2023 Hot Topics in Retirement and Financial Wellbeing

alight

About this report

The Hot Topics in Retirement and Financial Wellbeing 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 19th installment of the report and features responses from 90 organizations employing over three million workers. The survey was administered in the fall of 2022.

This year's report includes insights on several new topics, including:
— Reactions to the "SECURE 2.0" bills on Capitol Hill
— Thoughts on digital assets and ESG in defined contribution plans
— Perspectives on employers' DE&I 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**.

"May you live in interesting times" is an ironic expression where a curse looks like a blessing. While many employers might prefer to live in the seemingly uninteresting times of just a few years ago, the reality is that 2023 is being ushered in with high inflation, hammered stocks on Wall Street and a workforce that is still feeling the effects of the COVID-19 pandemic. Interesting times, indeed.

Employers are adapting their retirement and financial wellbeing plans to reflect the new economy. Our Hot Topics in Retirement and Financial Wellbeing Plan Report identified three key themes for employers in 2023:

1. **The current economic environment is causing 30% of employers to change their retirement plans.**

   Over the last few years, employers have had to deal with a whiplash of change when it comes to attracting and retaining talent. In 2021, the "Great Resignation" trend led some employers to enhance their benefits to stave off a mass exodus.

   However, in 2022, employers scaled back their benefits to remain committed to the bottom line. All told, 9% of employers have enhanced retirement benefits and 4% reduced them. Another 17% have decided on changes — 16% enhancing, 1% decreasing — but are yet to announce them.

2. **Financial wellbeing programs are maturing and expanding.**

   The need for robust financial wellbeing programs was amplified by 2022's brutal year for investments. Fortunately, many employers had been building their programs for several years.

   Although the commitment to improving financial wellbeing has not waned, the focus is shifting as employers are turning their attention away from the financial security stage and toward tools and services for growing assets and achieving financial freedom.

3. **Few employers have acted on the enhancements provided by the SECURE Act.**

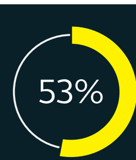
   The Setting Every Community Up for Retirement Enhancement Act of 2019 was heralded as the most substantive change to retirement plans in decades. However, employers have met the so-called SECURE Act with a yawn.

   None of the companies surveyed say they are very interested in joining a Pooled Employer Plan, and the appetite for annuities remains low with just 3% saying they are very interested in adding them to their DC plan this year.

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' top initiatives are enhancing their financial wellbeing programs, measuring the competitiveness of their retirement plans and expanding inclusion and diversity efforts.

Employers are most likely to focus on expanding financial wellbeing programs, along with the diversity and inclusion aspects of their plans. These actions can have an immediate impact on the workforce, whereas evaluating phased retirement initiatives or adding decumulation tools have a longer time horizon.



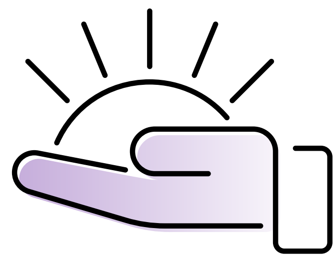
of employers say the threat of lawsuits is holding back innovation

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

	Very likely	Moderately likely	Not at all likely
Create or focus on financial wellbeing of employees (plan features, planning resources, communication, mobile apps or online tools) that expands beyond retirement decisions	47%	40%	13%
Expand inclusion and diversity efforts in retirement and financial wellbeing plans	38%	39%	24%
Measure the competitive position of the retirement program	42%	35%	24%
Measure/project the expected retirement income adequacy of your employee population	26%	35%	39%
Enhance retirement program to focus on asset decumulation stage	10%	44%	46%
Evaluate phased retirement alternatives	6%	27%	68%
Offer an early retirement window	3%	7%	90%

Many employers are providing resources to help workers invest in a high inflation environment.

Five out of every six employers say the record high inflation has spurred them to act in 2022 or 2023. The most common action already taken is providing access to advisors who can provide guidance on investing when inflation is high. This year, employers are likely to ramp up communication to participants about investing in the current environment.



What actions are you likely to take this year, given inflation is at the highest it has been in decades?

		Among companies that have not completed recently		
	Completed recently/ Not needed	**Very likely**	**Moderately likely**	**Not at all likely**
Providing access to advisors who can provide guidance on investing in this environment	55%	3%	32%	65%
Having an inflation-specific investment (e.g. TIPS) in the plan	29%	4%	6%	90%
Providing access to tools that can model different inflation scenarios	25%	4%	29%	67%
Communicating to participants on how to invest in high inflation environments	13%	17%	30%	53%

Employers are taking multiple steps to expand diversity, equity and inclusion in their plans.

More than three-quarters of employers say they're likely to enhance the inclusion and diversity in their retirement plan, but relatively few are taking bold actions.

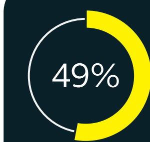
More than one-third of employers have sought input from focus groups, while most of the rest plan to do so in 2023. Just under 10% have changed their plan provisions to expand participation and savings opportunities.

In what ways do you plan on enhancing the inclusion and diversity within your retirement plan?

		Among companies that have not completed recently		
	Completed recently/ Not needed	**Very likely**	**Moderately likely**	**Not at all likely**
Evaluating communication materials	50%	62%	15%	23%
Leveraging employee resource groups to discuss retirement and financial wellbeing topics	37%	61%	30%	9%
Measuring financial wellbeing by different employee segments	33%	54%	29%	17%
Reviewing compensation by different demographic groups	22%	38%	30%	33%
Setting diversity and inclusion goals to be measured on recurring basis	21%	44%	49%	7%
Examining the culture and diversity of asset managers used in plans	10%	34%	51%	15%
Reassessing or changing the retirement and/or investment committee members to broaden the representation	8%	4%	81%	15%
Conducting employee focus groups to gather information	8%	38%	55%	6%
Changing plan provisions to expand participation and savings opportunities	8%	31%	58%	10%
Releasing data on the recruitment and/or promotion rates of under-represented groups	6%	21%	60%	19%

Financial wellbeing tools are not one-size-fits-all.

In recent years, employers have made a wide array of financial wellbeing tools, services and educational campaigns available to workers. For example, five years ago, only about one-third of employers provided help with budgeting, but now, more than 60% do.



of employers believe the importance of financial wellbeing programs has increased at their organization over the last two years. Only 1% say the focus has decreased.

Does your organization currently offer (or how likely is it to offer) services, tools or educational campaigns to address the following financial wellbeing topics?

	Financial wellbeing stage(s)	Already offer	Among employers that don't already offer		
			Very likely	**Moderately likely**	**Not at all likely**
Basics of financial markets and simple investing: The relationship between risk and return and the differences between stocks and bonds	Foundation, Growth	68%	22%	48%	30%
Budgeting: How to manage day-to-day expenses	Security	61%	29%	43%	29%
Financial planning: Creating a broad financial plan incorporating major purchases, medical expenses, retirement savings and income planning	Foundation, Growth and Freedom	56%	25%	41%	34%
Healthcare education and planning: Active medical expenses, HSAs, retiree medical planning and government-provided healthcare programs	All	49%	30%	38%	32%
Debt management: Debt reduction, credit counseling and credit score management	Security	50%	25%	39%	36%
Prioritizing savings: Emergency savings vs. debt reduction vs. retirement savings	Security	50%	39%	33%	28%
Assistance with saving for specific life stages: Emergency savings, home purchase and college savings	All	39%	20%	36%	43%
Assistance with emergency savings	Freedom	25%	25%	38%	38%
Assistance with post-retirement programs: Retiree forum or continuum, estate planning and retiree health expenses	Freedom	25%	8%	36%	57%

There is wide variance in the usage of financial wellbeing tools.

Workers are at different places on their path to financial freedom, so there will never be near-universal usage of tools and services. Most companies see usage of the various tools in the single digits, but some employers report much higher percentages.

	Median usage	Maximum reported
Basics of financial markets and simple investing	8%	40%
Budgeting	8%	25%
Healthcare education and planning	8%	75%
Financial planning	10%	30%
Debt management	5%	25%
Prioritizing savings	7%	25%
Assistance with establishing emergency savings	8%	25%
Assistance with post-retirement programs	6%	40%
Assistance with saving for specific life stages	8%	25%

Employers will measure the effectiveness of financial wellbeing programs by comparing usage to benchmarks.

More than 90% of employers plan to measure the results of their financial wellbeing programs. The most popular approach is by reviewing benefits usage.

In addition, nearly two-thirds of employers say they'll base the effectiveness of their financial wellbeing programs on improvements in employee engagement. A similar percentage is hoping for improvements in retirement plan statistics, like increased participation or decreased leakage.

How do you intend to measure the results of your financial wellbeing program?

Employee usage of benefits	77%
Employee engagement	67%
Retirement statistics (e.g. decreased leakage, higher participation rate)	47%
Medical costs (e.g. healthcare, disability, workers compensation)	12%
We do not intend to measure the results of our program	9%
Absenteeism	2%

Financial wellbeing programs are being offered because "it is the right thing to do."

There has been remarkable consistency over the past few years in terms of the top reasons employers are offering financial wellbeing programs.

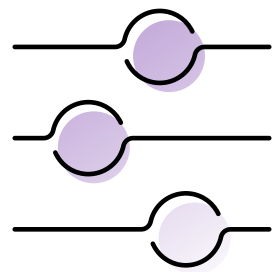
In every Hot Topics survey, we find more than 80% have a program because "it is right thing to do" and to "enhance the overall employee experience." According to Alight's ***2022 International Workforce and Wellbeing Mindset Study***, almost half of workers say the wellbeing programs offered by their employer enhance and improve their overall experience.

Why are you creating or expanding your financial wellbeing program?

	2023	2018
Believe it is the right thing to do	84%	81%
Enhance the overall employee experience	84%	84%
Increase employee engagement	67%	70%
To increase attractiveness and/or differentiate ourselves as an employer	59%	53%
Improved retirement statistics (e.g., improved adequacy, decreased leakage, higher participation rate)	34%	47%
Decrease employee time spent addressing financial issues (either on the job or through absenteeism)	31%	55%
Employees are asking for these types of benefits	22%	35%
Decreased medical costs (e.g., healthcare, disability, workers compensation)	9%	27%

Employers are shifting the focus of their financial wellbeing programs to helping workers grow their assets and achieve financial freedom.

Over the past few years as employers have added financial wellbeing tools, services, and educational campaigns, the focus has started to shift to more support for growing investments and financial freedom. Four years ago, more than one-third of employers said that the Security phase was most important, but now only about one-fifth consider it the most important.

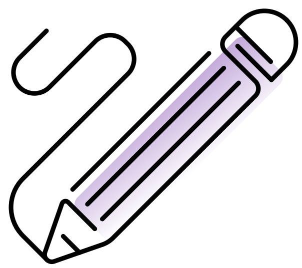


Four stages of financial wellbeing

	Explanation	Common mistakes	2023	2019
1 Security	Understanding income and expenses, managing debt	Overspending, not saving	21%	35%
2 Foundation	Establishing savings goals, understanding investments and insurance	Under-saving, backtracking	62%	56%
3 Growth	Maximizing asset growth, understanding investment vehicles	Focusing exclusively on market risk, leakage	12%	8%
4 Freedom	Estate planning, understanding social security options	Cashing out without researching, underestimating life expectancy	5%	1%

Student loan programs can be an attractive tool for attracting and retaining workers.

While the prevalence of student loan programs has increased over the last few years, they remain relatively rare. In fact, student loan consolidation programs are offered by fewer than one-third of employers. However, 61% of all workers — including more than 80% of Gen Z — say they would like their employers to help repay their student loans[1].



Does your organization currently offer (or how likely is it to offer) the following benefits related to student loans and college savings?

			Among employers that don't already offer		
		Already offer	**Very likely**	**Moderately likely**	**Not at all likely**
Student loan consolidation: Employer provides tool that helps consolidate and/or refinance existing student loans	2023	29%	8%	26%	66%
	2018	11%	15%	38%	47%
Student loan repayment assistance: Employer provides money to help pay off existing student loans	2023	10%	3%	19%	78%
	2018	5%	4%	34%	62%
College savings facilitation: Employer provides tool that allows for payroll contribution to 529 plan	2023	11%	3%	31%	66%
	2018	10%	7%	36%	57%
College savings assistance: Employer contributes money to 529 plan	2023	3%	0%	19%	81%
	2018	1%	2%	12%	86%
Employer money to defined contribution plan: Employer contributes to DC plan for workers who make student loan payments	2023	4%	7%	45%	48%
	2018	N/A	N/A	N/A	N/A

1 Alight ***Wellbeing Matters — Empowering Employees to Pursue Physical, Emotional and Financial Health***

Workers want more financial wellbeing resources from their employers.

Employers have made significant investments in financial wellbeing tools and resources, yet workers still want more. Alight's ***2022 International Workforce and Wellbeing Study*** shows worker demand is higher than what most employers think should be offered.

To what extent do you believe that employers should help workers with the following financial wellbeing topics?

	Employers should provide a tool to help workers with this topic	Employers should provide education only to help workers with this topic	It would be nice for employers to help, but not necessary	**Workers saying they would like help or specific advice on topic[2]**
Save for retirement/long-term needs	71%	19%	10%	61%
Create or manage a budget for personal expenses	32%	32%	33%	46%
Establish an emergency fund	28%	32%	36%	46%
Help with debt management	25%	36%	36%	55%
Save for short-term needs	23%	36%	36%	43%
Pay off all or a portion of student loans or refinance at a lower rate	23%	30%	41%	61%
Save for children's education	17%	39%	39%	54%

[2] Source: ***Alight Solutions 2022 International Workforce and Wellbeing Mindset Study***

Wellbeing programs go beyond finances.

Two-thirds of employers say that they have an integrated wellbeing program. In other words, financial wellbeing topics are part of a broader initiative to help workers have a healthy mind, body, wallet and life.

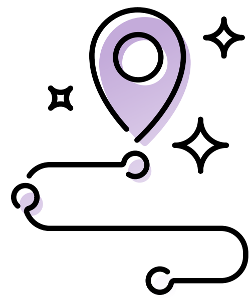
Nearly half of employers are very likely to incorporate reminders about the savings program in annual enrollment. **Alight research** shows employers that do this see increased participation and savings in their retirement plans.

How likely is your organization to address the following initiatives related to integrating retirement with health and welfare decisions?

	Very likely	Moderately likely	Not at all likely
Provide information to help employees decide between contributing to the HSA and the retirement plan	55%	32%	13%
Incorporate reminders and education about the savings program into annual enrollment communications	49%	23%	28%
Communicate the link between financial stress and health and wellbeing	30%	42%	28%
Provide employees with help on prioritizing and optimizing their health and retirement decisions	25%	14%	61%
Show projected healthcare costs in retirement projections	25%	38%	38%
Incorporate defined contribution plan elections in annual healthcare enrollment	23%	20%	57%
Include healthcare education and plan choices in the retirement commencement process	10%	26%	64%

Fewer employers say they have obstacles keeping them from fully executing their financial wellbeing strategy.

Over the past three years, employers have seen a reduction in obstacles preventing them from translating their financial wellbeing vision into reality. Virtually no one cites leadership buy-in as a problem, and budget constraints — while still common — are becoming less of a concern.



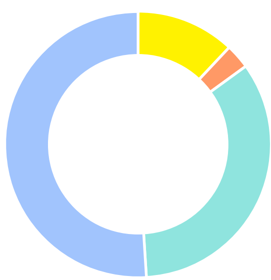
What, if any, are hurdles to executing your financial wellbeing strategy?

	2023	2020
Competing benefit priorities	67%	75%
Budget	46%	63%
Lack of internal resources to manage	33%	36%
Leadership buy-in	4%	18%
Organizational	13%	15%
No hurdles	21%	9%

Employers have not embraced the new ideas from the SECURE Act of 2019.

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 contains several novel retirement-related provisions. Pooled Employer Plans (PEPs) and lifetime income disclosures were headlines when the law was passed, but they have yet to make a dent in the retirement landscape. In fact, no employers say they are very interested in joining a PEP and all employers say the lifetime income disclosures have done nothing to change their opinion about in-plan lifetime income.

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



12%	Already have annuities in DC plan
3%	Very interested in annuities in DC plan
35%	Moderately interested in annuities in DC plan
51%	Not at all interested in annuities in DC plan

The SECURE Act did little to quell employer concerns about annuities.

Even though the SECURE Act was designed to help relieve fiduciaries' responsibilities for selecting an in-plan annuity provider, nearly half of employers say fiduciary concerns are a major reason they don't have annuities in their plans. Interestingly, this is the same percentage we saw in our ***2018 Hot Topics in Retirement and Financial Wellbeing survey*** five years ago.

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

	Major reason	Minor reason	Not a barrier
Fiduciary concerns	47%	24%	29%
Waiting to see the market evolve more	44%	18%	38%
Difficulty with participant communication	44%	21%	35%
Operational or administrative concerns	38%	38%	24%
Participant utilization concerns	32%	35%	32%
Not interested in making plan enhancements for terminated participants	21%	21%	59%
Preference for participants leaving the plan at termination	18%	18%	65%
Cost barriers	15%	35%	50%

Employers are focusing on increasing participation and contribution rates to the defined contribution plan.

When it comes to defined contribution plans, almost half of employers say they're satisfied with their current participation level. Among the half that is not satisfied, nearly all are likely to take steps to improve participation in 2023.

Other actions that appear likely are assessing long-term saving opportunities, addressing broad financial wellbeing and recognizing retirement readiness.

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: Having more eligible employees actively saving in the plan	48%	69%	22%	8%
Retaining assets: Encouraging individuals to keep their assets in the plan upon retirement or termination	41%	15%	44%	41%
Consolidating assets: Encouraging individuals to roll assets into the plan	39%	12%	50%	38%
Improving diversification: Having participants investing in a diversified asset mix with "appropriate" risk	35%	38%	42%	20%
Discouraging cash-outs: Encouraging terminated employees to keep their assets focused on retirement and not cashing out their retirement savings	33%	20%	28%	52%
Encouraging higher contribution rates: Supporting participants contributing more to help meet their future retirement needs	30%	46%	38%	17%
Minimizing leakage: Having employees avoid taking loans and withdrawals from the plan	26%	37%	22%	41%
Encouraging lifetime income: Supporting the process to have participants convert account balances to lifetime income	25%	15%	35%	50%
Assessing long-term savings opportunities: Understanding various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc.) and how to choose	17%	51%	32%	18%
Addressing broad financial wellbeing: Focusing on underlying reasons individuals do not participate or save more to the plan	17%	47%	39%	14%
Recognizing retirement readiness: Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	14%	51%	34%	15%

Financial wellbeing and retirement readiness are the top priorities for employers.

Addressing broad financial wellbeing is the top priority for one-third of employers, while another 29% feel the greatest focus should be placed on recognizing retirement readiness. This shows that defined contribution plans have moved beyond simple savings plans.

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

Addressing broad financial wellbeing: Focusing on underlying reasons individuals do not participate or save more to the plan	32%
Recognizing retirement readiness: Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	29%
Encouraging higher contribution rates: Supporting participants contributing more to help meet their future retirement needs	14%
Increasing participation: Having more eligible employees actively saving in the plan	10%
Assessing long-term savings opportunities: Understanding various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc) and how to choose	6%
Minimizing leakage: Having employees avoid taking loans and withdrawals from the plan	3%

Four-out-of-five employers examine DC plan statistics by demographic groups.

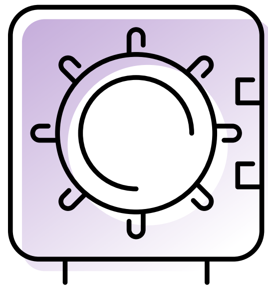
Most employers cut data by demographics like age and tenure when examining such key indicators as participation and savings rates, plan balances and withdrawal activity. Just 20% review their plan by looking solely at aggregated plan statistics. Despite the employer focus on DE&I initiatives, only one-in-six employers say they measure and analyze behavior by race and ethnicity, a percentage that is unchanged from last year. According to our **Winning with Wellbeing** research, white employees are more likely to participate in the savings plan than non-white employees.

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

We look at plan statistics in the aggregate only	20%
Age	71%
Tenure	64%
Gender	43%
Business unit	38%
Employment status (e.g. full-time vs. part-time)	28%
Race/ethnicity	17%
Veteran status	0%

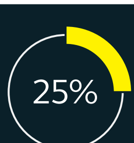
Only 1-out-of-10 employers want terminated participants to take their money out of the plan when they stop working.

Most employers say they have no preference when it comes to what people do with their money when they leave employment. However, the percentage of employers that prefer people keep their money in the plan is more than three times that which prefer terminated participants leave the plan.



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

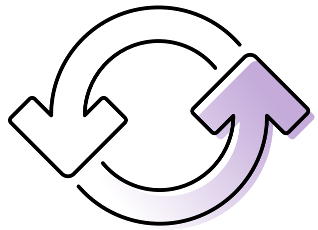
Prefer that all terminated employees remain in our plan.	16%
Prefer that terminated employees with a minimum balance remain in our plan.	16%
Prefer that terminated employees leave our plan.	10%
Have no preference.	57%



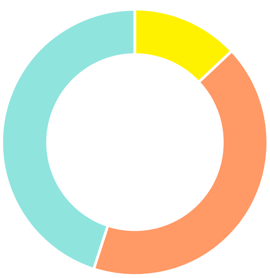
One-quarter of employers say they benchmark IRA amounts and destinations against industry benchmarks.

Most employers are interested in having retirement accounts automatically transfer between employer plans when people change jobs.

More than half (55%) of employers are very or moderately interested in having a clearinghouse service that will automatically transfer balances from one employer's plan to another employer's plan when people change jobs. In late 2022, **Alight joined other recordkeepers and Retirement Clearinghouse** to accelerate this solution.



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?

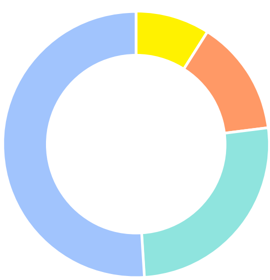


13%	Very interested in clearinghouse service
42%	Moderately interested in clearinghouse service
45%	Not interested in clearinghouse service

About half of employers are interested in ESG funds in the plan. Almost nobody is interested in adding cryptocurrency.

Currently, about one-quarter of employers say they have Environmental, Social and Governance (ESG) funds available to participants in their defined contribution plan, whether as a stand-alone option or through a self-directed brokerage window. Another one-quarter say they are interested but are waiting for more legal guidance. Conversely, employers have little appetite for digital assets like cryptocurrencies and non-fungible tokens. Currently, no one has them available and 96% say they are not interested in adding them.

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



9%	Already have ESG funds as a stand-alone investment option.
14%	Already have ESG funds available through a self-directed brokerage window.
26%	Are interested in adding ESG funds, but are waiting for more legal guidance on how to best provide them.
51%	At this time, we are not interested in providing ESG funds in the plan.

Note: The Hot Topics survey was conducted before the Labor Department finalized the ESG rule in late 2022.

High interest rates may fuel changes to defined benefit plans.

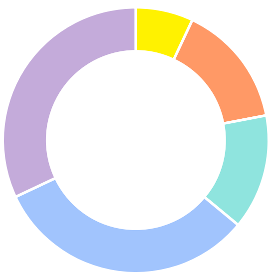
With interest rates at their highest levels in several years, some defined benefit plan sponsors are de-risking or terminating their plans. One-third say they are very or moderately likely to purchase annuities for at least some participants. Nearly 10% are in the process of terminating the plan and another 20% are interested in doing so when the funded status improves.

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

	Very likely	Moderately likely	Not at all likely
Close participation and no longer allow new employees to enter your defined benefit plan	13%	13%	75%
Freeze benefit accruals for all or a portion of participants	6%	3%	91%
Purchase annuities for some participants	17%	17%	65%
Reduce benefits but continue to offer a defined benefit plan	10%	25%	65%
Terminate the plan (remove all employer liability through lump-sum payout to participants or third-party annuity purchase)	6%	4%	90%

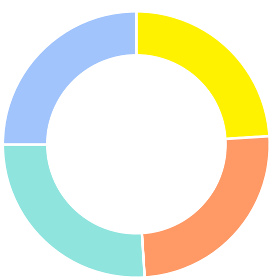
90	41,000	12,250
respondents with 3 million employees	average number employed by respondent	median number employed by respondent

Distribution of employer size



7%	Under 1,000 employees
16%	1,000–4,999 employees
14%	5,000–9,999 employees
32%	10,000–24,999 employees
32%	25,000+ employees

Distribution by DB plan status



24%	Ongoing plan
25%	Closed plan
26%	Frozen plan
25%	No plan

CONTACTS

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