellbeing plans

Very likely	30%
Moderately likely	52%
Not at all likely	18%

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

Very likely	29%
Moderately likely	36%
Not at all likely	35%

Enhance retirement program to focus on asset decumulation stage

Very likely	8%
Moderately likely	29%
Not at all likely	63%

Evaluate phased retirement alternatives

Very likely	6%
Moderately likely	29%
Not at all likely	65%

Offer an early retirement window

Very likely	2%
Moderately likely	7%
Not at all likely	90%

Employers are locking in only a few SECURE 2.0 optional features.

Just three SECURE 2.0 features in the survey have the majority of employers saying they are definitely or likely adopting them: the increased force out limit for vested balances, hardship self-certification and super catch-up contributions for age 60-63.

Interest in PEPs is diminishing: 93% of employers say they're not at all interested — up from 91% last year

What is your interest in the various optional provisions of SECURE 2.0?

	Definitely adding	Likely adding	Unsure	Unlikely to add	Definitely not adding
Increased force out limit for vested balances up to $7k in DC plan	34%	26%	17%	11%	12%
Hardship self-certification	30%	30%	24%	12%	4%
Super catch-up contribution for age 60-63	18%	44%	33%	4%	1%
$10,000 domestic abuse withdrawal	10%	28%	40%	15%	8%
Disaster relief allowing for up to $100k	9%	19%	35%	24%	13%
$1,000 emergency withdrawal	8%	24%	40%	16%	13%
$22,000 withdrawal for disasters	6%	25%	45%	15%	9%
Match student loan payments	6%	10%	39%	30%	15%
Employer match to Roth	5%	16%	27%	36%	15%
Allowing for loan repayment extension for disasters	1%	33%	45%	13%	8%
Saver's match contribution	1%	7%	46%	20%	26%
Non-elective employer contribution to Roth	1%	7%	30%	34%	27%
$2,500 Roth sidecar emergency savings	0%	10%	21%	41%	28%

Employers need more guidance on most SECURE 2.0 features.

The legal uncertainty of many SECURE 2.0 provisions is keeping employer adoption at bay. This is particularly true for some of the novel provisions. In fact, all employers in the survey say they would need more legal guidance before considering the Saver's match contribution.[1]

Of those that are "Definitely adding" or "Likely adding," what statement best describes your urgency with adding optional SECURE 2.0 provisions?

	Plan to add soon, even if guidance is unclear	Need more legal clarity before proceeding	No legal concerns, but it isn't a priority right now
Increased force out limit for vested balances up to $7k in DC plan	60%	16%	24%
Hardship self-certification	50%	38%	12%
$10,000 domestic abuse withdrawal	37%	53%	11%
$22,000 withdrawal for disasters	32%	63%	5%
Match student loan payments	29%	71%	0%
$1,000 emergency withdrawal	25%	58%	17%
Non-elective employer contribution to Roth	25%	75%	0%
Disaster relief allowing for up to $100k	20%	67%	13%
Super catch-up contribution for age 60-63	15%	69%	15%
Allowing for loan repayment extension for disasters	12%	65%	24%
Employer match to Roth	11%	89%	0%
Saver's match contribution	0%	100%	0%
$2,500 Roth sidecar emergency savings	0%	83%	17%

[1] The Hot topics in retirement survey was administered in September 2023 and reflects employer attitudes based on the legal guidance at that time. Any subsequent clarity from regulatory agencies could impact these results.

Lifetime income is gaining interest.

Over half of employers are at least moderately interested in a non-guaranteed lifetime income option in their DC plan. Fiduciary concerns, market evolution and participant adoption are the most cited barriers keeping more employers from being interested.

However, most employers say they have no interest in adding annuities to their DC plans. The top hurdle is now operational and administrative concerns. Previously, fiduciary concerns were at the top of the list.

How interested are you in having non-guaranteed lifetime income option(s) in your DC plan?

Already have non-guaranteed lifetime income option(s) in DC plan	10%
Very interested in non-guaranteed lifetime income option(s) in DC plan	1%
Moderately interested in non-guaranteed lifetime income option(s) in DC plan	41%
Not at all interested in non-guaranteed lifetime income option(s) in DC plan	48%

Reasons organizations do not plan on adding non-guaranteed lifetime income option(s)

	Major reason	Minor reason	Not a reason
Fiduciary concerns	57%	27%	16%
Waiting to see the market evolve more	54%	22%	24%
Participant utilization concerns	51%	31%	17%
Operational or administrative concerns	47%	33%	19%
Difficulty with participant communications	46%	29%	26%
Cost barriers	31%	31%	39%
We are not interested in making plan enhancements for terminated participants	29%	14%	57%
Preference for participants leaving the plan at termination	11%	23%	66%

92% of employers say lifetime income disclosures have no impact on their appetite for annuities in their DC plan

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

Already have annuities in DC Plan	9%
Very interested in annuities in DC Plan	5%
Moderately interested in annuities in DC Plan	37%
Not at all interested in annuities in DC plan	50%

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

	Major reason	Minor reason	Not a reason
Operational or administrative concerns	65%	25%	10%
Waiting to see the market evolve more	55%	28%	18%
Participant utilization concerns	54%	23%	23%
Fiduciary concerns	48%	35%	18%
Difficulty with participant communications	36%	38%	26%
Cost barriers	31%	41%	28%
We are not interested in making plan enhancements for terminated participants	28%	10%	62%
Preference for participants leaving the plan at termination	10%	18%	72%

How have the required lifetime income disclosures impacted your thoughts on lifetime income in your defined contribution plan?

The lifetime income disclosures increased our appetite for annuities in the DC plan	4%
The lifetime income disclosures decreased our appetite for annuities in the DC plan	4%
The lifetime income disclosures did not change our appetite for annuities in the DC plan	92%

One-in-five employers look at plan statistics in the aggregate only.

Three out of four employers look at age when analyzing retirement behavior. Fewer than 40% look at demographics like gender and ethnicity.

By which segments do you measure and analyze retirement plan behavior?

Age	76%
Compensation	61%
Tenure	59%
Gender	38%
Business unit	30%
Employment status (e.g. full-time vs. part-time)	24%
Race/ethnicity	22%
Veteran status	2%
We look at plan statistics in the aggregate only	20%

Few employers want terminated participants to take their money out of the plan when they stop working.

About half of employers (52%) don't have a preference for what workers do with their money upon termination. However, of those with a preference, the number who want people to keep balances in the plan is 7x the number of those who want to people to remove their balances.

75% of employers don't benchmark IRA amounts and destinations

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

We prefer that all terminated employees remain in our plan	15%
We prefer that terminated employees with a minimum balance remain in our plan	24%
We prefer that terminated employees leave our plan	6%
We have no preference	52%

Most employers are interested in a rollover clearinghouse to help people transfer balances when they change jobs.

More than half (58%) of employers say they are at least moderately interested in a clearinghouse service that will automatically transfer balances from one employer's plan to a new employer's plan.

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?

We already have a clearinghouse service	1%
Very interested in a clearinghouse service	15%
Moderately interested in a clearinghouse service	43%
Not interested in a clearinghouse service	41%

Employer interest in ESGs has plateaued.

Nearly six in 10 employers (58%) now say they have no interest in ESG funds. Only 2% of employers say they have any interest in adding digital assets like cryptocurrency or non-fungible tokens (NFTs) to their DC plans.

Which statement best reflects your attitude to having environmental, social and governance (ESG) funds in your DC plan?

We currently have ESG funds in a stand-alone investment option	6%
We currently have ESG funds available through a self-directed brokerage window	17%
We are interested in adding ESG funds, but are waiting for more legal guidance on how to best provide them	19%
At this time, we are not interested in providing ESG funds in the plan	58%

Which statement best reflects your attitude to having digital assets like cryptocurrencies or non-fungible tokens (NFT) in your DC plan?

We already have digital assets as a stand-alone investment option	0%
We already have digital assets as available through a self-directed brokerage window	0%
We are interested in adding digital assets, but are waiting for more legal guidance on how to best provide them	2%
At this time, we are not interested in providing digital assets in the plan	98%

Few changes are expected to DB plans.

Three-quarters of employers say they have no interest in terminating their defined benefit plan. Just over one-third (35%) say they are at least moderately interested in purchasing annuities for some participants, while 31% say they are considering a temporary lump sum window for terminated vested participants and/or retirees.

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

We are not interested in terminating the plan	75%
We are interested in terminating the plan once the funded status improves	17%
We are currently in the process of terminating the plan	8%

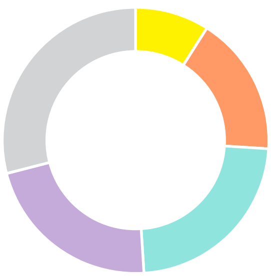
What actions are your organization likely to take with respect to the defined benefit plan design?

	Very likely	Moderately likely	Not a all likely
Close participation and no longer allow new employees to enter the defined benefit plan	17%	0%	83%
Freeze benefit accruals for all or a portion of participants	9%	3%	89%
Purchase annuities for some participants	8%	27%	65%
Have a temporary lump sum window for terminated vested participants and/or retirees	6%	25%	69%
Add or liberalize a lump sum feature as an ongoing optional form of payment	6%	15%	79%
Reduce benefits but continue to offer a defined benefit plan	3%	9%	89%
Terminate the plan (remove all employer liability through lump sum payout to participants or third-party annuity purchase)	2%	4%	94%

87
respondents with
2.9 million employees

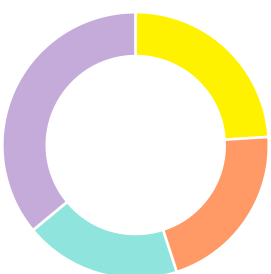
33,000
average number employed
by respondent

Respondents by employer size



9%	Under 1,000
17%	1,000–4,999
23%	5,000–9,999
22%	10,000–24,999
29%	25,000 or more

DB plan status



24%	Ongoing plan
20%	Closed plan
19%	Frozen plan
36%	No DB plan

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