A CLEAR FOCUS ON CHANGE

2020 Hot Topics in Retirement and Financial Wellbeing

alight

Benefits | Payroll | Cloud

About Alight

Alight Solutions is a leading provider of integrated benefits, payroll and cloud solutions. With more than 15,000 professionals across 29 countries, Alight provides leading-edge benefits administration and ERP technology and services to more than 3,250 clients including 50% of the Fortune 500. Alight's combination of data-driven insights and technology expertise creates unique value for clients. Alight is a six-time member of IAOP's Global Outsourcing 100. Learn how Alight drives better business outcomes and employee wellbeing for organizations of all sizes at **alight.com.**

About this report

This 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 2020 version is the 16th installment of the report and comes from the responses from over 130 organizations that employ 5.5 million workers. The survey was administered in the fall of 2019.

What's new for 2020
This year's version of the Hot Topics report includes a number of new questions, including:

- A deeper dive on financial wellbeing features and hurdles
- A section on the actions employers take to remain in contact with their retirees
- The popularity of different retirement-related concepts being discussed in Washington, DC

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

Executive summary

It has long been said that the only constant in life is change and retirement plans are not immune to this. Over the last several years, there have been transformational changes, such as the passage of the Pension Protection Act and the broad migration from a defined benefit (DB) heavy system to one more reliant on defined contribution (DC) plans. At the same time, there have also been incremental changes, like employers focusing on de-risking their DB plan or supplementing their DC plan with decumulation strategies.

As we turn the calendar to the second decade of the new millennium, it seems appropriate to look back at how retirement plans have changed. This year marks the 16th annual version of Alight Solutions' *Hot Topics in Retirement and Financial Wellbeing* report and there is no better place to see how employer sentiment has changed when it comes to retirement and financial wellbeing benefits. This report is chock-full of data showing the current prevalence of everything from student loan programs to pension plan terminations.

Looking back at changes is only part of the equation. This report also examines the attitudes and preferences of employers for making changes in the year ahead. Based on the responses employers provided, 2020 should shape up to be a busy year for retirement and financial wellbeing plans:

1. **The breadth and depth of financial wellbeing programs are expanding.** Employers overwhelmingly say that they are most focused on expanding their financial wellbeing benefits. With two-thirds of employers saying that the importance of financial wellbeing has increased over the past two years, the expansion of financial wellbeing programs shows no signs of slowing down. This year, employers are taking a more holistic approach to wellbeing. Nearly three-quarters of employers say their financial wellbeing program is part of a broader focus on wellbeing to help workers create a healthy wallet, body, mind and life.

   When it comes to linking a healthy body with a healthy wallet, employers are increasingly likely to incorporate reminders about savings programs during annual enrollment. Nearly half of all employers say they are planning on folding education about the DC plan into annual enrollment communications. After all, this is a time when workers can vote with their paycheck dollars on the benefits they find most important to them. Additionally, one-third of employers are sharing information about the link between financial stress and overall health and wellbeing.

2. **Employers are helping people bridge the gap between working and retiring.** Two-thirds of employers think they will experience an increase in retirement-eligible workers over the next three years, and many are taking steps to help these individuals not only prepare for the transition to retirement, but to remain connected to the employer after leaving the company. Almost half of employers are going to ramp up their retirement planning education to near-retirees.

   Of course, workers can comfortably retire only when they have the financial resources to do so, and employers are taking action to help workers build their balances with the DC plan. Half of employers plan on taking actions to help workers save more, and most employers are likely to take some action to help curb loans from the plan. There has also been a big increase in the percentage of employers that prefer that terminated employees keep their balances in the plan. Now, 40% of employers want former employees to remain in the plan, up from 33% last year; only 7% prefer that these individuals leave the plan.

3. **Most employers are steadfastly searching for missing participants.** Employers are using multiple tools in their arsenal to try to find missing participants, and the frequency with which employers are looking for these individuals is increasing. More than 1 out of every 6 employers are looking for missing participants on a monthly basis—a percentage that has more than doubled over the past year.

We at Alight are thankful to the many employers that responded to this survey, and applaud the workers at these organizations who take the time throughout the year to ensure that retirement and financial wellbeing programs operate in a way to efficiently provide millions of workers with financial security. It is our hope that the benchmarking information in this report continues to propel change at employers and move the industry forward.

3 Hot Topics for DC plans:

1. Highlighting how DC plans can help improve overall wellbeing
2. Benchmarking plan distributions
3. Minimizing leakage from the plan

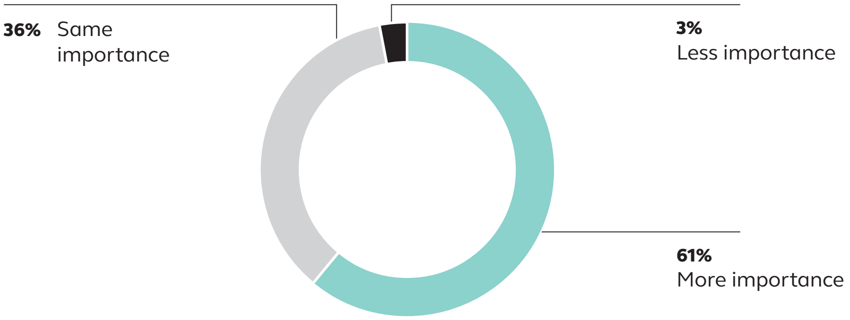
3 Hot Topics for DB plans:

1. Exploring retiree lump sum windows
2. Maintaining ongoing relationships with retirees
3. Researching lost participants

Financial wellbeing programs are the main focus for employers.

Far and away, financial wellbeing is the top priority for employers. Nearly all employers say they are likely to expand their financial wellbeing programs in ways that extend beyond the retirement plan, with two-thirds indicating that they are very likely to take action in 2020. Moreover, the fervor behind financial wellbeing is growing. More than 60% of employers think financial wellbeing has become more important at their organization over the past 24 months.

How has the importance of financial wellbeing changed within your organization in the past 24 months?



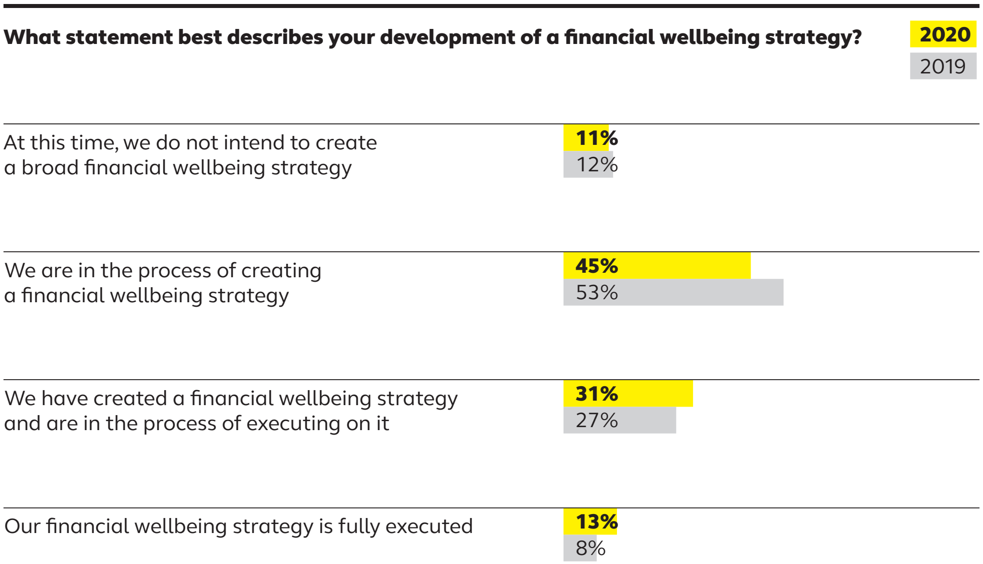
How likely is your organization to address the following initiatives?

2020
2019

	Very likely	Moderately likely	Not at all likely
Create or focus on financial wellbeing (beyond retirement decisions)	**66%** 65%	**26%** 29%	**8%** 6%
Measure the competitive position of the retirement program	**42%** 47%	**40%** 35%	**18%** 18%
Create or promote a network of benefits and solutions that are available to your employees	**27%** 33%	**46%** 40%	**27%** 27%
Project the expected retirement income adequacy of the population	**27%** 33%	**46%** 40%	**27%** 27%
Implement initiative to address the retirement savings gap	**24%** 28%	**52%** 47%	**24%** 25%
Measure employee perceptions and/or suggestions for benefit improvements	**23%** 19%	**44%** 51%	**33%** 30%
Evaluate phased retirement alternatives	**9%** 4%	**27%** 30%	**64%** 66%

Employers are strategically creating their financial wellbeing programs.

Financial wellbeing is a broad topic encompassing everything from debt management and budgeting to tax optimization and estate planning. Because of this complexity, most employers are taking a strategic approach to developing their programs. Compared to last year, there has been an uptick in the percentage of employers that have a fully executed strategy.



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

Employers are most focused on helping workers in the foundation stage of their financial wellbeing journey.

We believe that individuals travel through four stages on their path to financial independence: security, foundation, growth and freedom. When we look at the stages that employers are most focused on and compare it to the stage that most workers are in, there is an interesting discrepancy. Six out of 10 employers say they are focused most on the foundation stage. However, only 2 out of every 10 workers are in that stage. Conversely, more than 1 out of 3 workers are in the growth stage, yet only 8% of employers say they are most focused on this stage.

Part of the reason for the difference in these numbers can be explained by the current benefit infrastructure. Many large employers have mature DC plans that can help maximize assets in the growth phase, but historically there have been few tools and services available to assist those in the foundation stage.

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	32%	59%	8%	1%
Percentage of workers in this stage[1]	31%	21%	37%	11%

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[1] Alight Solutions, *Financial Mindset Study*, 2017

Employers continue to expand their suite of financial wellbeing programs.

Workers now have access to more employer-provided financial wellbeing tools and resources than ever before. This year marks the first year we have seen the prevalence of one topic cross over the 50% threshold, indicating that it is the norm, not the exception, for employers to help workers understand the basics of financial markets. By the end of this year, other topics such as budgeting, healthcare planning and financial planning are expected to be offered by a majority of employers as well.

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

			Among companies that do not already offer		
	Financial wellbeing stage(s)	**Company already offers** (change from 2018)	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	**62%** (+12%)	29%	40%	31%
Budgeting How to manage day-to-day expenses	Security	**47%** (+3%)	33%	40%	27%
Healthcare education and planning Active medical expenses, health savings accounts, retiree medical planning and government-provided healthcare programs	All	**45%** (+6%)	23%	55%	22%
Financial planning Creating a broad financial plan incorporating major purchases, medical expenses, retirement savings and income planning	Foundation, Growth, Freedom	**43%** (+5%)	26%	43%	31%
Prioritizing savings Emergency savings vs. debt reduction vs. retirement savings	Security	**37%** (+6%)	37%	36%	27%
Debt management Debt reduction, credit counseling, credit score management	Security	**36%** (+4%)	18%	49%	33%
Assistance with saving for specific life stages Emergency savings, home purchase, college savings	All	**28%** (+3%)	27%	26%	47%
Assistance with post-retirement programs Retiree forum or continuum, estate planning, retiree health expenses	Freedom	**24%** (New)	11%	26%	63%

Most employers believe they should help workers across a wide spectrum of financial topics.

When we asked employers about specific financial wellbeing topics, we found that many of them are expanding into nontraditional areas. While traditional topics such as providing a retirement plan and insurance options remain the most common, there is growing interest in offering more tools for the emerging topics of budgeting and identity protection services.

To what extent do you believe 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	Employees do not need help from their employers	Percent of workers who want help from their employer on this topic[2]
Save for retirement/ long-term needs	73%	22%	5%	0%	88%
Obtain disability insurance	72%	17%	8%	3%	84%
Obtain life insurance	71%	19%	8%	2%	81%
Obtain identity protection services	32%	32%	32%	3%	50%
Create or manage a budget for personal expenses	30%	20%	47%	3%	36%
Establish an emergency fund	23%	35%	36%	6%	44%
Help with debt management	23%	34%	38%	5%	46%
Save for short-term needs	22%	29%	42%	7%	45%
Save for children's education	21%	36%	41%	2%	47%
Pay off all or a portion of student loans for refinance at lower rates	19%	27%	45%	9%	46%

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[2] Alight Solutions, *Financial Mindset Study*, 2017

Few employers offer student loan benefits.

Student loan programs remain a hot topic of discussion among several employers, but according to this survey data there has not been much change from 2019. Only 6% of employers offer assistance with student loan repayment, up just one percentage point from last year.

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

2020
2019

		Among companies that do not 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	**21%** 17%	**16%** 16%	**46%** 45%	**38%** 39%
College savings facilitation Employer provides tool that allows for payroll contribution to 529 plan	**15%** 14%	**5%** 6%	**41%** 34%	**54%** 60%
Student loan repayment assistance Employer provides money to help pay off existing student loans	**6%** 5%	**8%** 11%	**33%** 41%	**59%** 48%
College savings assistance Employer contributes money to 529 plan	**3%** 0%	**2%** 2%	**17%** 18%	**81%** 80%
Employer money to defined contribution plan Employer contributes to DC plan for workers who make student loan payments	**1%** *New for 2020*	**3%** —	**35%** —	**62%** —

28% of workers say they have student loans and **46%** of them say that student loans significantly impact their ability to save for the future[3].

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[3] Alight Solutions, *Health and Financial Wellbeing Mindset Study*, 2019

Financial wellbeing is part of a broader total wellbeing initiative.

Employers are overwhelmingly saying that their financial wellbeing program should be integrated with other wellbeing initiatives to help workers create a healthy wallet, body, mind and life. Nearly three-quarters of employers say that they include financial wellbeing as a pillar of a broader wellbeing program—an increase of 20 percentage points over the last two years.

What statement best describes your organization's approach to financial wellbeing and other wellbeing?

Employers are taking many steps to link health and wealth.

When it comes to integrating financial wellbeing programs with physical health, employers are most likely to incorporate reminders about the savings programs in annual enrollment. Among the 87% of responding employers that have a health savings account (HSA), one-quarter plan on providing information to workers to help them decide how much to contribute to the HSA versus the retirement plan. This can be particularly helpful for workers at organizations that have employer-provided contributions to the HSA. According to Alight's *Annual Hot Topics in Health,* 74% of employers that offer an HSA make a contribution, through a match or not..

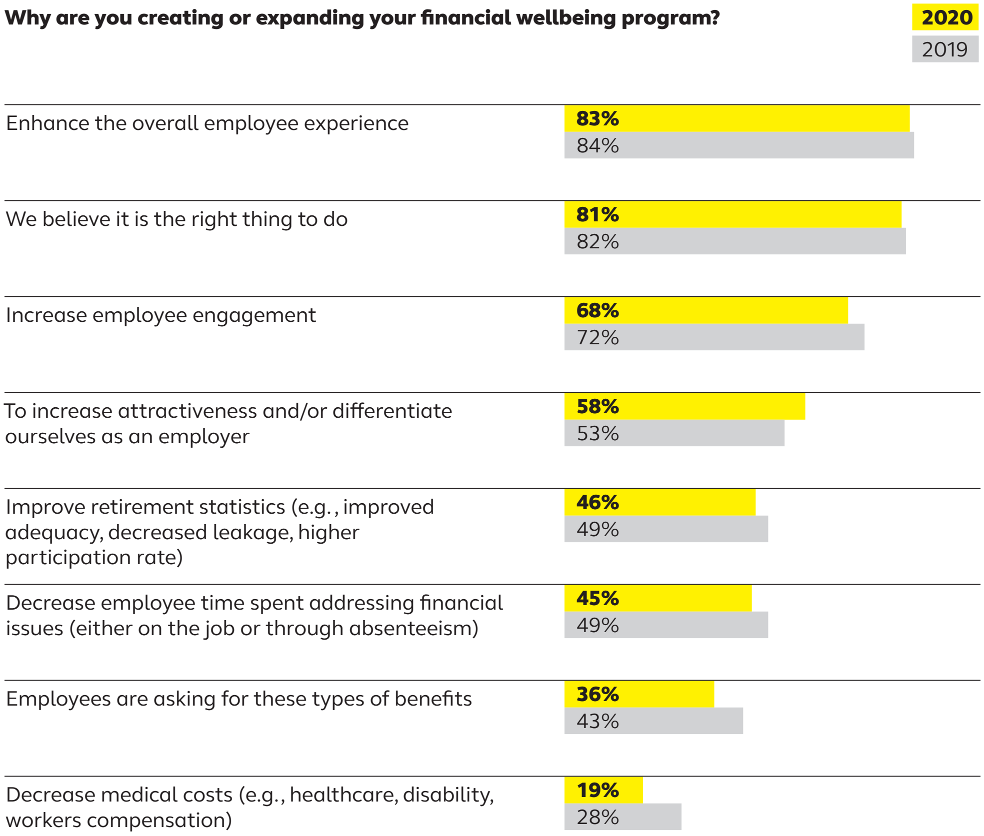
How likely is your organization to address the following initiatives related to integrating retirement with health and welfare decisions?

2020
2019

	Very likely	Moderately likely	Not at all likely
Incorporate reminders and education about the savings program into annual enrollment communications	**42%** 37%	**23%** 38%	**35%** 25%
Communicate the link between financial stress and health and wellbeing	**33%** 34%	**46%** 51%	**21%** 15%
Incorporate defined contribution plan elections in annual healthcare enrollment	**26%** 23%	**15%** 23%	**59%** 54%
Provide information to help employees decide between contributing to the HSA and the retirement plan	**25%** 22%	**42%** 50%	**33%** 28%
Provide employees with help on prioritizing and optimizing their health and retirement decisions	**23%** 24%	**47%** 50%	**30%** 26%
Include healthcare education and plan choices in the retirement commencement process	**17%** 18%	**29%** 27%	**54%** 55%
Show projected healthcare costs in retirement projections	**15%** 16%	**31%** 41%	**54%** 43%

More than 4 out of 5 employers say they are enhancing their financial wellbeing program because “it is the right thing to do.”

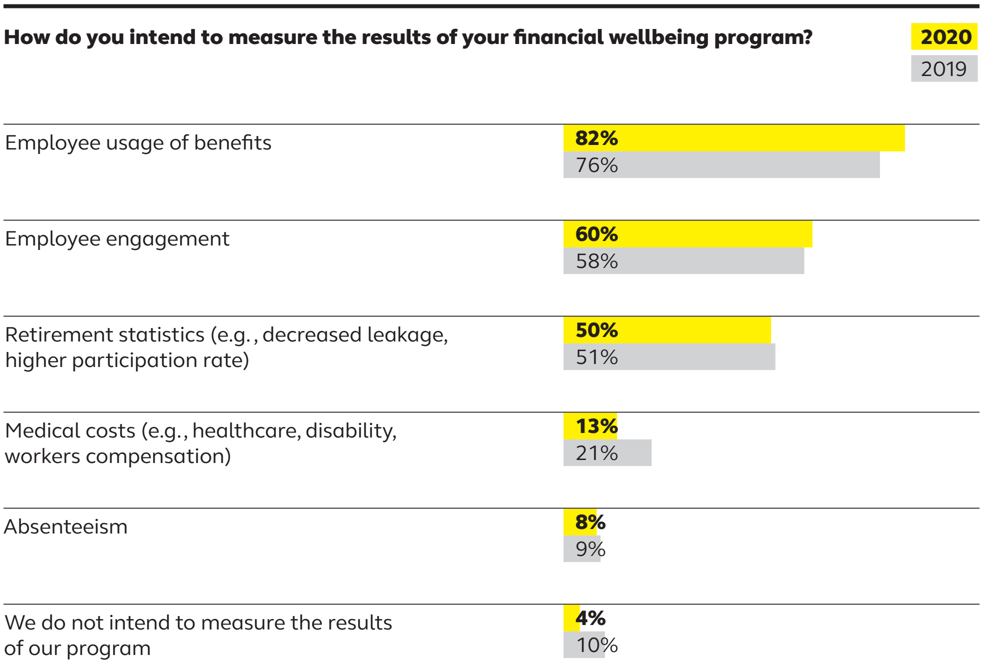
Consistent with the results from prior years, employers are building their financial wellbeing programs for mainly altruistic reasons. Eighty-three percent say it is to enhance the overall employee experience, and early indications are that this seems to be working. According to Alight’s 2019 *Health and Financial Wellbeing Mindset Study,* 70% of workers say that wellbeing programs are one of the reasons they stay at their employer—an increase of 20 percentage points over the last five years.



Why are you creating or expanding your financial wellbeing program?

Employee usage of financial wellbeing benefits will dictate their effectiveness.

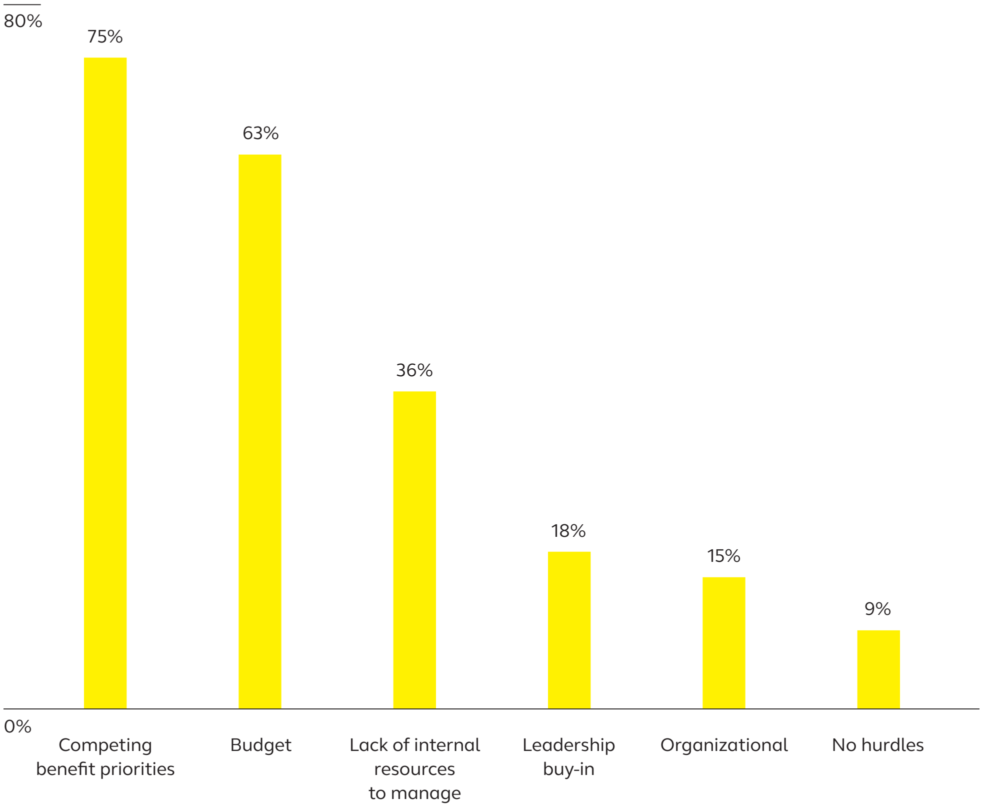
When it comes to measuring the results of financial wellbeing programs, most employers say they will initially gauge the effectiveness by how many employees are using the services and tools. Compared to last year, there was a reduction in the percentage that said that they are using decreased medical costs as a barometer for financial wellbeing effectiveness.


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

Most employers have some obstacles to overcome before they can fully execute their financial wellbeing strategy.

Even with all of the advancements in financial wellbeing programs over the past few years, more than 9 out of every 10 employers say they face some internal hurdles that keep them from fully realizing their financial wellbeing strategy. For most, the barriers are time and money. Three-quarters of employers say that competing benefit priorities are a hurdle and almost two-thirds state that budgets are a constraint.

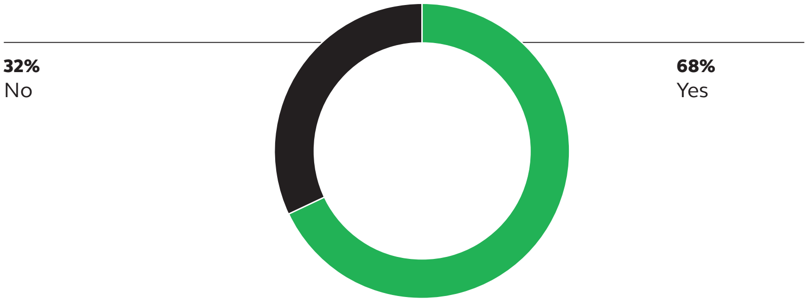
What, if any, are hurdles to executing your financial wellbeing strategy?



Employers are taking steps to help people bridge the gap between working and retiring.

It should come as no surprise that two-thirds of employers think they will have an influx of retirements over the next couple of years. After all, the middle of the baby boomer generation is age 65 in 2020. In response, employers are likely to increase communication about the retirement process and provide more retirement planning education to near-retirees.

Do you believe that your organization will experience an increase in retirement-eligible participants over the next three years?



Which of the following actions does your organization plan to take to deal with the increase in retirement-eligible participants in 2020?

		Among companies that have not completed recently		
	Completed recently	Very likely	Moderately likely	Not at all likely
Providing retirement planning education to near-retirees	**19%**	45%	37%	18%
Increasing the level of automation, self-service and/or web access	**17%**	44%	34%	22%
Providing help with social security planning	**14%**	23%	36%	41%
Providing help with Medicare planning	**12%**	15%	45%	40%
Outsourcing additional services to an outside party	**11%**	6%	22%	72%
Increasing communication about the retirement process	**11%**	46%	44%	10%

Sixty percent of employers want to remain connected with their retirees.

The majority of employers would like to keep a relationship with their retirees. Currently, one-quarter of employers have a way to interact with their retirees and a similar number say that their retirees have developed an independent forum where they collaborate. Common educational topics for retirees include retiree health and post-retirement financial education.

Which statement best reflects your organization's interactions with your retiree population?

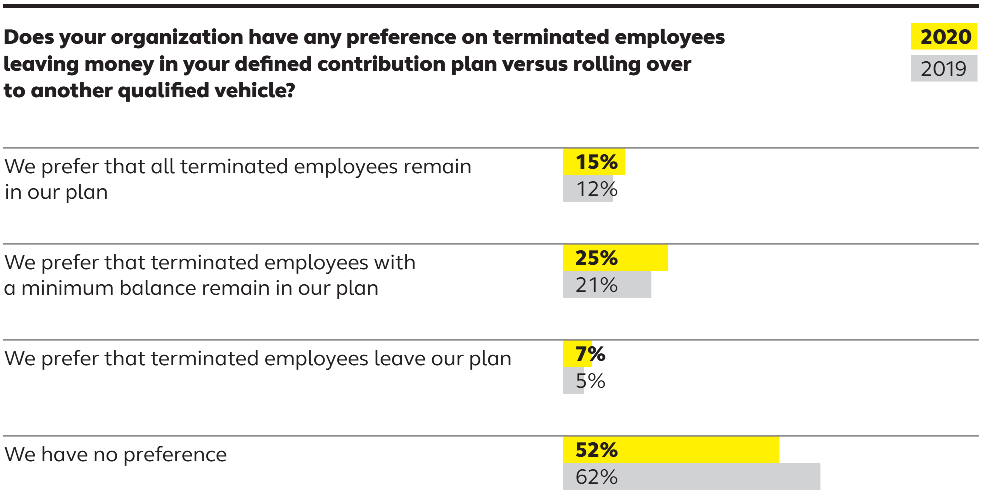
We have no formal process in place for interacting with retirees and are not interested in developing one	**40%**
We currently do not have a method to interact with retirees, but are interested in developing one	**12%**
Our retirees have developed an independent forum where they collaborate	**23%**
We currently have a way to interact with our retirees	**25%**

What types of education and communications do you offer or plan to offer to your retiree population in 2020?

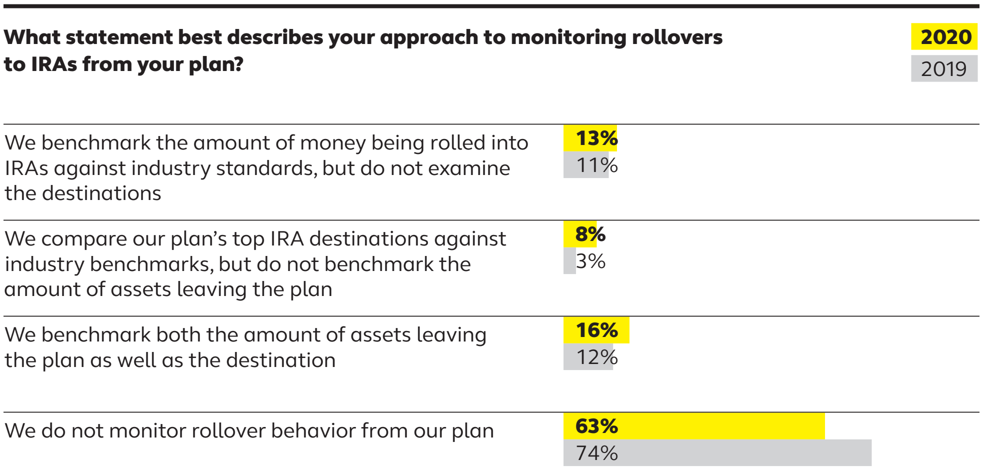
		Among companies that do not currently offer		
	Currently offer	Very likely	Moderately likely	Not at all likely
Support through call center and website	**73%**	9%	13%	78%
Retiree health	**38%**	4%	13%	83%
Mental health	**18%**	0%	14%	86%
Post-retirement financial education	**17%**	0%	14%	86%
Estate planning	**13%**	2%	10%	88%
Budgeting for one-time expense	**5%**	1%	6%	93%
Automatic donation from retirement check to a charity	**5%**	0%	5%	95%

An increasing percentage of employers prefer that terminated workers keep their balances in the DC plan.

In 2020, almost 40% of employers want former workers to remain in the DC plan—an increase of nine percentage points from 2019. Perhaps because of this desire, there is increased scrutiny being paid to IRA rollovers. From 2019 to 2020, the percentage of employers that do some sort of benchmarking on the money leaving their plans and going to IRAs increased from 26% to 37%. Specific attention is being paid to the destinations of the IRA rollovers. Now, nearly-one quarter of employers say they are benchmarking where the money goes, up from 15% last year. Additionally, a majority of employers say they are interested in an automatic rollover program that can help people who are subject to mandatory distributions (<$5,000) consolidate retirement savings into their current employer's plan[4].



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



What statement best describes your approach to monitoring rollovers to IRAs from your plan?

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[4] See page 24 for more information

Employers are looking for ways to help workers convert their DC balances to lifetime income, but many concerns are keeping them from adding in-plan annuity options.

With DC plans now firmly entrenched as the primary retirement vehicle for most of the workforce, employers are looking for ways to help people convert their balances into an income stream for life. While there are many in-plan options available, employers have worries about adding them. Fiduciary concerns remain one of the biggest hurdles with 60% of employers indicating they are a major reason—an increase from 53% last year. The concern over the cost of in-plan solutions also grew. In 2019, 17% of employers said that the price of in-plan solutions was a major barrier, but in 2020 the percentage rose to 30%.

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	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%**	22%	30%	48%
Plan distribution option allowing participants to elect an automatic payment from the plan over an extended period of time	**65%**	10%	31%	59%
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)	**43%**	10%	20%	70%
Within the plan: Managed payout funds (those with a specific annual target payout percentage with no insurance guarantees)	**17%**	5%	20%	75%
Facilitation to purchase annuities outside the plan as options for plan distributions	**11%**	1%	13%	86%
Within the plan: Annuity or insurance products as part of fund lineup (e.g., guaranteed minimum withdrawal benefits, minimum annuity payout, fixed annuities, other)	**9%**	1%	15%	84%
Qualifying longevity annuity contract (QLAC) that permits an in-plan deferred annuity purchase	**3%**	0%	7%	93%

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

2020
2019

	Major reason	Minor reason	Not a barrier
Fiduciary concerns	**60%** 53%	**21%** 29%	**19%** 18%
Operational or administrative concerns	**52%** 40%	**33%** 40%	**15%** 20%
Waiting to see the market evolve more	**50%** 45%	**30%** 32%	**20%** 23%
Cost barriers	**30%** 17%	**40%** 35%	**30%** 48%
Difficulty with participant communication	**29%** 23%	**36%** 45%	**35%** 32%
Participant utilization concerns	**28%** 27%	**42%** 40%	**30%** 33%
We are not interested in making plan enhancements for terminated participants	**21%** 17%	**17%** 23%	**62%** 60%
Preference for participants leaving the plan at termination	**5%** 6%	**17%** 18%	**78%** 76%

Employers say they are most focused on addressing broad financial wellbeing and encouraging higher savings rates.

While lifetime income is important to many employers, it is the main priority for only a handful of them. Instead, most employers believe that addressing broad financial wellbeing and encouraging higher contribution rates are the most important behaviors to address.

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 in the plan	**26%**
Encouraging higher contribution rates Supporting higher contribution levels to help participants meet their future retirement needs	**23%**
Recognizing retirement readiness Helping participants understand their retirement savings needs and having plans in place to reach retirement savings goals	**16%**
Minimizing leakage Having employees avoid taking loans and withdrawals from the plan	**13%**
Increasing participation Having more eligible employees actively saving in the plan	**13%**
Improving diversification Having participants investing in a diversified asset mix with “appropriate” risk	**4%**
Encouraging lifetime income Supporting the process to have participants convert account balances to lifetime income	**2%**
Discouraging cash-outs Encouraging terminated employees to keep their assets focused on retirement and not cashing out their retirement savings	**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%**
Consolidating assets Encouraging individuals to roll assets into your plan	**0%**

Most employers would like to see improved DC plan statistics.

Of course, employers will not be investing time and energy on communications to improve behaviors that are already under control. For example, a plan with a 99% participation rate would not be very likely to try and reach the remaining 1%. Consistent with prior years, participation remains the topic with the highest degree of satisfaction among plan sponsors. However, it should be noted that fewer than half of the employers are content with their participation rate.

Please indicate your organization's attitude on the importance of each aspect of employee behavior below and any plans to address the topic in 2020.

		Among companies not satisfied with current position		
	Satisfied with current position	Very likely to address	Moderately likely to address	Not at all likely to address
Increasing participation	**47%**	66%	23%	11%
Consolidating assets	**25%**	18%	36%	46%
Encouraging higher contribution rates	**22%**	62%	30%	8%
Improving diversification	**22%**	44%	36%	20%
Retaining assets	**21%**	18%	39%	43%
Discouraging cash-outs	**21%**	19%	32%	49%
Encouraging lifetime income	**20%**	12%	36%	52%
Minimizing leakage	**18%**	33%	47%	20%
Addressing broad financial wellbeing	**18%**	46%	33%	21%
Assessing long-term savings opportunities	**12%**	18%	39%	43%
Recognizing retirement readiness	**11%**	47%	38%	15%

Eighty-four percent of employers are concerned about the level of loan usage in their plan.

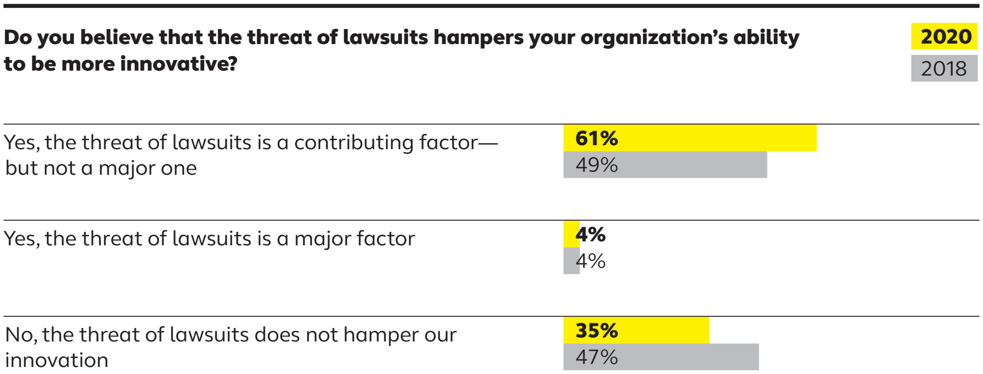
With more than 5 out of every 6 employers concerned about the level of loans from their plan, leakage from plans is coming under the microscope. Employers say that they are most likely to increase education about the impact of loans and to study the demographic data on people taking loans. Few employers are very likely to take more sweeping measures such as reducing the number of loans available or restricting the balance that is loan eligible.

What actions, if any, is your organization likely to take with respect to plan loans in 2020?

		Among companies that have not completed recently		
	Completed recently	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	**58%**	13%	22%	65%
Implement a waiting period between a loan payoff date and a new loan origination	**23%**	15%	29%	56%
Study demographic data on the participants taking loans	**14%**	28%	36%	36%
Increase education on the impact of loans on retirement income	**10%**	39%	36%	25%
Target communication to those taking out a loan or who have a loan outstanding	**9%**	16%	37%	47%
Reduce the number of loans available	**8%**	8%	15%	77%
Add a service that assists participants with repaying a loan upon termination	**7%**	4%	11%	85%
Increase loan origination fees	**6%**	5%	11%	84%
Reduce the amount of balance eligible for loans (e.g., restrict to employee deferrals only)	**6%**	5%	5%	90%
Collect data on the underlying reasons participants are taking loans	**4%**	13%	20%	67%
Require participants requesting a loan to speak with a financial counselor prior to loan approval	**1%**	1%	23%	76%
Eliminate loans from the plan	**0%**	1%	0%	99%

The threat of lawsuits hampers innovation in DC plans.

Some employers feel that it is difficult to take bold actions without putting a target on their backs, and the sentiment is growing. Over the past two years, the percentage of employers that feel that lawsuits hamper their innovation has grown from 53% to 65%.

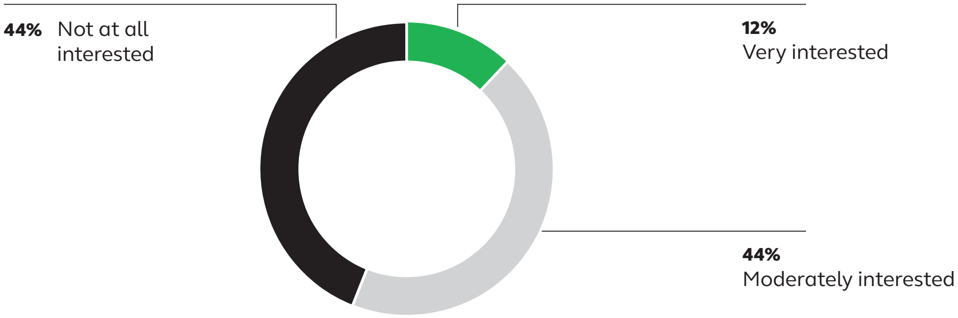


Do you believe that the threat of lawsuits hampers your organization's ability to be more innovative?

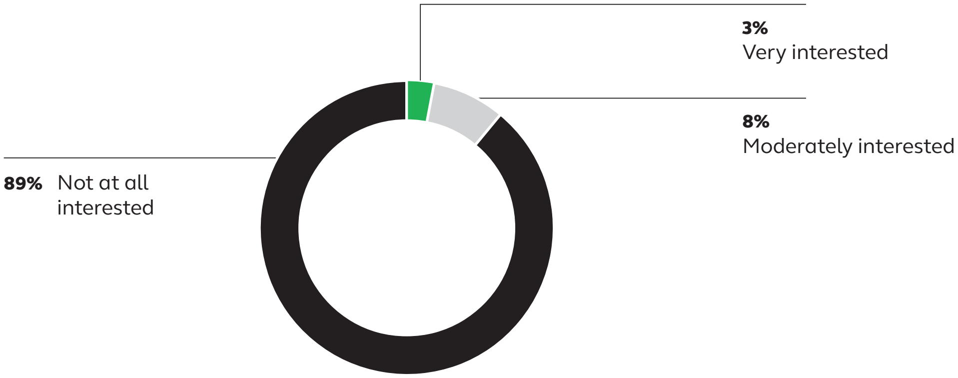
A majority of employers are interested in a service that automatically rolls balances from one employer's DC plan to another employer's plan when workers change jobs.

Despite an environment of headwinds thwarting innovation, a majority of employers say they are interested in a clearinghouse solution that makes it easier for workers to have balances move from one employer's plan to another's when there is a job change. Right now, very few employers are interested in combining with other organizations to create a so-called "open-MEP."

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 individuals change jobs?



Lawmakers have been debating an idea that would allow multiple unrelated companies to join together and participate in one plan. If this so-called "open-MEP" concept became law, how interested would you be in joining a plan with other companies?



Employers are searching for missing participants more frequently than in the past.

According to Alight's 2019 *Trends & Experience in Defined Contribution Plans,* nearly three-quarters of DC plans have automatic enrollment and most plans allow workers to immediately participate in the plan. With an increasingly mobile workforce, these plan provisions can ultimately lead to more missing participants. Over the last year, employers have begun searching more frequently for missing participants. Now, 15% of DC plans search on a monthly basis (up from 6% in 2019) and 16% of DB plans search on a monthly basis (up from 7% in 2019) .

How frequently are you attempting to locate missing participants?

	DC plans		DB plans	
	2020	2019	**2020**	2019
Monthly	**15%**	6%	**16%**	7%
Quarterly	**20%**	27%	**20%**	28%
Semi-annually	**21%**	23%	**20%**	18%
Annually	**24%**	29%	**28%**	38%
No established frequency	**7%**	3%	**5%**	0%
Other/don't know	**13%**	12%	**11%**	9%

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

	DC plans		DB plans	
	2020	2019	**2020**	2019
Monthly	**2%**	2%	**6%**	3%
Quarterly	**17%**	18%	**13%**	18%
Semi-annually	**17%**	24%	**18%**	19%
Annually	**37%**	29%	**31%**	33%
Normal retirement age	**14%**	11%	**20%**	17%
Other	**13%**	16%	**12%**	10%

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

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)	92% 94%	54% 62%	20% 29%	19% 27%	21% 20%
Participants approaching age 59 1/2 (DC) or normal retirement age (DB)	69% 81%	47% 68%	17% 33%	15% 25%	18% 19%
Participants approaching 409A commencement date	67% 72%	49% 57%	23% 30%	22% 25%	22% 24%
Participants approaching age 70 1/2 (i.e. earlier than required beginning date)	77% 82%	61% 66%	31% 43%	25% 32%	21% 23%
Participants approaching the required beginning date for required minimum distributions	82% 88%	68% 73%	37% 47%	27% 37%	23% 25%

Most employers use multiple sources to identify deceased participants.

An overwhelming majority of employers search for deceased participants using sources beyond just the Social Security Death Master File. From 2019 to 2020, the percentage of DC plan sponsors that use additional sources increased from 66% to 80% and the percentage of DB plan sponsors increased from 75% to 90%. One-quarter of DC sponsors and 16% of DB sponsors indicated that they are likely to change their procedures in 2020, often by increasing the frequency of their search.

What sources do you use to audit/identify deceased participants?

2020
2019

	DC plans	DB plans
Social Security Death Master File and other sources	**80%** 66%	**90%** 75%
Social Security Death Master File only	**20%** 34%	**10%** 25%

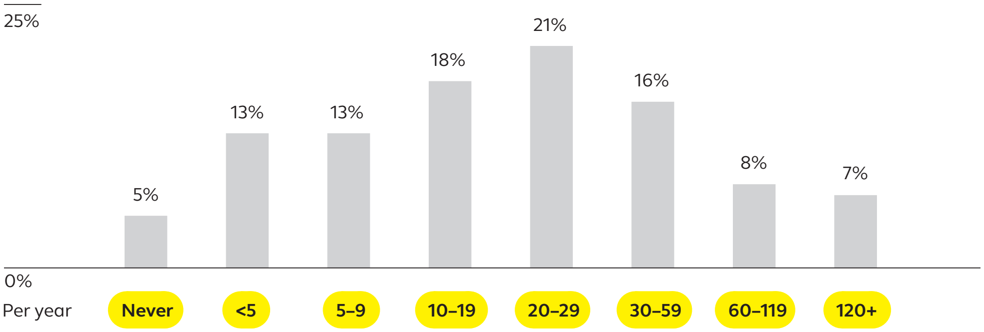
How do you plan to change your search procedures?

	DC plans	DB plans
Address search more frequently	88%	85%
Outreach via first class U.S. mail	42%	31%
Certified letter	31%	31%
Email	8%	8%
Outreach via phone	4%	15%
Social media	4%	8%

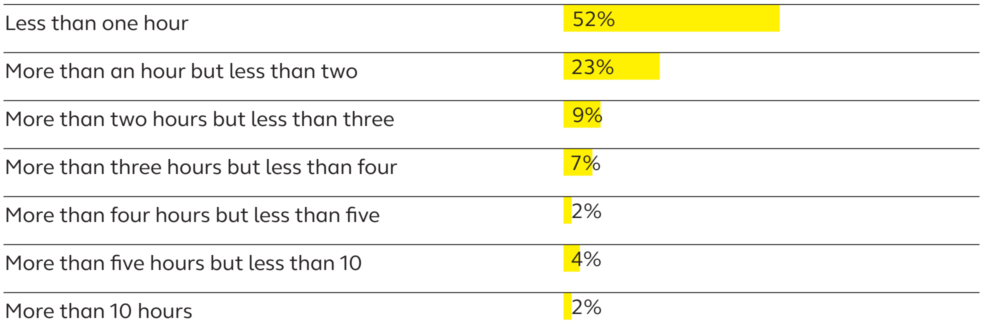
Many employers with DB plans hear from former employees claiming they are due benefits.

Almost all DB plan sponsors say that have heard from individuals who say they are due pension benefits yet do not exist in the employer's data. Almost one-third of employers say that they hear from at least 30 of these individuals each year, including 7% that say at least 120 people contact them every year. Researching these individuals is no small task—almost half of employers say that each person takes at least one hour to investigate.

Approximately, how often do you hear from an individual for whom you have no account in your system but the individual has a letter from the SSA indicating that they may have a benefit due from one of your plans?



On average, how much time is spent researching each of these participants?



Lump sum windows, whether for retirees or terminated vested participants, remain popular among DB plan sponsors.

The IRS reversed course in 2019 and now allows employers to have a retiree lump sum window (a temporary period where a retiree or beneficiary can elect to receive a one-time lump sum in lieu of future annuity payments). One out of every 8 DB plan sponsors say they are planning on having a retiree lump sum window in either 2020 or 2021, and roughly one-quarter plan on having a window for terminated vested participants. To help with the calculations involved with having a lump sum window, almost two-thirds of employers are very likely to carefully review the data needed for a benefit calculation.

Do you plan on offering a lump sum window to either terminated vested participants or retirees?

	Terminated vested participants	Retirees
Yes, we plan on offering a lump sum window in 2020	16%	6%
Yes, we plan on offering a lump sum window in 2021 or later	12%	6%
No, we do not plan on offering a lump sum window	72%	88%

Few DB plan sponsors plan on changing the status of their plan.

There is not expected to be much change on the horizon for DB plan sponsors when it comes to closing or freezing their plans. Additionally, the percentage of employers that are considering terminating their plan is essentially flat from 2019.

What actions are your organization likely to take with respect to the defined benefit plan design in 2020?

2020
2019

	Very likely	Moderately likely	Not at all likely
Freeze benefit accruals for all or a portion of participants	**6%** 9%	**6%** 12%	**88%** 79%
Purchase annuities for some participants	**9%** 8%	**14%** 22%	**77%** 70%
Close participation and no longer allow new employees to enter your defined benefit plan	**7%** 5%	**4%** 11%	**89%** 84%
Terminate the plan (remove all employer liability through lump sum payout to participants or third-party annuity purchase)	**3%** 4%	**6%** 7%	**91%** 89%
Reduce benefits but continue to offer a defined benefit plan	**2%** 1%	**4%** 5%	**94%** 94%

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

2020
2019

We are not interested in terminating the plan	**77%** 78%
We are interested in terminating the plan once the funded status improves	**20%** 18%
We are currently in the process of terminating the plan	**3%** 4%

One-quarter of employers have had a voluntary separation program in the past 24 months.

Over the last year, the percentage of employers that said they recently had a voluntary separation program increased from 18% to 25%. Seventy-nine percent of these employers enhanced some benefits, with most of them focusing on severance benefits instead of increasing the DB or DC benefits. Only 4% of employers say that they intend to have a voluntary separation program in 2020.

Have you had a voluntary early retirement/separation program within the past two years?

	2020	2019
Yes	**25%**	18%
No	**75%**	82%

Which benefits, if any, were enhanced as part of your early retirement/separation program?

Health benefits	21%
Severance benefits	66%
Defined contribution plan	0%
Defined benefit plan	24%
No benefits were enhanced	21%

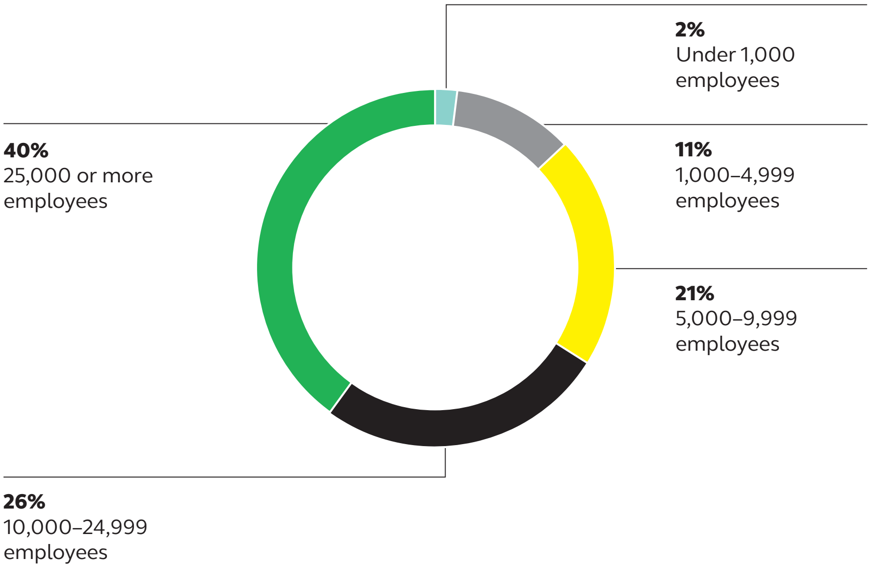
Respondent demographics

131
Respondents with 5.5 million employees

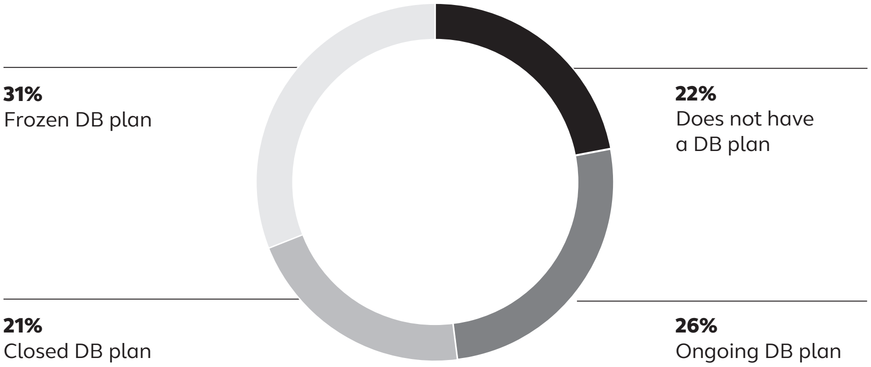
41,500
Average number employed by respondent

15,000
Median number employed by respondent

Distribution of employer size



Distribution by DB plan status



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