2019 HOT TOPICS IN RETIREMENT
AND FINANCIAL WELLBEING

Building on the past, working toward the future

alight

About this report
The *2019 Hot Topics in Retirement and Financial Wellbeing* report is based on an annual survey that Alight Solutions administers to employers in an effort to capture the changes they intend to make to their retirement and financial wellbeing plans in the year ahead. The 2019 version is the 15th installment of the report and comes from the responses of nearly 175 organizations that employ 7.6 million workers. The survey was administered in the fall of 2018.

What's new for 2019
We have added a number of enhancements this year, including:
— More in-depth questions about financial wellbeing prevalence and attitudes
— A section on the actions employers take to try and reunite missing participants with their benefits
— The popularity of voluntary termination programs
— More attention to how employer sentiment has changed from prior *Hot Topics in Retirement and Financial Wellbeing* surveys

We thank you for your interest in this report and hope you find our data and insights valuable.

About Alight Solutions
As a leading provider of human capital solutions, we help our clients and their people navigate the complexity of health, wealth and HR. We combine data-driven, consumer-centered technology with personalized care and service to deliver a superior customer experience. Our dedicated colleagues across 19 global centers help more than 22 million people and their 18 million family members simplify work and life, both now and in the future. At Alight, we are reimagining how people and organizations thrive.

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Executive summary

This year marks the 15th version of Alight Solutions' annual *Hot Topics in Retirement and Financial Wellbeing* report. As part of our recognition of this anniversary, we looked back at how much has changed over the last decade-and-a-half. And make no mistake, very much has changed: The economy underwent a recession and a recovery, our mobile devices evolved from phones to pocket-sized computers, and millennials have surpassed baby boomers as America's largest generation.

These changes came along with shifts in the employer benefits space—particularly as they relate to retirement plans. When we compare today's data to some of the headlines from our *Hot Topics* reports that were issued five, 10 and 15 years ago, we find that many employer concerns have vanished—while other thoughts have evolved into new initiatives.

15 years of *Hot Topics*: A timeline of emerging trends leading to today

2005

Then	Now
Interpreting new laws like the safe harbor for automatic rollovers and force-outs from defined contribution plans.	Rollovers are still top of mind, but employers are now concentrating on how to keep participant balances in the plan. For every employer that prefers terminated participants leave the plan, there are more than six employers that want people to stay in the plan after leaving employment.
Sending out targeted communication to make sure workers appreciated their 401(k) plan.	Targeted communications are less about appreciation and more about action. In 2019, 11% of employers plan to send targeted communications about the impact of loans on retirement, up from 5% in 2018.
A continued legal controversy hovering over hybrid pension plans that made some plan sponsors apprehensive about shifting from a traditional DB plan to a cash balance or pension equity plan.	Even though hybrid plans are no longer embroiled in legal uncertainty, they are not a very appealing option to employers looking to change their pension plan. Instead, closing, freezing or terminating the plan are all more likely options for employers.

2009

Then	Now
Contemplating adding plan features like automatic enrollment, contribution escalation and automatic investment rebalancing.	Employers have embraced automatic enrollment, but are now turning their attention to the default investment option. Over two-thirds of employers are concerned about partial target-date fund usage and 40% believe target-date funds should incorporate more participant characteristics than just age.
Viewing the measurement of the retirement plan's competitive position as the most important initiative.	With the lines between retirement programs and other benefits blurring, it is more difficult to evaluate only the retirement plans. For example, 85% of employers now offer health savings accounts (HSAs) to their workers and the majority of them provide employer contributions to the HSAs.
Four out of every five DB plan sponsors having at least some of their workforce accruing pension benefits, with the vast majority having no intention of changing.	Relatively flat pension funding rates coupled with increased PBGC premiums have spurred many companies to freeze their benefits. Now, one-third of respondents say their DB plans are completely frozen and among the rest, 9% say they are very likely to freeze benefits this year.

2014

Then	Now
Starting to provide workers with financial benefits beyond the retirement plan.	Financial wellbeing is firmly entrenched in the benefits space. In the past five years, the percentage of employers that are very likely to add or expand their financial wellbeing benefits has more than doubled—from 30% to 65%.
Communicating to employees in an effort to have them increase savings rates.	When asked about the most important behaviors they would like to address with their workers, employers rank increasing savings rates behind other worker behaviors like addressing their broad financial wellbeing and recognizing what it takes to achieve retirement readiness.
DB plan sponsors beginning to contemplate pension de-risking activities like lump-sum windows for terminated participants.	De-risking remains a hot topic. Almost 70% of DB plan sponsors have recently offered a lump-sum window and 14% say they are planning to offer one in 2019.

This year’s themes

Of course, the *Hot Topics in Retirement and Financial Wellbeing* report is more than just looking back and comparing data against the past. A hallmark of this report has been to look into the crystal ball and see what employers intend to do in the year ahead. This year, three themes emerged:

1. Financial wellbeing programs will continue to expand. From helping new-to-the-workforce individuals pay off their student loans to assisting near-retirees with navigating the retirement process, employers are offering a bevy of tools, resources and educational campaigns designed to help workers gain more solid financial footing. In 2019, employers are concentrating most on finding ways to incorporate finances into broader wellbeing initiatives that include physical, emotional and social wellbeing.

2. Employers are focused on having participants keep their money in the defined contribution plan. Whether by expanding the lifetime income options in the plan or by dissuading workers from taking loans against their balances, employers are seeking ways to keep assets in the DC plan.

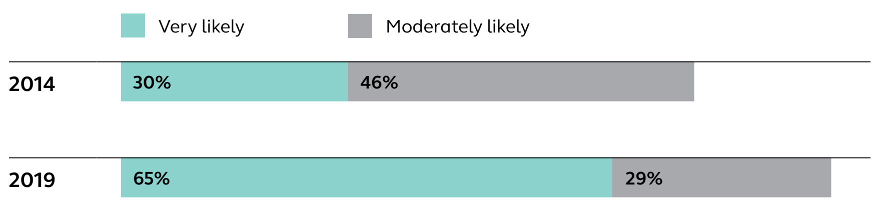
3. Most employers are vigilantly trying to locate missing participants. Employers use several methods—from address searches to first-class U.S. mail to phone outreach—to try and contact individuals who have benefits due to them. Moreover, employers often try to contact these missing participants multiple times; for example, when the person is reaching milestone benefit dates like normal retirement age or age 70½.

Employers are most focused on expanding their financial wellbeing programs.

64%
of employers say financial wellbeing has gained more importance at their organization over the last 2 years. No employers say its importance has lessened.

Employers are committed to expanding their financial wellbeing programs. Nearly two-thirds of employers say they are very likely to take steps in 2019 to create or focus on the financial wellbeing of their workers in ways that go beyond retirement savings. This percentage grew from 30% in 2014, including a 13-point increase from last year.

Creating or focusing on financial wellbeing beyond retirement decisions



How likely is your organization to address the following initiatives?

2019
2018

Initiative	Very likely 2019	Very likely 2018	Moderately likely 2019	Moderately likely 2018	Not at all likely 2019	Not at all likely 2018
Create or focus on financial wellbeing (beyond retirement decisions)	65%	52%	29%	39%	6%	9%
Measure the competitive position of the retirement program	47%	39%	35%	45%	18%	16%
Project the expected retirement income adequacy of the population	33%	31%	40%	44%	27%	25%
Implement initiative to address the retirement savings gap	28%	29%	47%	50%	25%	21%
Measure employee perceptions and/or suggestions for benefit improvements	19%	*New for 2019*	51%	—	30%	—
Evaluate phased retirement alternatives	4%	7%	30%	26%	66%	67%

Employers are helping workers navigate four stages of financial wellbeing.

At Alight, we believe people travel through four stages on their quest to be financially independent: security, foundation, growth and freedom. When we asked employers which stage they were most focused on, more than half listed foundation, followed by 35% who cited security. This marks an interesting shift in employer perspectives, since defined contribution plans have traditionally been more focused on growth.

Four stages of financial wellbeing

	Security	Foundation	Growth	Freedom
Explanation	Understanding income and expenses, managing debt	Establishing savings goals, understanding investments and insurance	Maximizing asset growth, understanding investment vehicles	Estate planning, understanding Social Security options
Common mistakes	Overspending, not saving	Under-saving, backtracking	Focusing exclusively on market risk, leakage	Cashing out without researching, underestimating life expectancy
Percentage of employers saying they are most focused on this stage	35%	56%	8%	1%

Workers have access to more financial wellbeing tools and services than ever before.

Employers continue to expand their suite of financial wellbeing programs. Now, half of all companies offer a tool, service or educational campaign to their workers about the basics of financial markets and simple investing. In 2019, employers will focus most on adding features that help workers decide between paying down debt, establishing an emergency fund or saving for retirement.

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)	**Company already offers** (change from 2018)	Among companies that do not already offer: Very likely to offer	Moderately likely to offer	Not at all likely to offer
Basics of financial markets and simple investing The relationship between risk and return and the differences between stocks and bonds	Foundation, Growth	**50%** (+4%)	35%	47%	18%
Budgeting How to manage day-to-day expenses	Security	**44%** (+9%)	35%	49%	16%
Health care education and planning Active medical expenses, health savings accounts, retiree medical planning and government-provided health care programs	All	**39%** (+5%)	34%	48%	18%
Financial planning Creating a broad financial plan incorporating major purchases, medical expenses, retirement savings and income planning	All	**38%** (+10%)	29%	45%	26%
Debt management Debt reduction, credit counseling, credit score management	Security	**32%** (+5%)	24%	47%	29%
Prioritizing savings Emergency savings vs. debt reduction vs. retirement savings	Foundation	**31%** (+4%)	44%	40%	16%
Assistance with saving for specific life stages Emergency savings, home purchase, college savings	All	**25%** (+3%)	34%	40%	26%

Employers firmly believe they should help their workers with saving for retirement and obtaining disability and life insurance.

Even with all the growth in financial wellbeing programs over the last several years, there is still a gap in employer beliefs regarding traditional and non-traditional financial programs. Employers overwhelmingly indicated that they believe they should be helping workers with saving for retirement and obtaining life and disability insurance, but they were more reluctant to say they should be assisting with saving for short-term needs or establishing a college savings fund. Instead, employers were more likely to say that it would be nice—but not critical—for employers to help their workers in these areas.

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

2019
2018

	Employers should definitely help workers (2019)	Employers should definitely help workers (2018)	It would be nice for employers to help, but not necessary (2019)	It would be nice for employers to help, but not necessary (2018)	Employees do not need help from their employers (2019)	Employees do not need help from their employers (2018)
Save for retirement/long-term needs	**83%**	84%	**16%**	16%	**1%**	0%
Obtain disability insurance	**72%**	71%	**25%**	28%	**3%**	1%
Obtain life insurance	**70%**	68%	**26%**	28%	**4%**	4%
Obtain identity protection services	**27%**	24%	**63%**	61%	**10%**	15%
Establish an emergency fund	**22%**	22%	**67%**	64%	**11%**	14%
Create or manage a budget for personal expenses	**20%**	19%	**72%**	73%	**8%**	8%
Save for children's education	**20%**	20%	**72%**	73%	**8%**	7%
Save for short-term needs	**19%**	18%	**69%**	74%	**12%**	8%
Help with debt management	**19%**	23%	**70%**	68%	**11%**	9%
Pay off all or a portion of student loans or refinance at lower rates	**16%**	18%	**76%**	69%	**8%**	13%

More employers are helping workers with student loans, but the overall prevalence of such programs remains relatively low.

While many companies may be interested in exploring student loan repayment programs, the overall number of companies that have such a program remains relatively low. At the beginning of 2019, only one out of every 20 companies has a program in place that provides money to workers to repay their student loans. It's much more common for employers to provide assistance to workers to consolidate and/or refinance their student loans.

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

		Among companies that do not already offer		
	Company already offers (change from 2018)	Very likely to offer	Moderately likely to offer	Not at all likely to offer
Student loan consolidation Employer provides tool that helps consolidate and/or refinance existing student loan	**17%** (+6%)	16%	45%	39%
College savings facilitation Employer provides tool that allows for payroll contribution to 529 plan	**14%** (+4%)	6%	34%	60%
Student loan repayment assistance Employer provides money to help pay off existing student loans	**5%** (0%)	11%	41%	48%
College savings assistance Employer contributes money to 529 plan	**0%** (-1%)	2%	18%	80%

Many employers view financial wellbeing programs as part of a broader wellbeing strategy.

For most employers, financial wellbeing tools, services and communication campaigns are part of a connected financial wellbeing strategy. Two years ago, more than one-quarter of employers had no intention of creating a broad strategy, but now that percentage has dropped by more than half. Additionally, the percentage of employers that are unifying their financial wellbeing programs with physical wellbeing initiatives has increased. Now, two-thirds of employers include financial wellness as a pillar of a program that includes other wellbeing initiatives like physical, social or emotional health.

What statement best describes your organization's development of a financial wellbeing strategy?

	2019	2018	2017
At this time, we do not intend to create a broad financial wellbeing strategy	12%	21%	28%
We are in the process of creating a financial wellbeing strategy	53%	49%	49%
We have created a financial wellbeing strategy and are in the process of executing on it	27%	23%	16%
Our financial wellbeing strategy is fully executed	8%	7%	7%

Integrating financial and other wellbeing programs

	2019	2018
We include financial wellness as a pillar of a wellbeing program that includes other aspects of wellbeing (e.g., physical, emotional, social)	67%	52%
Our financial wellbeing program is separate from other wellbeing programs	28%	24%
We have a wellbeing initiative, but nothing related to financial wellbeing	5%	22%
We have a financial wellbeing strategy, but no other wellbeing initiatives	0%	2%

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

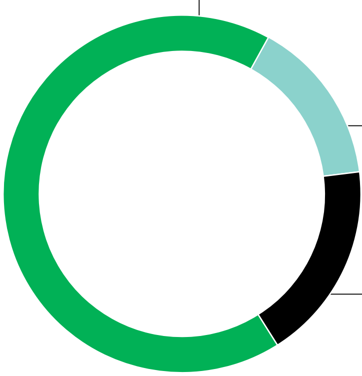
2019
2018

	Very likely	Moderately likely	Not at all likely
Incorporate reminders and education about the savings program into annual enrollment communications	**37%** 42%	**38%** 34%	**25%** 24%
Communicate the link between financial stress and health and wellbeing	**34%** 32%	**51%** 47%	**15%** 21%
Provide employees with help on prioritizing and optimizing their health and retirement decisions	**24%** 24%	**50%** 48%	**26%** 28%
Incorporate defined contribution plan elections in annual health care enrollment	**23%** 14%	**23%** 20%	**54%** 66%
Provide information to help employees decide between contributing to the HSA and the retirement plan	**22%** *New for 2019*	**50%** —	**28%** —
Include health care education and plan choices in the retirement commencement process	**18%** 23%	**27%** 32%	**55%** 45%
Show projected health care costs in retirement projections	**16%** 15%	**41%** 34%	**43%** 51%

More than 80% of employers with HSAs highlight the long-term savings appeal of the vehicle.

Health savings accounts (HSAs) are a natural link between health care and retirement saving because the dollars that workers contribute can be used for medical expenses either in the short term or down the road. Three-quarters of companies with HSAs send communications to workers that highlight both the near-term and long-term advantages of HSAs, and another 7% focus exclusively on the long-term savings benefits.

Prevalence of employer contributions to the HSA



67% Employer contribution for all employees enrolled in HSA-eligible plan

15% Employer contribution is contingent on employees contributing to HSA

18% No employer contributions to HSA

Do you offer a health savings account (HSA)?

	2019	2018
Yes	85%	80%
No, but we plan to add one in the upcoming year	2%	4%
No, and we have no plans to offer one	13%	16%

What statement best describes how you communicate the intent of the HSA to workers?

	2019	2018
Our communications focus equally on the HSA's ability to pay short-term medical expenses and long-term savings	75%	73%
We communicate more about the HSA's ability to act as a long-term savings vehicle	7%	7%
We communicate more about the HSA's ability to pay for medical expenses in the near term	18%	20%

Employers offer financial wellbeing programs to enhance the employee experience.

Employers cite many reasons for offering a financial wellbeing program, but the most popular response is "to enhance the overall employee experience." Half of employers indicated that they are offering a financial wellbeing program in an effort to improve retirement plan statistics.

Reasons for creating a financial wellbeing program

Enhance the overall employee experience	84%
We believe it is the right thing to do	82%
Increase employee engagement	72%
Increase attractiveness and/or differentiate ourselves as an employer	53%
Decrease employee time spent addressing financial issues	49%
Improve retirement statistics	49%
Employees are asking for these types of benefits	43%
Decrease medical costs (e.g., health care, disability, workers' compensation)	28%

Employers intend to measure the effectiveness of financial wellbeing tools and services by monitoring usage.

Many employers are still grappling with how to measure the effectiveness of the financial wellbeing program. In 2019, the most popular measurement among employers is to calculate the percentage of workers who are using the benefits.

Measures employers intend to use for financial wellbeing programs

Employee usage of benefits	76%
Employee engagement	58%
Retirement statistics (e.g., decreased leakage, higher participation rate)	51%
Medical costs (e.g., health care, disability, workers' compensation)	21%
We do not intend to measure the results of our program	10%
Absenteeism	9%

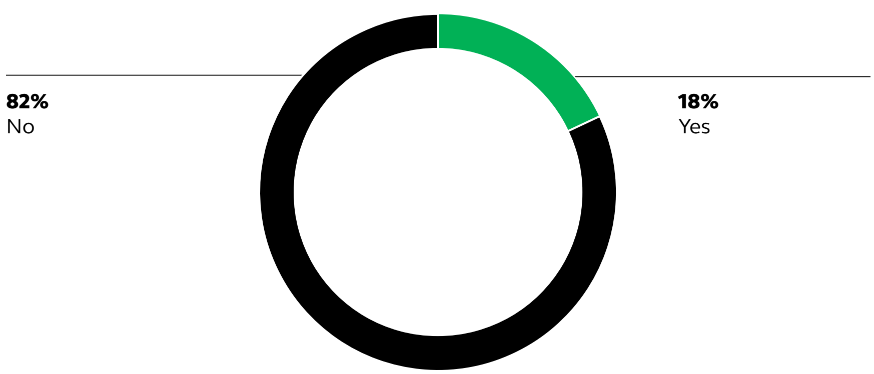
Since 2017, almost one out of every five employers has implemented a voluntary early retirement/separation program.

6%

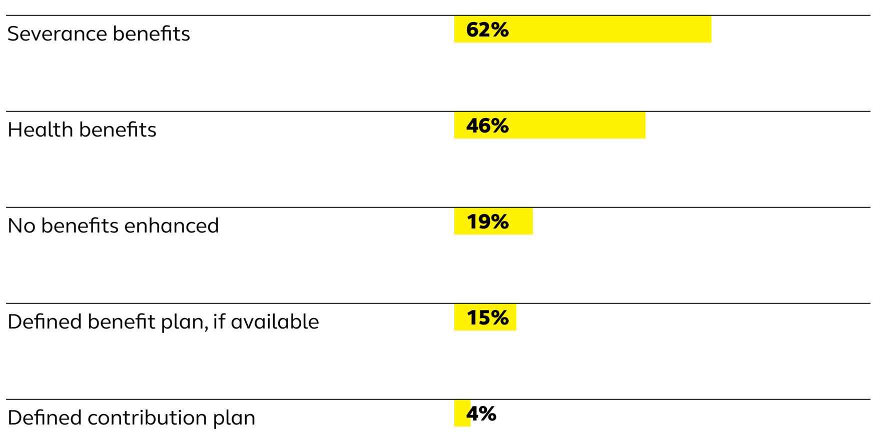
of employers say they will offer a voluntary early retirement/ separation program in 2019

It can be a strain on some employers if workers cannot afford to retire. As a result, over the last two years, 18% of employers had a voluntary early retirement/separation program for their workforce. More than 80% of these companies enhanced benefits in some way, with severance and improved health benefits as the most common enhancements.

Voluntary early retirement/separation programs in past two years



Benefits programs enhanced as part of early retirement/separation program



Employers are becoming more interested in helping participants understand how much income they need in retirement.

By their very nature, defined contribution plans require workers to make a myriad of decisions—from deciding whether or not to participate, to choosing how much to save, to figuring out where to invest the money. Over the past three years, employers' sentiments regarding the most important employee behavior to work on have changed. Addressing broad financial wellbeing continues to hold the number one spot from last year, but recognizing retirement readiness has been gaining ground. Now, more than one-quarter of employers believe the most important initiative in DC plans is helping workers develop a plan to reach their retirement savings goals.

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

	2019	2018	2017
Addressing broad financial wellbeing Focusing on underlying reasons individuals do not participate or save more in the plan	32%	30%	25%
Recognizing retirement readiness Helping participants understand their retirement savings needs and create individual plans to reach their retirement savings goals	27%	20%	16%
Encouraging higher contribution rates Supporting higher contribution levels to help participants meet their future retirement needs	16%	22%	28%
Minimizing leakage Encouraging employees to avoid taking loans and withdrawals from the plan	11%	9%	6%
Increasing participation Attaining a higher number of eligible employees who actively save in the plan	7%	8%	15%
Improving diversification Educating participants and assisting them to invest in a diversified asset mix with "appropriate" risk	4%	2%	7%
Encouraging lifetime income Supporting the process that enables participants to convert account balances to lifetime income	2%	2%	2%
Retaining assets Encouraging individuals to keep their assets in the plan upon retirement or termination	1%	2%	0%
Consolidating assets Encouraging individuals to roll assets into your plan	0%	2%	0%
Assessing long-term savings opportunities Increasing employee understanding of various options available (pre-tax, Roth, HSAs, college savings, stock programs, etc.) and how to choose	0%	2%	0%
Discouraging cash-outs Encouraging terminated employees to keep their assets focused on retirement and to avoid cashing out their retirement savings	0%	1%	1%

Half of employers are satisfied with their plan participation level.

Of course, few employers are investing in communications to improve behaviors they feel their workers already have under control. For example, an employer that has a plan with a 95% participation rate is unlikely to devote communications to reach the remaining 5% of the workforce. Employers say they feel least satisfied with their current levels of recognizing retirement readiness and assessing long-term savings opportunities.

Please indicate your organization's attitude on the importance of each aspect of employee behavior below and any plans to address the topic in 2019.

		Among companies not satisfied with current position		
	Satisfied with current position (change from 2018)	Very likely to address	Moderately likely to address	Not at all likely to address
Increasing participation	**48%** (+2%)	66%	27%	7%
Retaining assets	**35%** (+5%)	19%	38%	43%
Consolidating assets	**28%** (+1%)	11%	38%	51%
Encouraging higher contribution rates	**25%** (+4%)	63%	28%	9%
Discouraging cash-outs	**23%** (-1%)	21%	40%	39%
Improving diversification	**23%** (+4%)	47%	38%	15%
Encouraging lifetime income	**23%** (+9%)	23%	24%	53%
Minimizing leakage	**17%** (-2%)	37%	38%	25%
Addressing broad financial wellbeing	**16%** (+4%)	52%	34%	14%
Assessing long-term savings opportunities	**14%** (+4%)	43%	42%	15%
Recognizing retirement readiness	**9%** (0%)	56%	34%	10%

Two-thirds of employers say they will experience an increase in the number of retirees over the next three years, so many plans are adding more tools and resources to help with the retirement process.

By some accounts, 10,000 baby boomers are retiring every day. In response to this, almost half of employers are very likely to increase communication about the retirement process and another 45% are very likely to provide retirement planning education in the upcoming year.

How likely is your organization to take the following actions in 2019 to deal with the increase in retirement-eligible participants?

	Completed recently/Not needed (change from 2018)	Among companies that have not completed recently: Very likely	Moderately likely	Not at all likely
Providing retirement planning education to near-retirees	**26%** (+8%)	45%	40%	15%
Increasing the level of automation, self-service and/or web access	**24%** (+6%)	41%	34%	25%
Providing help with Social Security planning	**16%** (+6%)	24%	30%	46%
Increasing communication about the retirement process	**12%** (-3%)	52%	32%	16%
Outsourcing additional services to an outside party	**10%** (-6%)	6%	21%	73%
Providing help with Medicare planning	**10%** (-3%)	25%	34%	41%

More employers are adding lifetime income options to their plans.

As more workers reach retirement age, employers are looking for ways to help participants convert their balances into an income stream that lasts throughout retirement. Currently, most plan sponsors offer online modeling tools for individuals to estimate how much they can spend each year in retirement. It is much rarer to have lifetime income options with more guarantees, like in-plan annuities. Only about one out of every 10 plans has an in-plan annuity option.

How likely is your organization to offer the following features in your defined contribution plan to help participants convert their plan balances into lifetime income?

		Among companies that do not currently offer		
	Already offer (change from 2018)	Very likely	Moderately likely	Not at all likely
Online modeling tools or mobile apps to help participants determine how much they can spend each year in retirement	**76%** (+10%)	18%	50%	32%
Plan distribution option allowing participants to elect an automatic payment from the plan over an extended period of time	**57%** (+1%)	7%	25%	68%
Within the plan: Professional management (managed accounts) with drawdown feature (provider allocates participant assets for income and manages the annual amount paid from the plan)	**47%** (+8%)	5%	22%	73%
Within the plan: Managed payout funds (those with a specific annual target payout percentage with no insurance guarantees)	**18%** (+2%)	2%	18%	80%
Within the plan: Annuity or insurance products as part of fund lineup (e.g., guaranteed minimum withdrawal benefits, minimum annuity payout, fixed annuities, other)	**11%** (+1%)	1%	11%	88%
Facilitation to purchase annuities outside the plan as options for plan distributions	**9%** (-6%)	2%	13%	85%
Qualifying longevity annuity contract (QLAC) that permits an in-plan deferred annuity purchase	**1%** (+1%)	2%	12%	86%

Employers are reluctant to add in-plan annuity options because of fiduciary concerns.

For many years, employers have cited fiduciary concerns as a top barrier to adding in-plan income solutions. Once again, it occupies the top spot in 2019, with slightly more than half saying fiduciary concerns are a major reason for not adding an in-plan solution. However, even though employers are still concerned with the operational concerns of administering the plan, the percentage citing that as a major barrier dropped from 46% to 40% this year.

What are the reasons your organization does not intend to add in-plan income solutions?

2019 / 2018

	Major reason	Minor reason	Not a barrier
Fiduciary concerns	**53%** / 48%	**29%** / 34%	**18%** / 18%
Waiting to see the market evolve more	**45%** / 41%	**32%** / 34%	**23%** / 25%
Operational or administrative concerns	**40%** / 46%	**40%** / 33%	**20%** / 21%
Participant utilization concerns	**27%** / 34%	**40%** / 41%	**33%** / 25%
Difficulty with participant communication	**23%** / 18%	**45%** / 41%	**32%** / 41%
Cost barriers	**17%** / 22%	**35%** / 31%	**48%** / 47%
We are not interested in making plan enhancements for terminated participants	**17%** / 17%	**23%** / 29%	**60%** / 54%
Preference for participants leaving the plan at termination	**6%** / 5%	**18%** / 21%	**76%** / 74%

More than 60% of employers say the threat of lawsuits hampers their innovation.

The fiduciary concerns about adding in-plan annuities to DC plans are part of a larger narrative for employers. In today's litigious times, employers are concerned that being too innovative increases their chances of being sued. The percentage of employers citing the threat of lawsuits as a major factor hampering their innovation has tripled since last year.

Do you believe that the threat of lawsuits hampers your organization's ability to be more innovative?	**2019**	2018
Yes, the threat of lawsuits is a contributing factor—but not a major one	**49%**	49%
Yes, the threat of lawsuits is a major factor	**12%**	4%
No, the threat of lawsuits does not hamper our innovation	**39%**	47%

Five out of every six employers are concerned about the level of leakage from their plan.

The percentage of employers troubled by the number of outstanding loans in their plan increased from 76% in 2018 to 83% this year. In response, many employers are starting to take action to curb the amount of loan usage in their plan. The percentage of plans with a waiting period between paying off one loan and starting another increased from 22% in 2018 to 29% in 2019.

What actions, if any, is your organization likely to take with respect to plan loans in 2019?

		Among companies that have not completed recently		
	Completed recently (change from 2018)	Very likely	Moderately likely	Not at all likely
Allow terminated participants to continue loan repayments (via direct debit or other method) to reduce frequency of loan defaults	**55%** (-4%)	10%	23%	67%
Implement a waiting period between a loan payoff date and a new loan origination	**29%** (+7%)	9%	29%	62%
Study demographic data on the participants taking loans	**18%** (+7%)	28%	40%	32%
Reduce the number of loans available	**16%** (+1%)	3%	11%	86%
Target communication to those taking out a loan or who have a loan outstanding	**11%** (+6%)	20%	35%	45%
Increase loan origination fees	**9%** (-4%)	1%	11%	88%
Reduce the amount of balance eligible for loans (e.g., restrict to employee deferrals only)	**7%** (-1%)	2%	10%	88%
Add a service that assists participants with repaying a loan upon termination	**6%** (New for 2019)	2%	8%	90%
Increase education on the impact of loans on retirement income	**5%** (+2%)	38%	45%	17%
Collect data on the underlying reasons participants are taking loans	**4%** (+2%)	7%	28%	65%
Require participants requesting a loan to speak with a financial counselor prior to loan approval	**2%** (+1%)	4%	21%	75%
Eliminate loans from the plan	**0%** (0%)	0%	3%	97%

Only 5% of employers prefer that participants remove their balances from the plan when they stop working for the company.

Loans are not the only way money leaves the plan. Many participants take their money out of the plan when they terminate employment. All told, one-third of employers said they prefer that terminated employees remain in the plan. The percentage of employers that prefer terminated employees to remove their balances has dropped from 11% to 5% over the past five years.

33%

of employers prefer that terminated employees keep their balances in the plan

Preference for terminated employees to remain in the plan

Remain in the plan	12%
Remain in the plan with a minimum balance	21%
Leave the plan	5%
No preference	62%

More defined benefit plans are expected to close participation or freeze benefits in 2019.

As we look back over the past 15 years of *Hot Topics* reports, we find that perhaps the biggest change in the retirement space has occurred with defined benefit pension plans. As recently as five years ago, 52% of employers with DB plans had an open plan, but that percentage has dropped to 35% as of the beginning of 2019. While the pace of change appears to be slowing down, almost 10% of ongoing plans are very likely to close or freeze this year.

Defined benefit plan status

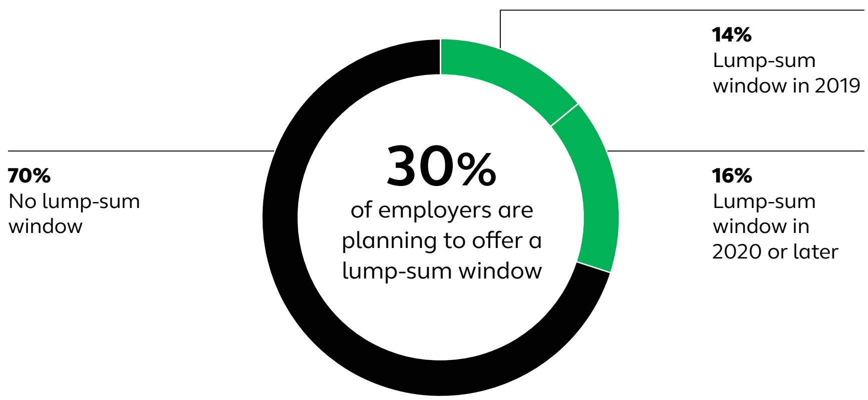
	2019	2014
Open, ongoing plan: At least some new hires are eligible to participate	35%	52%
Closed plan: Some or all current eligible employees still accrue benefit service, but new hires are not eligible to participate	32%	29%
Frozen plan: Benefit service is not accruing for any employees	33%	19%

What actions is your organization likely to take with respect to the defined benefit plan design in 2019?

	Very likely 2019	Very likely 2018	Moderately likely 2019	Moderately likely 2018	Not at all likely 2019	Not at all likely 2018
Freeze benefit accruals for all or a portion of participants	9%	12%	12%	13%	79%	75%
Purchase annuities for some participants	8%	11%	22%	24%	70%	65%
Close participation and no longer allow new employees to enter your defined benefit plan	5%	8%	11%	5%	84%	87%
Terminate the plan (remove all employer liability through lump-sum payout to participants or third-party annuity purchase)	4%	2%	7%	4%	89%	94%
Reduce benefits but continue to offer a defined benefit plan	1%	1%	5%	4%	94%	95%

Thirty percent of employers are planning to offer a lump-sum window.

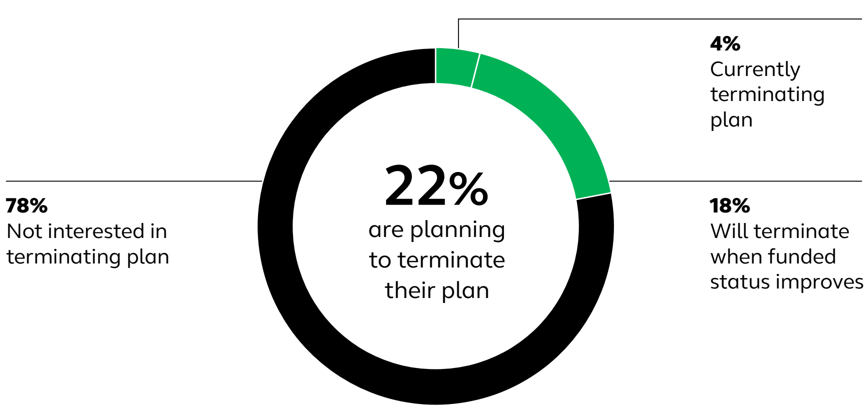
During recent years, lump-sum windows have become a popular way for employers to shed liabilities and headcount from their pension plans. Nearly 70% of employers have offered a window over the past few years, and 30% say they intend to implement one soon—14% in 2019 and 16% in 2020 or later.



Despite an increase in the PBGC premium rates, only one-third of employers plan to take action to reduce their premium amount.

The Pension Benefit Guaranty Corporation (PBGC) premium rates increased again for 2019, but fewer plan sponsors indicated that they will try to reduce premium amounts by shaving headcount or improving funded status. Almost one-quarter of employers indicated that they are interested in terminating the plan, either in 2019 or when its funded status improves.

Is your organization planning to take any action to decrease PBGC premiums?	2019	2018
Yes, we plan to increase our cash contributions over the next 2 years to reduce our premiums	13%	32%
Yes, we plan to borrow money to increase our cash contributions over the next 2 years	1%	5%
Yes, we plan to reduce the number of participants in the plan through our plan settlement strategies	29%	34%
No, we do not plan to take any action	63%	50%



Employers are frequently searching for missing participants.

With an increasingly mobile workforce, there are many people who are due retirement benefits from previous employers but have lost contact with those employers. While many employers are very committed to finding these people and paying the benefits, it can be challenging because people change addresses or phone numbers and don't think to notify their former employers of this change. Furthermore, because many companies are involved in merger or acquisition activity, the name of the company paying benefits in retirement may not be the same as when the person worked for the company, making contact between the former employer and the person even more challenging.

But employers persist. Although an annual search for missing participants is common, the majority of employers are searching more frequently than annually. More than one-quarter of employers are performing a search on a quarterly basis.[1]

How frequently do you attempt to locate missing participants?

	DC plans	DB plans
Monthly	6%	7%
Quarterly	27%	28%
Semi-annually	23%	18%
Annually	29%	38%
Never	3%	0%
Other/don't know	12%	9%

If a participant cannot be located, when do you attempt to locate the participant again?

	DC plans	DB plans
Monthly	2%	3%
Quarterly	18%	18%
Semi-annually	24%	19%
Annually	29%	33%
Normal retirement age	11%	17%
Other	16%	10%

1 The differences between the percentages for DB plans and DC plans do not necessarily indicate that employers have different policies in place between the two types of plans. Companies without DB plans did not answer the survey questions about DB plans, so the underlying respondent base is different between the questions.

Employers are using several methods to attempt to find participants who are due benefits.

Five years ago, the Department of Labor issued guidance that said plan sponsors should take at least the following steps to locate missing participants: use certified mail, check related plan and employer records, check with designated plan beneficiaries, and use free electronic search tools.[2] Today, we find that many employers use all of these methods in both their DB and DC plan. About one out of every six employers intends to change its search procedures, with more frequent searches being the most popular enhancement.

What steps are you taking to locate missing participants?

DC plans / DB plans

		Address search	Outreach via first class U.S. mail	If unresponsive, certified letter	Outreach via phone	Email
Any participant with a bad address (returned mail received)	DC plans	89%	44%	17%	15%	18%
	DB plans	95%	48%	18%	17%	20%
Participants approaching age 59½	DC plans	80%	45%	11%	12%	19%
	DB plans	91%	55%	25%	18%	25%
Participants approaching 409A commencement date	DC plans	78%	48%	19%	19%	26%
	DB plans	87%	51%	22%	22%	26%
Participants approaching age 70½ (i.e., earlier than required beginning date)	DC plans	80%	61%	30%	20%	21%
	DB plans	90%	62%	42%	26%	27%
Participants approaching the required beginning date for required minimum distributions	DC plans	82%	58%	30%	22%	23%
	DB plans	90%	61%	43%	30%	28%

How do you plan to change your search procedures?

	DC plans	DB plans
Address search more frequently	81%	79%
Certified letter	50%	64%
Outreach via phone	35%	29%
Outreach via first class U.S. mail	23%	29%
Email	35%	29%
Social media	12%	14%

2 U.S. Department of Labor Field Assistance Bulletin No. 2014-01

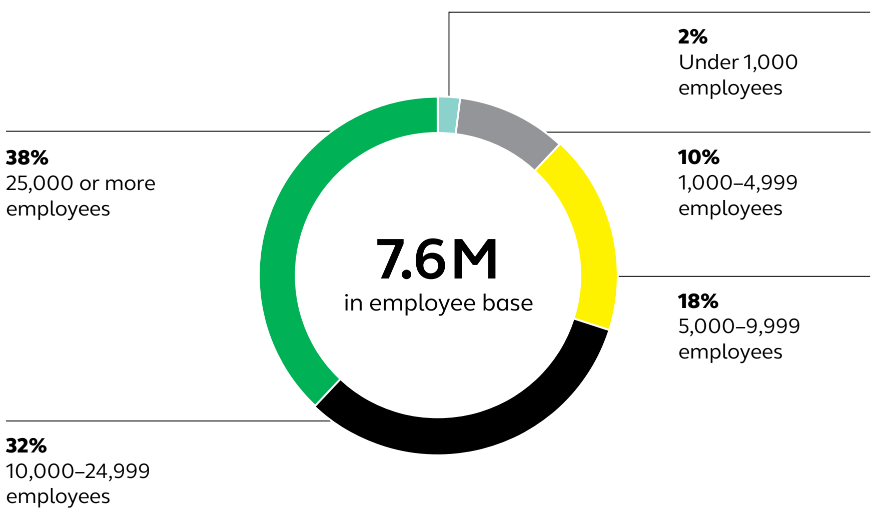
Respondent demographics

171
respondents with
7.6 million employees

44,500
average number
employed by respondent

17,000
median number employed
by respondent

Size of employee base



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