



TRENDS IN HIGHER EDUCATION RETIREMENT PLANS

A closer look at the challenges

Transamerica surveyed institutions of higher education to learn how they are helping their staff and faculty prepare for retirement. Survey responses revealed some notable challenges, which are summarized here using data from Transamerica's 2023 higher education survey. More information will be available in the forthcoming full report, Retirement Plan Trends in Higher Education 2023.

Where can higher education employers find resources to effectively take on these challenges? A close examination of the data from Transamerica's 2023 survey of higher education institutions may reveal a path forward.

About the survey:

For Transamerica's Retirement Plan Trends in Higher Education 2023 study, we surveyed 99 respondents from a mix of higher education institutions, including not-for-profit (58), public (19), faith-based (17), and for-profit (5) institutions. The survey sought to understand retirement plan preferences and, within these segments, considered plan types including 457(b), 403(b), 401(k), and 401(a) defined contribution plans. The objective was to uncover distinct characteristics, preferences, and typical plan sizes collectively and by institutional type, thereby providing valuable insights to enhance retirement planning strategies.



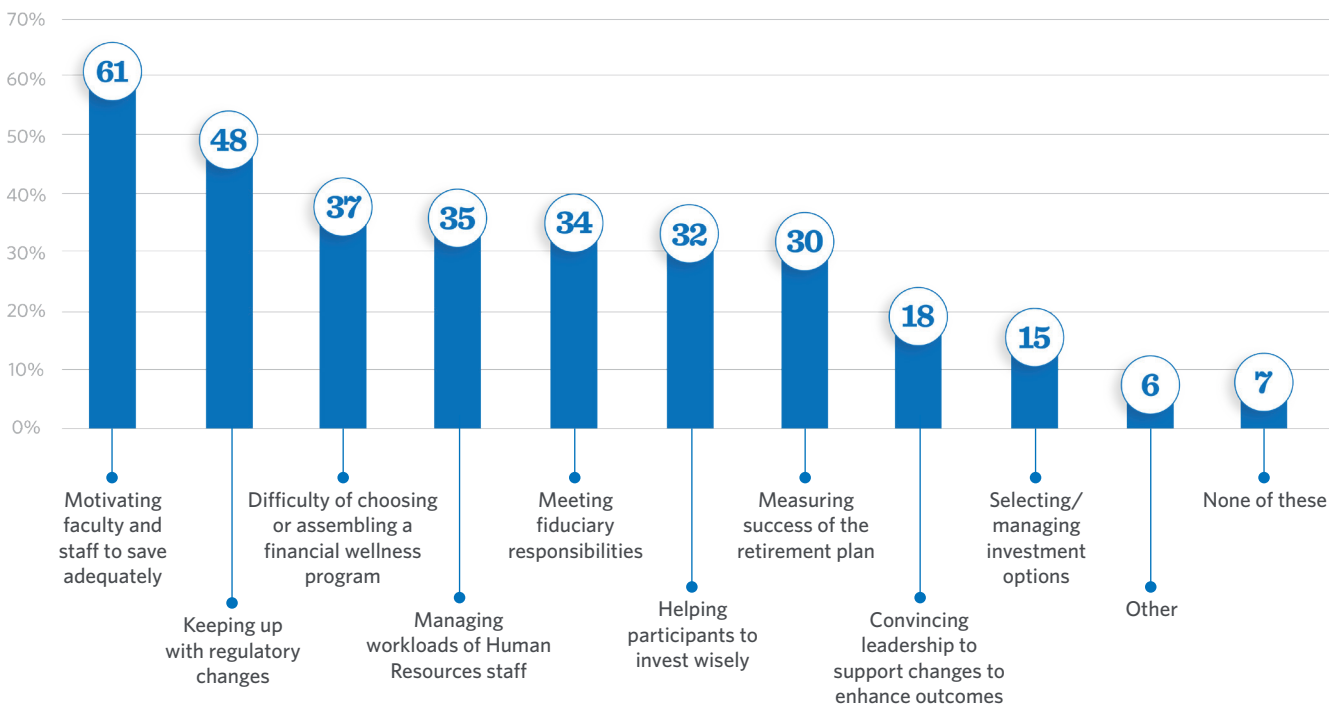
RETIREMENT AND HIGHER EDUCATION: MEETING THE CHALLENGES FOR EMPLOYERS, FACULTY, AND STAFF

KEY CHALLENGES

Our research on the challenges of managing a retirement plan reveals a stark reality — 71% of survey respondents believe adequate retirement preparation is one of the most pressing concerns for their faculty and staff who are nearing retirement. The same research shows that, even among a population that is often less transient than others, motivating faculty and staff to save enough is an ongoing struggle.

Like other employers, educational institutions face common challenges, including:

- Encouraging financial well-being
- Alleviating the burden of fiduciary responsibilities and regulatory changes
- Balancing demanding workloads of human resources staff.



CHALLENGE: LACK OF ADEQUATE RETIREMENT SAVINGS

Sixty-one percent of respondents indicated that motivating faculty and staff to save adequately for retirement was one of their most pressing concerns. It topped the list for 47% of public institutions and 64% of private institutions. The level of concern was higher at faith-based institutions, where 77% said it is a top concern.

That concern is shared by sponsors of all plan types, although 401(k) sponsors report less concern than their 403(b) counterparts. Sixty-eight percent of respondents whose largest plan (by participant count) is a 403(b) ranked motivating faculty and staff to save for retirement as a primary concern, and 36% whose highest-count plan is a 401(k) said the same.

CHALLENGE: KEEPING ON TOP OF REGULATORY CHANGES

Keeping up with regulatory changes was identified as another primary challenge for these institutions. Overall, 48% reported difficulty keeping up with the volume of regulations. This varied by type of institution, with only 5% of public colleges saying that meeting the regulatory challenges of their retirement plan is a top concern, compared to 58% of private institutions. The impact of regulatory changes seems to weigh particularly heavily on faith-based organizations, with 77% citing them as a major concern.

Regulatory changes can impact the human resources department. Therefore, it comes as no surprise that higher ed institutions identify managing the workload of their HR staff as a concern, with 35% of respondents putting it on the list. With budgets that may be more limited, a higher percentage of faith-based institutions (41%) cited HR workload as a top concern.

CHALLENGE: FINANCIAL WELL-BEING OF FACULTY AND STAFF

Institutions of higher education are concerned about the financial well-being of their faculty and staff but find it difficult to create or present an effective program to address it. The top concern in this area was finding ways to spur engagement with a financial wellness program, identified as the primary challenge by 70% of respondents. A close second was the employer cost of such a benefit, at 69%. Difficulty choosing or assembling a financial wellness program was third, with 37% of respondents ranking it as their highest concern.

These results may reveal opportunities for higher education institutions. Can they take better advantage of their retirement advisors' capabilities in supporting efforts to improve staff and faculty financial wellness?

CHALLENGE: MEETING FIDUCIARY CHALLENGES

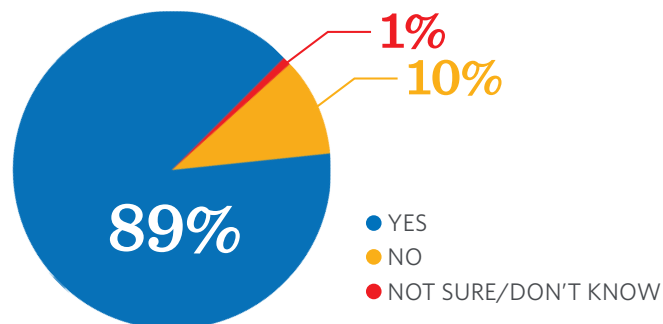
Respondents are concerned about meeting their fiduciary responsibilities, with 34% saying compliance is top of mind. Turning to a pooled plan solution is one way to alleviate these concerns. Among higher education institutions with a pooled plan solution, 41% said they joined to try and reduce their fiduciary liability.



WHERE PLAN SPONSORS TURN FOR HELP

Retirement plan advisors, consultants, and recordkeepers can help plan sponsors meet the challenges they face. These professionals understand the fast-moving retirement plan landscape, and their guidance may be more important now than ever before. According to the study, 89% of higher education institutions rely on them for plan design, participant education, compliance, and many other areas of plan administration and oversight.

Use of plan advisor, consultant, or recordkeeper



Measuring the success of the retirement plan, surprisingly, ranked fifth out of 10 choices when survey respondents were asked about the challenges of managing their institution's plan. Thirty percent said it is their greatest challenge, yet 62% reported they do not quantify how prepared their employees are for retirement.

A question arises here: If institutions are not measuring results, how do they know whether the plan is successful, and whether participants are prepared? Since many of the survey's questions rely on perception, it is possible plans are more effective than responses indicate. Many institutions believe their staff and faculty to be underprepared for retirement, but are they?

With many institutions already relying on their advisors, consultants, and recordkeepers, this may be another area where financial professionals could deliver more value. If they haven't already done so, institutions might consider discussing indicators of plan success with their valued retirement plan advisors.

KEY TAKEAWAYS

The expertise of financial professionals is valued in higher education. Yet, opportunities exist in several areas. Advisors, consultants, and recordkeepers possess a unique vantage point to help bridge the savings gap and address the other key challenges identified in the survey:

- How to motivate employees to save more for their retirement years
- Dealing with regulatory changes that come with retirement plans
- Encouraging financial well-being for faculty and staff
- Mitigating fiduciary challenges

30%
say measuring plan success is their greatest challenge, yet 62% do not measure retirement preparedness.

Before adopting any plan sponsors should carefully consider all of the benefits, risks, and costs associated with a plan. Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

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