The Retirement Readiness Challenge: Five Ways Employers Can Improve Their 401(k)s

15th Annual Transamerica Retirement Survey

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About the Author

Catherine Collinson serves as President of the Transamerica Institute℠ and Transamerica Center for Retirement Studies®, and is a retirement and market trends expert and champion for Americans who are at risk of not achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small business, which featured the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, The Huffington Post, Kiplinger's, CBS MoneyWatch, Los Angeles Times, Chicago Tribune, Employee Benefits News and HR Magazine. She has also appeared on PBS' "Nightly Business Report," NPR's "Marketplace" and CBS affiliates throughout the country. Catherine speaks at major industry conferences each year and also authors articles published in leading industry journals.

She is currently employed by Transamerica Retirement Solutions Corporation as Senior Vice President of Strategic Initiatives and Research. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy.

About the Transamerica Center for Retirement Studies®

- The Transamerica Center for Retirement Studies® (TCRS) is a division of Transamerica Institute SM (The Institute), a nonprofit, private foundation. TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the United States. Its research emphasizes employer-sponsored retirement plans, including companies and their employees, unemployed and underemployed workers, and the implications of legislative and regulatory changes. For more information about TCRS, please refer to www.transamericacenter.org.

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- Although care has been taken in preparing this material and presenting it accurately, TCRS disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

About the Survey

- Since 1998, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public. It has grown to be one of the longest running and largest national surveys of its kind.

- Harris Poll conducted the 15th Annual Retirement Survey on behalf of Transamerica Center for Retirement Studies. Transamerica Center for Retirement Studies is not affiliated with Harris Poll.

- Over the last 5 decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, The Harris Poll has gained strong brand recognition around the world. The Harris Poll offers a diverse portfolio of proprietary client solutions to transform relevant insights into actionable foresight for a wide range of industries including health care, technology, public affairs, energy, telecommunications, financial services, insurance, media, retail, restaurant, and consumer packaged goods. For more information, visit www.nielsen.com.

Methodology: Employer Survey

- A 21-minute telephone survey was conducted between July 31 and September 17, 2014 among a nationally representative sample of 751 employers by Harris Poll for Transamerica Center for Retirement Studies. Respondents were targeted based on job title at for-profit companies and met the following criteria:
    - Business executives who make decisions about employee benefits at his or her company.
    - Employ 10 employees or more across all locations.
- Quotas were set for small and large companies. The results were weighted as needed on employee size using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range.
- Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- The base size was 450 for small companies (10-499 employees) and 301 for large companies (500+ employees). Other reduced bases have been noted throughout the report.

Methodology: Worker Survey

- A 22-minute, online survey was conducted between February 21 and March 17, 2014 among a nationally representative sample of 4,143 workers by Harris Poll for Transamerica Center for Retirement Studies. Respondents met the following criteria:
  - U.S. residents, age 18 or older.
  - Full-time or part-time workers in a for-profit company employing 10 or more people.

- Data were weighted as follows:
  - To account for differences between the population available via the Internet versus by telephone.
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.

- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

- This report focuses on full-time and part-time workers combined.

- The base of 4,143 included:
  - 1,021 Millennials, 1,120 Generation X, 1,805 Baby Boomers, and 197 who were born prior to 1946.
  - 1,104 micro company workers, 821 small non-micro company workers, and 2,218 large company workers.

Terminology

This report uses the following terminology:

Employer/Company Size

All Employers:	10 or more employees
Micro:	10 to 99 employees
Small Non-Micro:	100 to 499 employees
Large:	500 or more employees

Generation

Millennial:	Born 1979 – 1996
Generation X:	Born 1965 – 1978
Baby Boomer:	Born 1946 – 1964

All Workers

Refers to all workers aged 18 and older

Key Highlights

As the United States continues its recovery from the Great Recession, the *15th Annual Transamerica Retirement Survey* explores employers' current views of the economy, their own financial situation, and the offering of retirement benefits to their employees. It also compares employers' perspectives with findings from TCRS worker survey conducted earlier this year.

Retirement Benefits and the Economic Recovery

Seventy percent of employers believe that the Great Recession has indeed ended; however, only one percent believes that the economy has fully recovered. Twenty-one percent feel that the recession has not yet ended, while others were either unsure or did not respond.

Despite these lackluster views of the economy, many employers (63 percent) say their own company has either "fully" financially recovered (15 percent) or "somewhat" recovered (48 percent) from the recession. Another 23 percent say they were not impacted.

The current strength of employers' recovery can be illustrated by their actions taken in the last 12 months:

- 74 percent of employers have increased salaries, compared to only 12 percent that have implemented salary freezes;
- 72 percent of employers have hired additional employees, compared to only 16 percent that have implemented layoffs or downsizing; and,
- 30 percent have added or increased bonuses, compared to only 7 percent that have eliminated them.

Amidst the recovery, the vast majority of employers (89 percent) recognize the value of retirement benefits as an important tool for attracting and retaining employees, including 42 percent that consider them "very important" and 47 percent that consider them "somewhat important."

Employers are increasingly offering 401(k) or similar plans to their employees. Between 2007 and 2014, the percentage of employers offering a 401(k) or similar plan increased from 72 percent to 79 percent. The offering of such plans is highest among large companies (98 percent) and small non-micro companies (95 percent), and lowest among micro companies (73 percent).

Regarding 401(k) plans specifically, plan sponsorship rates increased from 62 percent to 70 percent between 2007 and 2014. Among companies that do not offer a 401(k) or similar plan, only 21 percent say that they are likely to begin sponsoring a plan in the next two years. However, among those who are unlikely to do so, twenty-eight percent indicate that they would consider joining a multiple employer plan offered by a vendor who handles many of the fiduciary and administrative duties at a reasonable cost.

Key Highlights

One of the most important features of a 401(k) plan is the employer's matching contribution, which incentivizes employees to join the plan. During the recession and its aftereffects, many 401(k) plan sponsors suspended or eliminated their matching contributions for cost reduction purposes. Although plan sponsors offering matching contributions dropped from 80 percent in 2007 to approximately 70 percent from 2009 to 2012, it is encouraging that they did not eliminate their retirement plans altogether. In 2014, the percentage of plan sponsors offering a match has increased to 77 percent, nearly rebounding to the 2007 level.

Forty-three percent of workers expect savings from 401(k)s, 403(b)s, and IRAs to be their primary source of income when they retire. Workers of large companies (49 percent) are most likely to expect to rely on these retirement accounts compared to workers of small non-micro companies (40 percent) and micro companies (35 percent).

Despite the tumultuous economy in recent years, 401(k) plan participants have stayed on course with their participation and salary deferrals. Participation rates among workers who are offered a 401(k) or similar plan have increased from 77 percent in 2007 to 80 percent in 2014. Among plan participants, annual salary contribution rates have increased from seven percent (median) in 2007 to eight percent (median) in in 2014 with a slight dip to six percent during the market downturn.

Workers' total household retirement savings have increased between 2007 and 2014. In 2014, the estimated median household retirement savings is $63,000, a significant increase from 2007 when the estimated median was just $47,000. Notably, Baby Boomers have saved $127,000 (estimated median) in household retirement accounts, compared to $75,000 in 2007. For some, these levels of savings may be adequate for a financially secure retirement; for many others, they may not be enough.

Five Ways Employers Can Improve Their 401(k)s

401(k) and similar plans play a vital role in our retirement system by helping workers save and invest for retirement. As a savings vehicle, they have survived the Great Recession and, in many regards, have emerged even stronger.

Until every American worker is saving enough to achieve a financially secure retirement, there will be opportunities for further innovation and refinements to 401(k)s and our retirement system. In that spirit, the *15th Annual Transamerica Retirement Survey* has identified the following five ways in which employers with their retirement plan advisors and providers, along with workers, can improve their 401(k)s.

Key Highlights

 # 1. Adopt automatic plan features to increase savings rates

Automatic enrollment is a feature that eliminates the decision-making and action steps normally required of employees to enroll and to start contributing to a 401(k) or similar plan. It simply, automatically enrolls employees into a plan and they only need to take action if they choose to opt out and not contribute to the plan. The percentage of plan sponsors offering automatic enrollment increased from 23 percent in 2007 to 29 percent in 2014.

Plan sponsors' adoption of automatic enrollment is most prevalent in large companies. Fifty-five percent of large companies offer automatic enrollment, compared to just 27 percent of small non-micro companies and 21 percent of micro companies.

Plan sponsors with automatic enrollment report a median default contribution rate of just three percent of an employee's annual pay. Transamerica Center for Retirement Studies is concerned that three percent may be misleading to participants by implying that it is adequate to fund an individual's or family's retirement when in most cases, it is not. In a recently conducted study, TCRS found that workers would be receptive to being automatically enrolled with a default contribution rate at seven percent.*

Among plan sponsors with automatic enrollment, 34 percent automatically increase participants' contributions annually with no action required by participants. Automatic increases can help drive up savings rates: Seventy percent of workers who are offered a plan say they would be likely to take advantage of a feature that automatically increases their contributions by one percent of their salary either annually or when they receive a raise, until such a time when they choose to discontinue the increases.

#2. Consider professionally managed services and asset allocation suites

Professionally managed services such as managed accounts, and asset allocation suites, including target date and target risk funds, have become staple investment options offered by plan sponsors to their employees. These options enable plan participants to invest in professionally managed services or funds that are essentially tailored to his/her goals, years to retirement, and/or risk tolerance profile. Eighty-four percent of plan sponsors now offer some form of managed account service and/or asset allocation suite, including:

- 56 percent offer target date funds that are designed to change allocation percentages for participants as they approach their target retirement year;
- 54 percent offer target risk funds that are designed to address participants' specific risk tolerance profiles; and,
- 64 percent offer an account (or service) that is managed by a professional investment advisor who makes investment or allocation decisions on their behalf.

* Source: The Changing Face of Retirement, The 2014 Aegon Retirement Readiness Survey. 2014

Key Highlights

#2. Consider professionally managed services and asset allocation suites (continued)

Professionally managed services, such as managed accounts, and asset allocation suites, including target date and target For participants lacking investment expertise or the wherewithal to set their own asset allocation among various funds, these types of options can be a convenient and effective solution. Plan sponsors' selection of managed account services and asset allocation suites, like other 401(k) investments and services, requires careful due diligence as well as education, disclosure of methodologies, benchmarks, and fees to plan participants.

 # 3. Add the Roth 401(k) option to facilitate after-tax contributions

The Roth option enables participants to contribute to their 401(k) or similar plan on an after-tax basis with tax-free withdrawals at retirement age. (It complements the long-standing ability for participants to contribute to the plan on a tax-deferred basis in which their savings is taxed when they take withdrawals from the plan at retirement age.) The Roth option can help plan participants diversify their risk involving the tax treatment of their accounts when the reach retirement age.

Plan sponsors' offering of the Roth feature has increased from 19 percent in 2007 to 52 percent in 2014. Micro (50 percent) and large (49 percent) companies are similarly likely to offer this feature, compared to small non-micro companies (63 percent) which are somewhat more likely to do so.

#4. Extend eligibility to part-time workers to help expand retirement plan coverage

Expanding coverage so that all workers have the opportunity to save for retirement in the workplace continues to be a topic of public policy dialogue. Much of the discussion has focused on increasing the number of employers offering access to employee-funded plans such as 401(k) or similar plans. In reality, the vast majority of employers (79 percent) already offer a 401(k) or similar plan to their employees, including: 98 percent of large employers, 95 percent of small non-micro employers, and 73 percent of micro employers.

A tremendous opportunity for increasing coverage is part-time workers. Only 49 percent of 401(k) or similar plan sponsors say they extend eligibility to part-time workers to save in their plan. Large employers (80 percent) are far more likely to extend eligibility to part-time workers, compared to small non-micro companies (52 percent) and micro companies (39 percent).

Among plan sponsors not extending eligibility to part-time employees, 90 percent do not plan to do so in the future and their most frequently cited reasons include: generally impractical (49 percent), concerns about cost (36 percent), and employees not interested in (34 percent).

Employers should be encouraged to consult with their retirement plan advisors and providers to discuss whether it's feasible to offer their part-time workers the opportunity to save.

Key Highlights

#5. Address communication gaps between employers and workers

The survey findings revealed some major disconnects between employers and workers which, if addressed, could help employers maximize the value of their benefits offering while also helping their employees achieve retirement readiness.

For example, 95 percent of employers that offer a 401(k) or similar plan agree that their employees are satisfied with the plan, including 63 percent that “strongly agree” and 32 percent that “somewhat agree.” In stark contrast, only 80 percent of workers who are offered such a plan agree that they are satisfied with their employers’ plans, including 27 percent who “strongly agree” and 53 percent who “somewhat agree.”

Other major disconnects include:

- 74 percent of employers believe their employees prefer not to think about or concern themselves with retirement investing until they get closer to their retirement date; yet only 38 percent of workers feel this way; and,
- 63 percent of workers would like more education and advice from their employers, yet only 38 percent of employers believe this to be the case.

Only 23 percent of employers have surveyed their employees on retirement benefits and even fewer workers (11 percent) have approached their supervisor or HR department on the topic of retirement in the past year.

Starting a dialogue between employers and their employees about retirement preparations and available benefits can be an impactful first step and potentially lead to significant improvements in retirement readiness.

To help foster this dialogue, TCRS has created a survey tool for plan sponsors that is available here and on page 46.

Key Highlights

Closing Thoughts

Employers play a vital role in helping workers save for retirement by offering retirement plans that include education and planning tools and retirement income options. This report highlights successes of the current system's employer-based retirement plans, including 401(k) or similar plans, in helping workers to save for retirement – even through and after the deepest recession since the Great Depression.

More can and should be done to improve the current retirement system, especially to encourage more employers to adopt plans, extend eligibility to part-time workers, and to improve workers' savings rates and retirement preparedness. Meaningful improvements are within reach and can very readily be made by opening lines of communication between employers, their retirement plan advisors and providers, and workers.

Our research has also illustrated that plan sponsorship rates and the adoption of new plan features have increased since 2007 for companies of all sizes; however, notably, the prevalence is higher in larger companies thereby presenting opportunities for smaller companies to improve their benefits offerings.

Working together, employers, retirement plan providers, and policymakers can do even more to help workers navigate through ever-changing market conditions and prepare for retirement by fostering innovation, identifying and addressing workforce trends, and making it easier for workers to take full control of their financial futures.

Catherine Collinson
President, Transamerica Institute and Transamerica Center for Retirement Studies

The Retirement Readiness Challenge: Five Ways Employers Can Improve Their 401(k)s

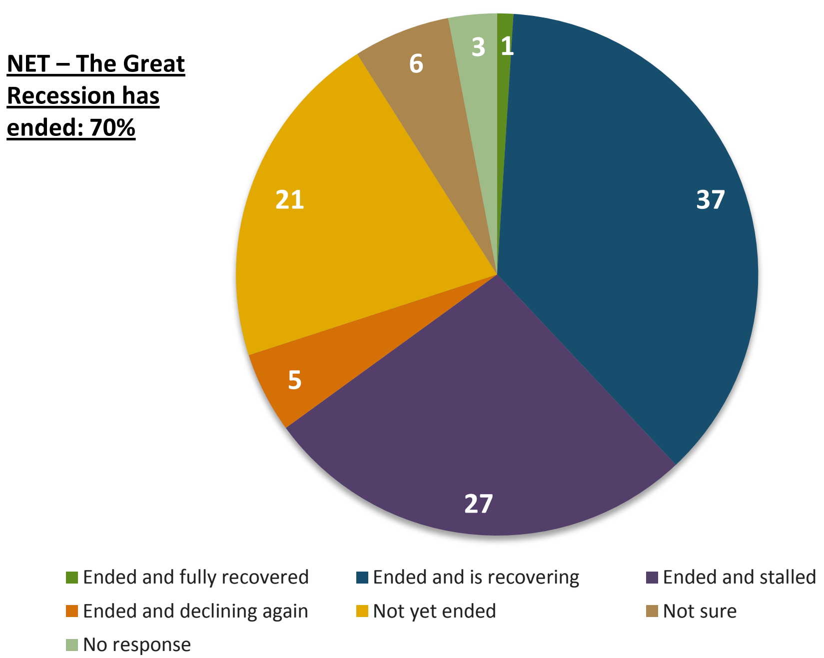
Detailed Findings

Retirement Benefits and the Economic Recovery

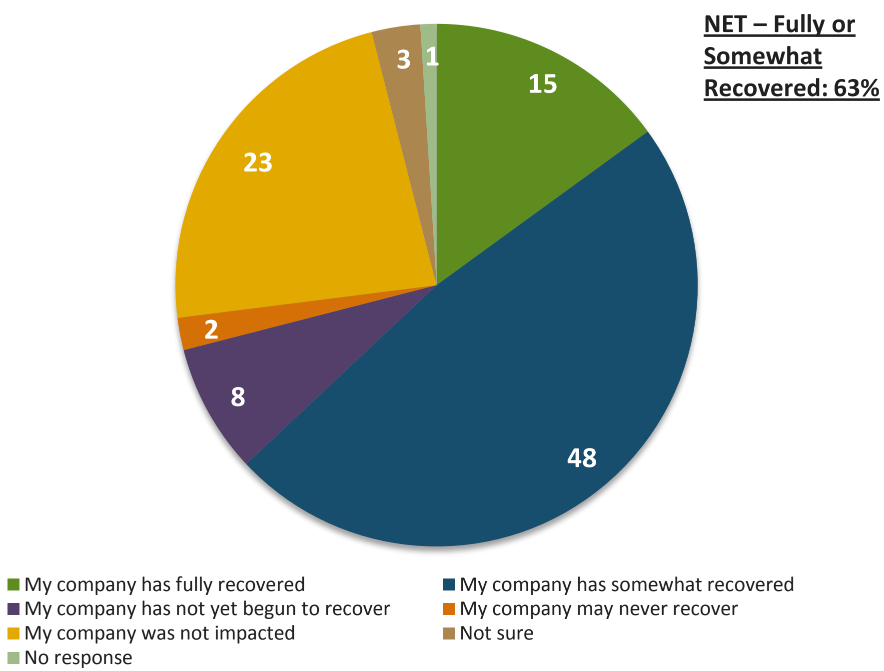
Employers Have Mixed Opinions on the Economic Recovery

Leading economists have pinpointed the duration of what is commonly referred to as the Great Recession as lasting from December 2007 through mid-2009 when the recovery first began. Employers also have opinions about the state of the U.S. economy and its recovery: Seventy percent of employers believe that the recession has ended but with mixed views about the current state of the recovery and 21 percent believe that it has not yet ended. Most employers (63 percent) say their companies have either "fully" (15 percent) or "somewhat" (48 percent) financially recovered. An additional 23 percent of employers say their companies were not impacted by the recession.

What is your company's opinion of the recession in recent years which is commonly called the "Great Recession"? (%)



How would you describe your company's financial recovery from the Great Recession? (%)

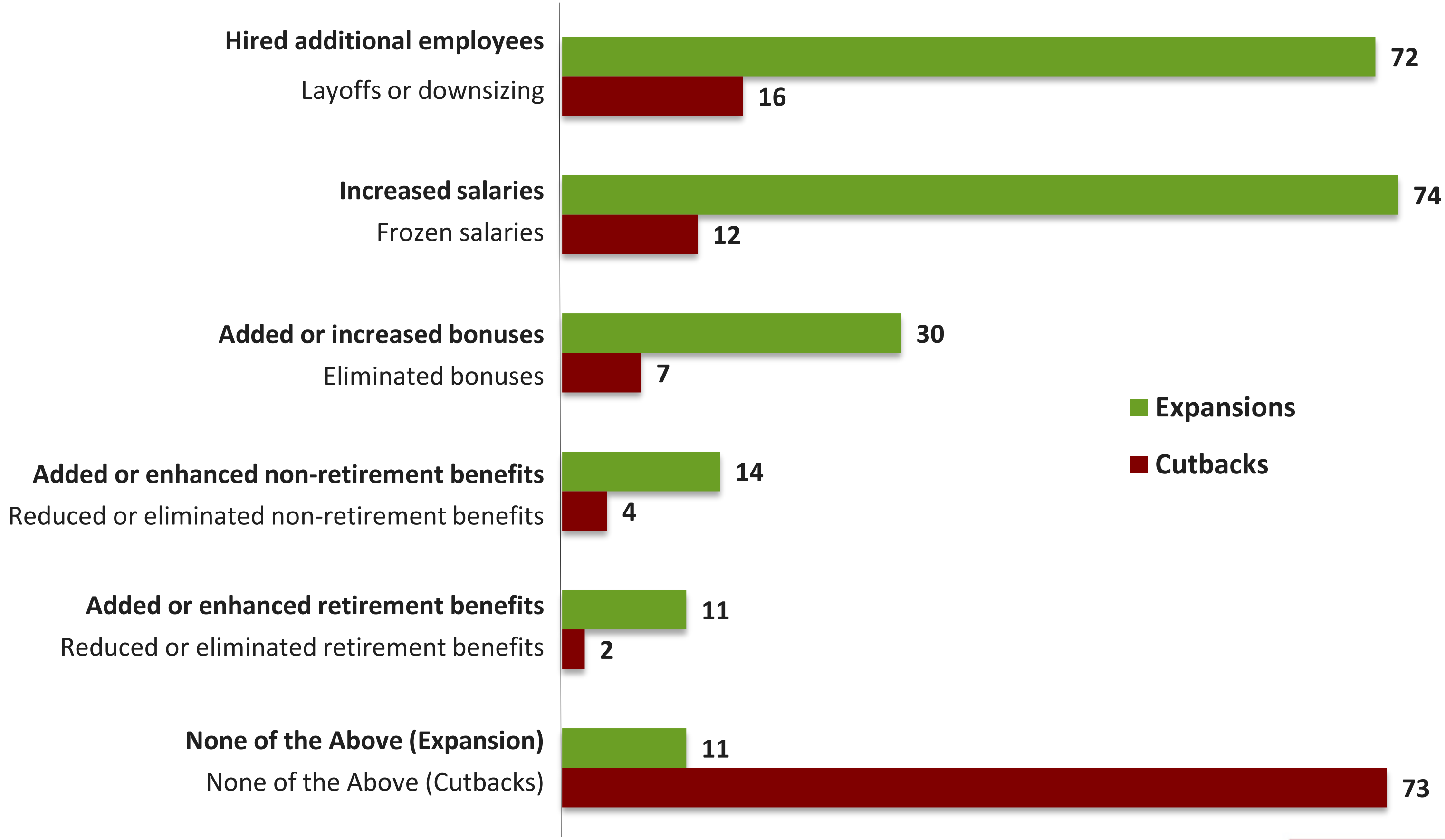


EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q3640. What is your company's opinion of the recession in recent years, which is commonly called the "Great Recession"?
Q3645. Regardless if you think the Great Recession has ended or not, how would you describe your company's financial recovery from the Great Recession?

Employers Show Strong Signs of Recovery

Employers are far more likely to say they have implemented measures to expand their businesses versus made cutbacks in the last 12 months. Seventy-two percent say they've hired additional employees, compared to only 16 percent that have conducted layoffs or downsizing. Another encouraging sign: Seventy-four percent have increased salaries, compared to only 12 percent that have frozen them. Eleven percent have added or enhanced retirement benefits, while only two percent have reduced or eliminated them.

Has your company implemented any of the following measures in the last 12 months? (%)



EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q1411. Has your company implemented any of the following positive measures in the last 12 months?
Q1410. Has your company implemented any of the following measures in the last 12 months?

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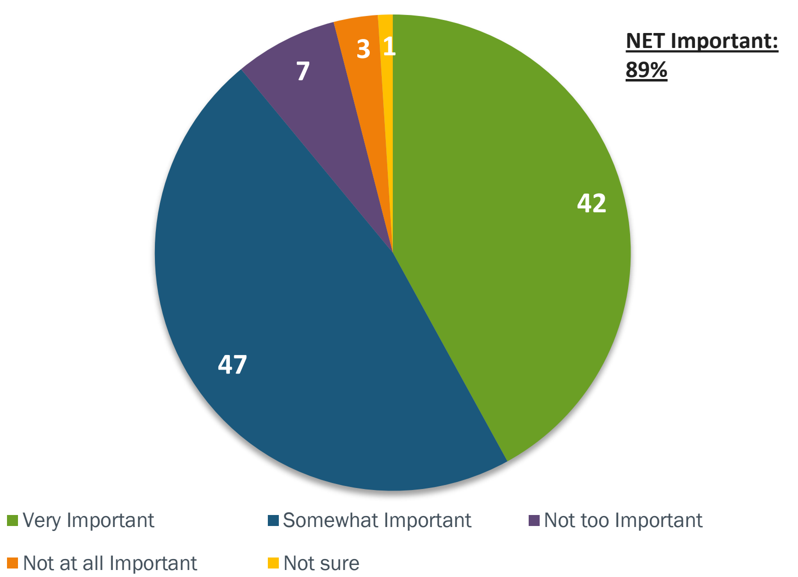
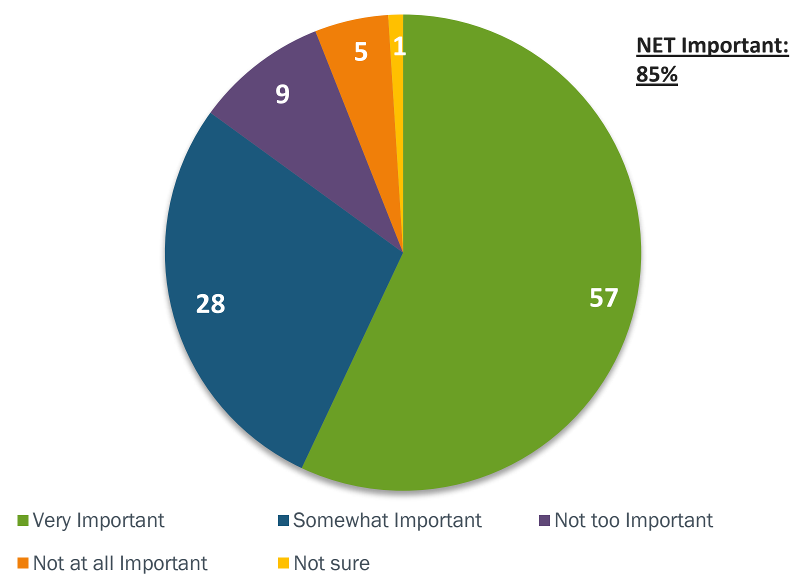
Employers Recognize the Value of Retirement Benefits

Eighty-nine percent of employers believe that a 401(k) or similar plan is important for attracting and retaining employees, with 42 percent saying it is “very” important and 47 percent “somewhat” important. Eighty-five percent of employers also recognize the importance that their employees place on retirement benefits, with 57 percent saying they think their employees see them as “very” important and 28 percent as “somewhat” important.

Employers’ perceptions of 401(k) or similar plan as important for attracting and retaining employees (%)



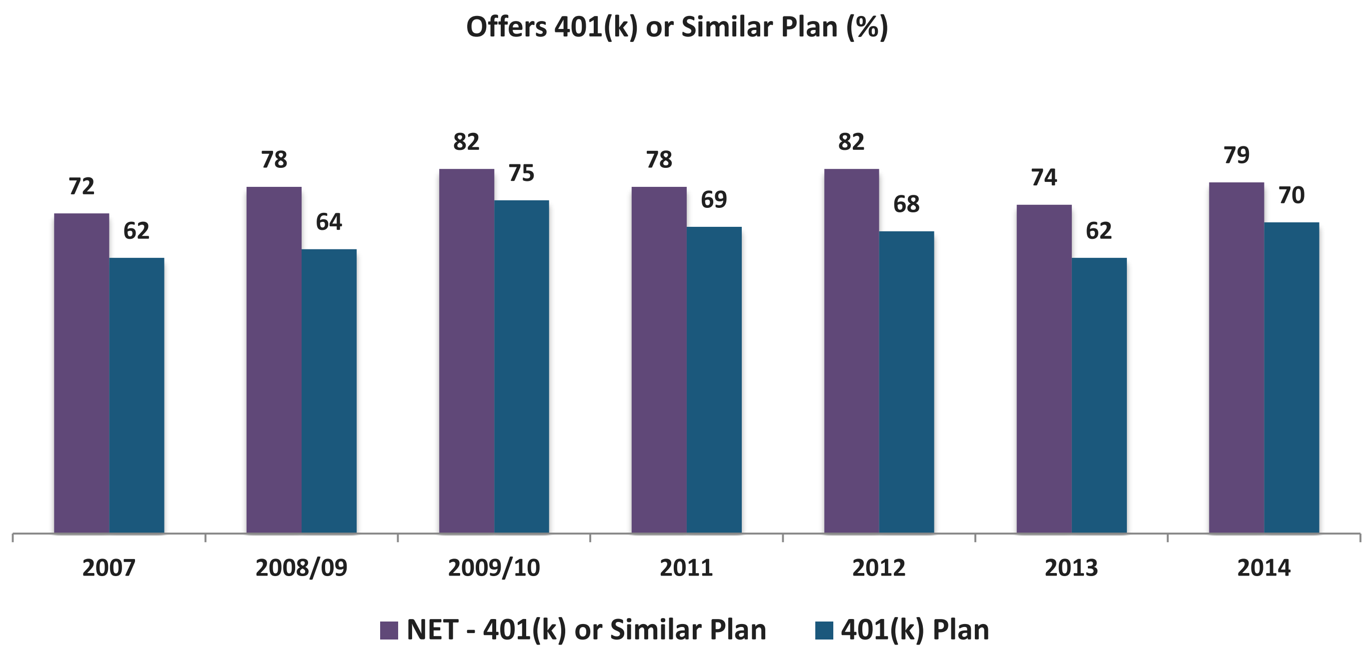
Employers’ perceptions of level of importance that employees place on a 401(k) or similar plan (%)



EMPLOYER BASE: OFFERS 401(K) OR OTHER SELF-FUNDED PLAN
Q650. How important would you say your company’s employee-funded retirement plan package is to your ability to attract and retain employees?
EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q525_5. Do you think your company’s employees see 401(k) or other employee self-funded plans ,including SIMPLE and SEP plans, as an important benefit?

Growth in 401(k) Plan Sponsorship Rates: 2007 to 2014

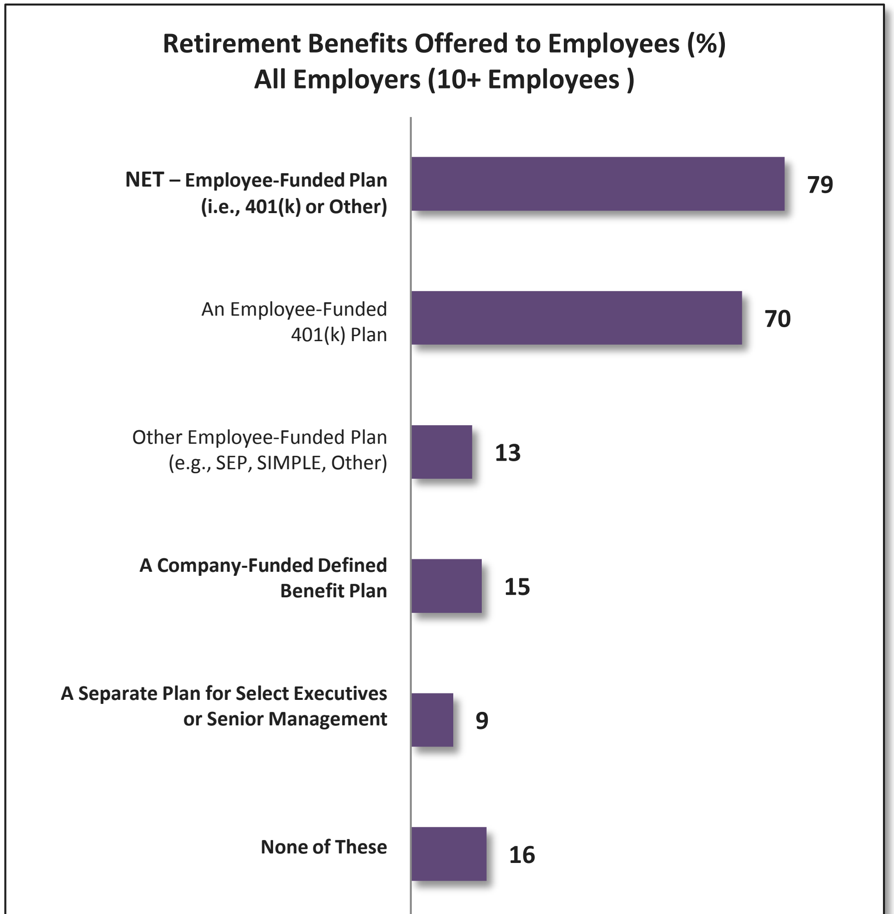
Despite the Great Recession and its prolonged recovery, employers are increasingly offering 401(k) or similar plans to their employees. Between 2007 and 2014, the percentage of employers offering a 401(k) or similar plan increased from 72 percent to 79 percent. Regarding 401(k) plans specifically, plan sponsorship rates increased from 62 percent to 70 percent between 2007 and 2014. This illustrates both the value of 401(k) plans and the strength of this important savings vehicle in our retirement system.

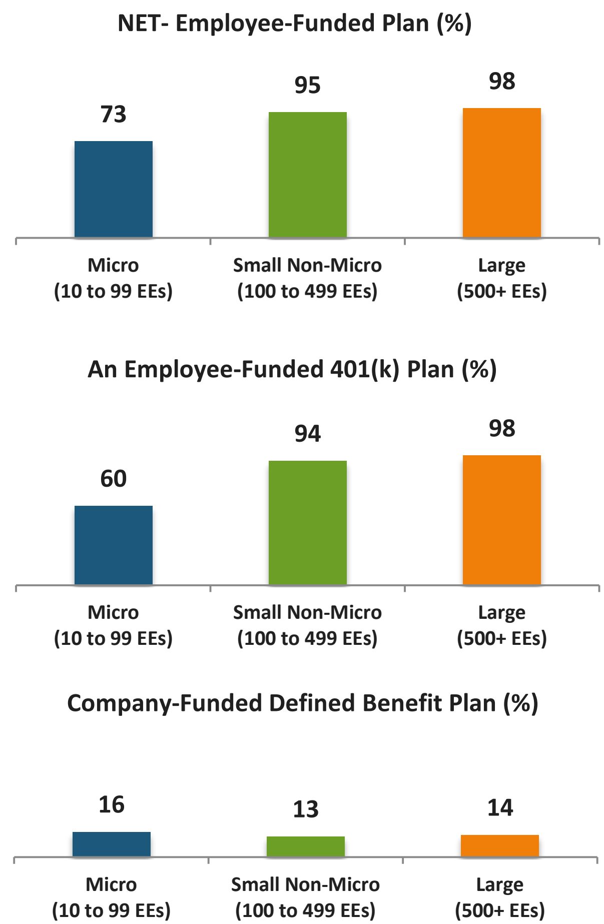


EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q530. Which of the following retirement benefits does your company offer?

Retirement Plan Sponsorship Rates in 2014

Seventy-nine percent of employers offer a 401(k) or similar plan to their employees. Employers' offering of plans are most common (98 percent) among large companies with 500 or more employees and least (73 percent) among micro companies with 10 to 99 employees. Fewer than one in five (15 percent) employers offers a company-funded defined benefit plan.



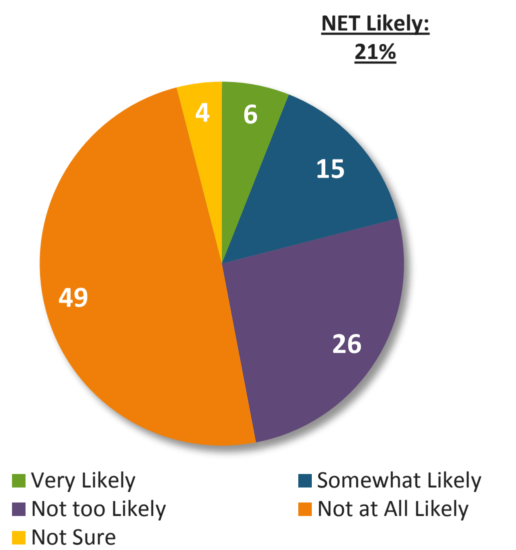


EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q530. Which of the following retirement benefits does your company offer?

Non-Sponsors May Consider Joining a Multiple Employer Plan

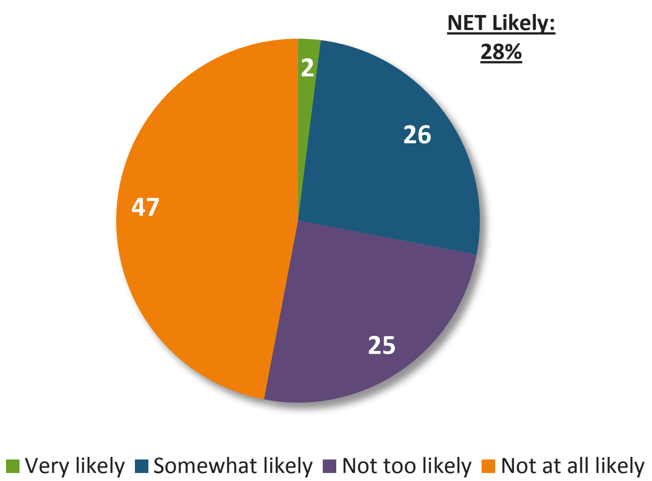
Among companies that do not offer a 401(k) or similar plan, only 21 percent say that they are likely to begin sponsoring a plan in the next two years. Among those not planning to do so, their most frequently cited reasons are: concerns about cost (64 percent), company or management is not interested (52 percent), company is not large enough (48 percent), and employees not interested (41 percent). Concerns about administrative complexity, difficult business conditions, and potential fiduciary liability are also factors. However, 28 percent of those not likely to offer a plan indicate that they would consider joining a multiple employer plan offered by a vendor who handles many of the fiduciary and administrative duties at a reasonable cost.

Likelihood to Begin Sponsoring a 401(k) or Similar Plan within the Next Two Years (%)



Most Frequently Cited Reasons for NOT Planning to Offer a Plan (%)

As an Alternative, Likelihood to Consider Joining a Multiple Employer Plan (%)

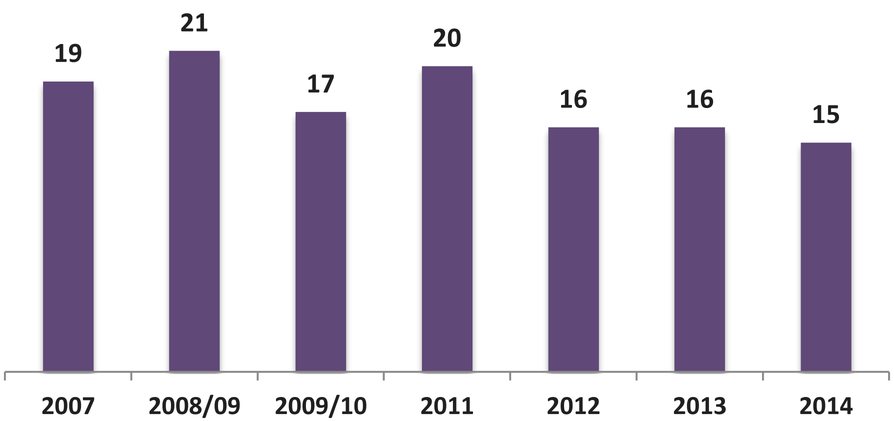


EMPLOYER BASE: DOES NOT OFFER 401(k) OR OTHER SELF-FUNDED PLAN
Q600. How likely is your company to begin offering an employee-funded retirement plan package like a 401(k) to its employees in the next two years?
EMPLOYER BASE: NOT LIKELY TO OFFER 401(K) OR OTHER PLAN IN THE NEXT TWO YEARS
Q610. Why is your company not likely to offer a plan in the next two years?
Q1605. As an alternative to establishing a stand-alone 401(k) plan, if your company had the ability to join a multiple employer plan which is offered by a reputable vendor who handles many of the fiduciary and administrative duties at a reasonable cost, how likely would you be to consider such a plan?

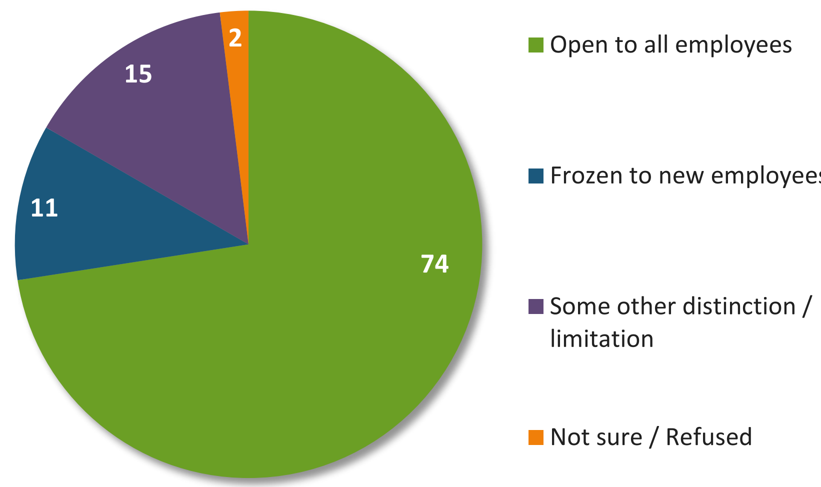
DB Plan Update

Defined benefit plans can play a vital role in helping workers achieve a financially secure retirement. Only (15 percent) of employers offer a company-funded defined benefit plan to their employees. Among those that do offer a DB plan, 74 percent say it is available to all employees, while 11 percent say that it is frozen to new employees and 15 percent indicate some other form of limitation.

Offers Company-Funded Defined Benefit Plan
All Employers (10 or More Employees)
Yes (%)



Current Status of Defined Benefit Plan in 2014 (%)

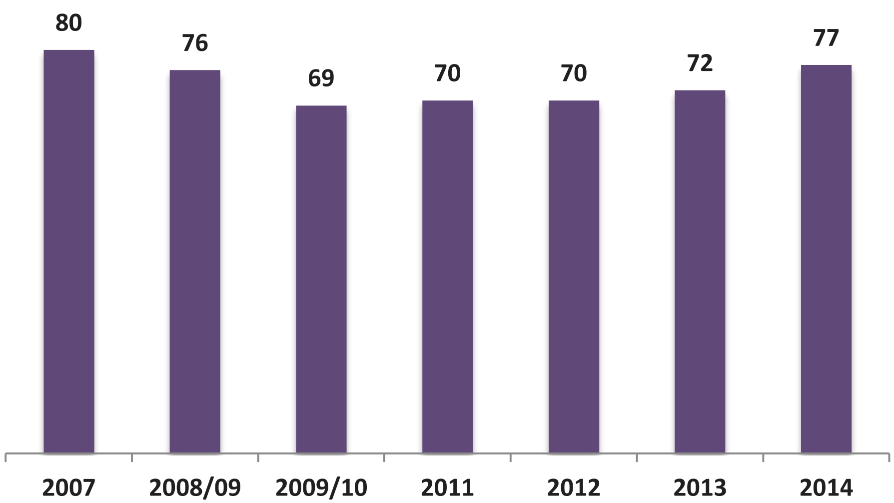


EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q530. Which of the following retirement benefits does your company offer?
EMPLOYER BASE: OFFERS COMPANY-FUNDED DB PLAN
Q1010. Is your company-funded defined benefit pension plan open to all employees, or frozen to new employees?

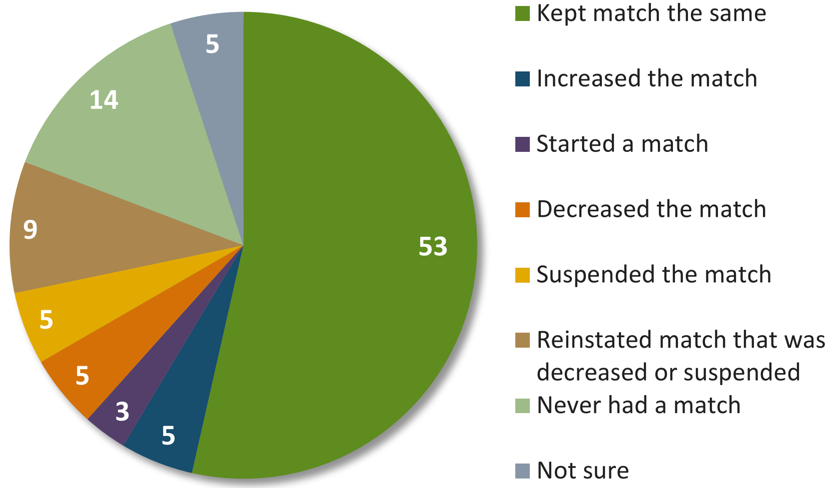
Matching Contributions to 401(k) Plans Are Rebounding

During the Great Recession and its aftereffects, many 401(k) plan sponsors suspended or eliminated their matching contributions for cost reduction purposes. Although plan sponsors offering matching contributions dropped from 80 percent in 2007 to approximately 70 percent from 2009 to 2012, they did not eliminate their retirement plans altogether. In 2014, the percentage of plan sponsors offering a match has increased to 77 percent, nearly reaching its 2007 level.

Offers Matching Contribution
All Employers (10 or More Employees)
Yes (%)



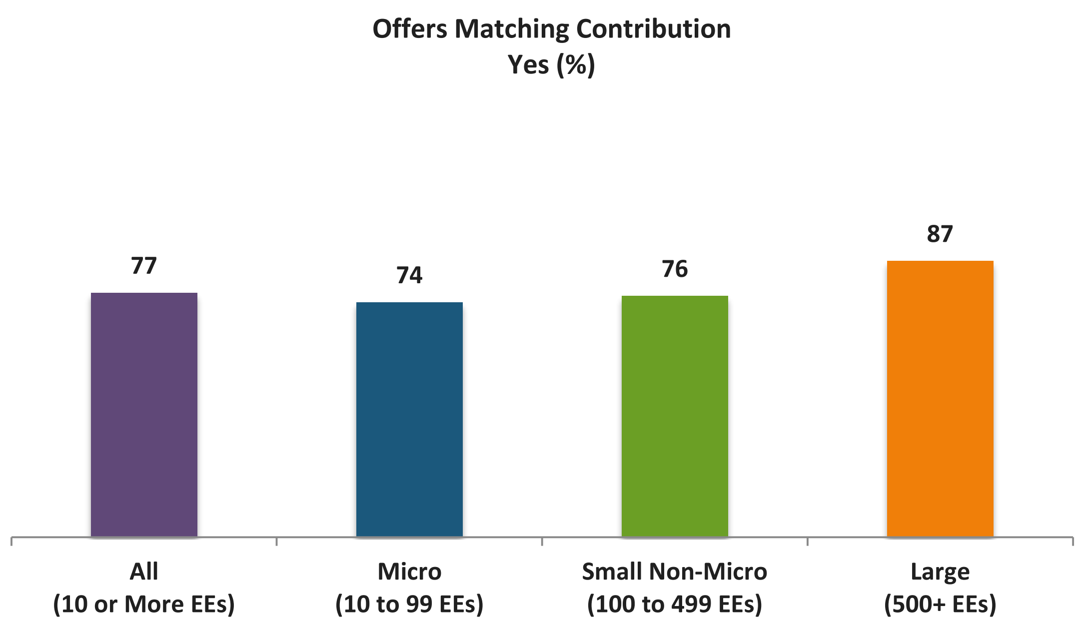
2014 - Changes Made to Matching Contribution
Since the Recession Began (%)



EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN
Q640. Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?
Q1610. Since the beginning of the recession in recent years, which is commonly called the "Great Recession," has your company made any of the following changes to the matching contribution?

Matching Contributions Are More Prevalent in Large Companies

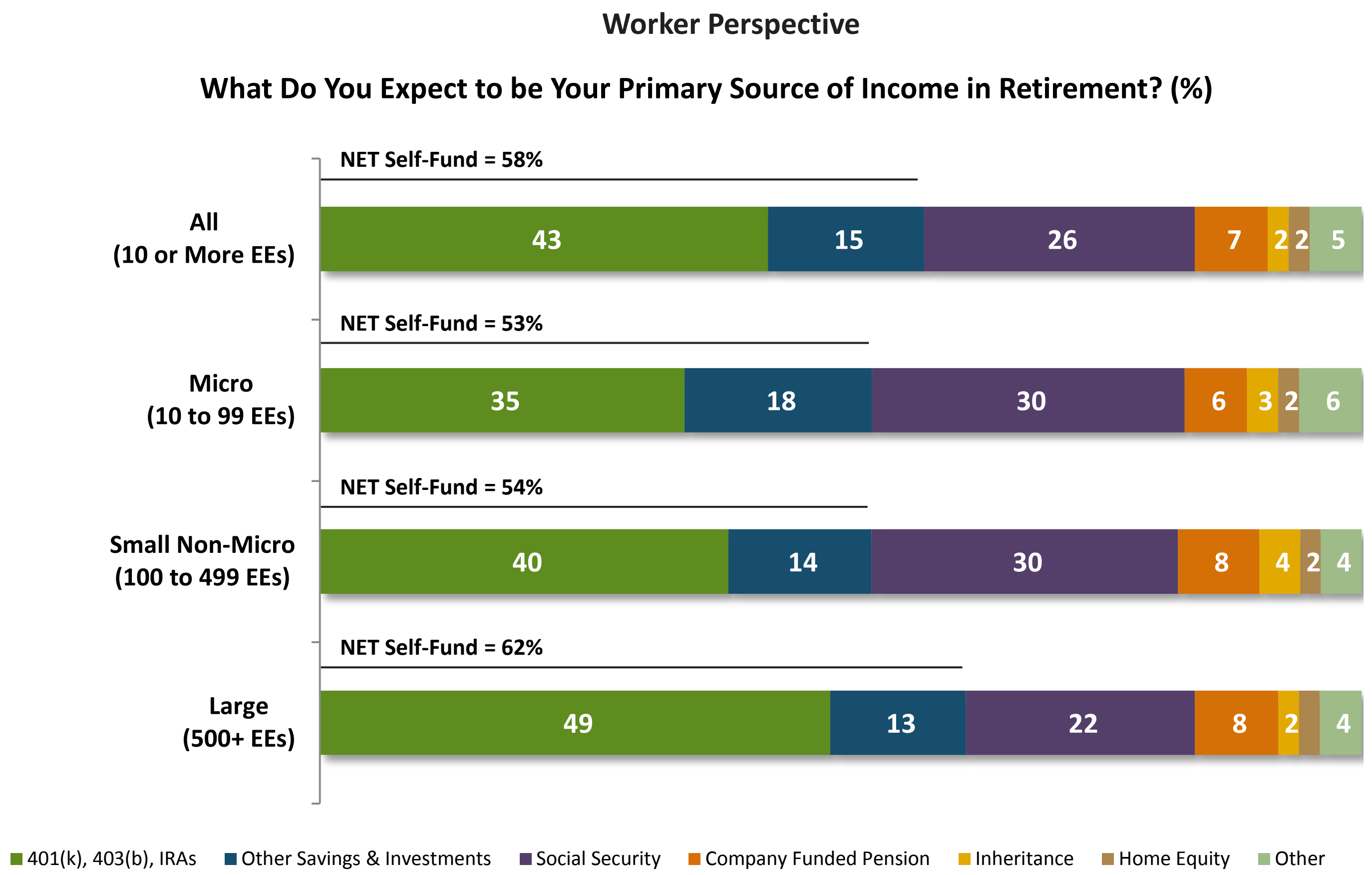
Smaller companies lag behind larger companies in offering matching contributions as part of their 401(k) or similar plan. Seventy-seven percent of all plan sponsors offer a matching contribution, with 74 percent of micro companies and 76 percent of small non-micro companies offering a match. Eighty-seven percent of large companies offer a match. The employer's matching contribution is one of the most important features of a 401(k) or similar plan because it incentivizes employees to join the plan.



EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN
Q640. Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?

Many Workers Expect to Primarily Rely on 401(k)s in Retirement

Forty-three percent of workers expect savings from 401(k)s, 403(b)s, and IRAs to be their primary source of income when they retire. Workers of large companies (49 percent) are most likely to rely on these types of retirement accounts, compared to workers of small non-micro companies (40 percent) and micro companies (35 percent).



WORKER BASE: ALL QUALIFIED RESPONDENTS

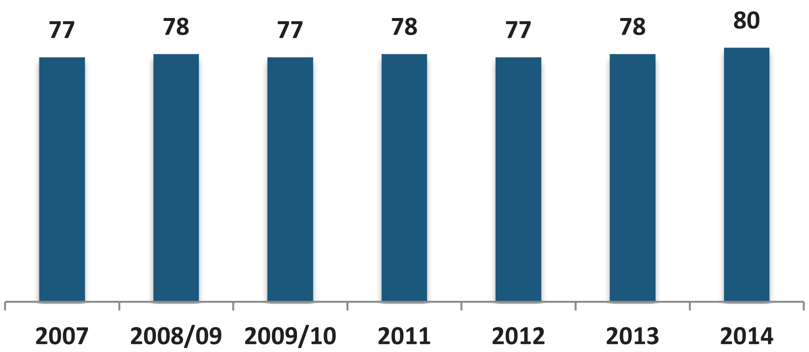
Q1150. Which one of the following do you expect to be your primary source of income to cover your living expenses after you retire?

Plan Participation and Salary Deferral Rates Are on the Rise

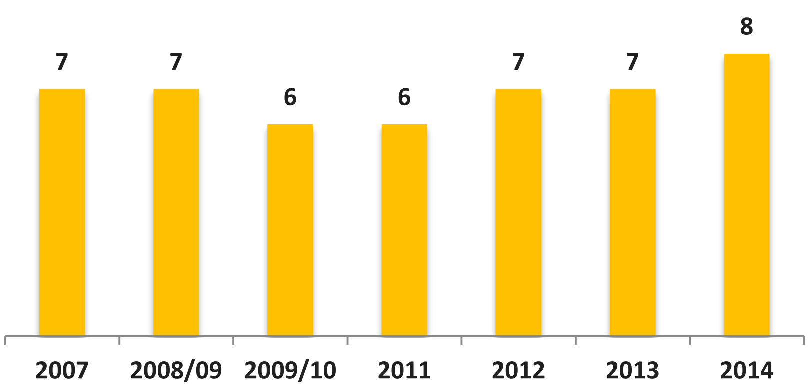
Despite the tumultuous years of the recession and its slow recovery, 401(k) plan participants have stayed on course with participation and salary deferrals. Participation rates among workers who are offered a plan have held steady and even increased from 77 percent in 2007 to 80 percent in 2014. Among those participating, annual salary contribution rates have increased from seven percent (median) in 2007 to eight percent (median) in 2014, with a slight dip to six percent during the market downturn.

Worker Perspective

Participation Rate in 401(k) or Similar Plan (%)



Median Percentage of Annual Salary Saved in Plan (%)



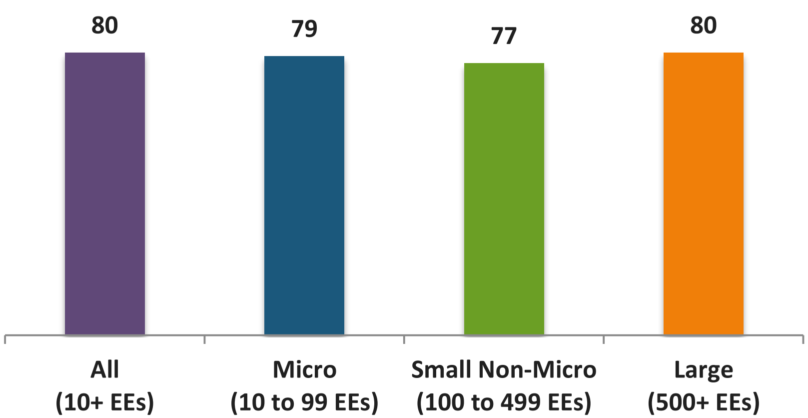
WORKER BASE: CURRENTLY OFFERED QUALIFIED PLAN
Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?
WORKER BASE: CURRENTLY PARTICIPATES IN QUALIFIED PLAN
Q601. What percentage of your salary are you saving for retirement through your company-sponsored plan this year?

Plan Participation and Salary Deferral Rates (cont'd)

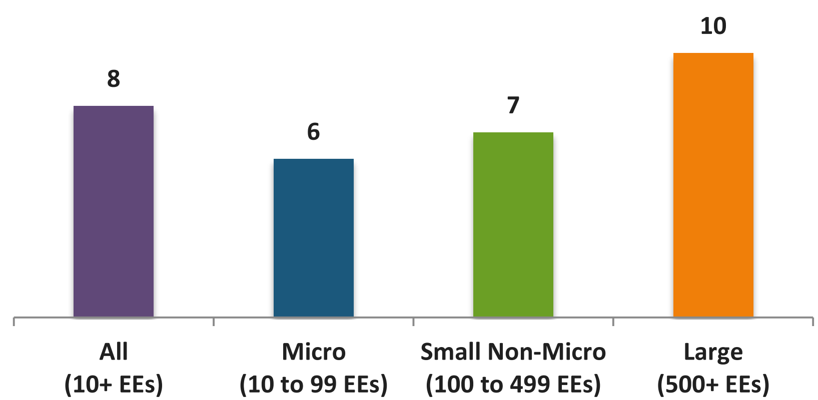
Among workers who are offered a plan, the plan participation rate is 80 percent and only varies slightly by company size. The median annual salary deferral rate is highest among large company workers (10 percent), compared to micro-company workers (6 percent) and small non-micro company workers (7 percent).

Worker Perspective

Participation Rate in 401(k) or Similar Plan (%)



Median Percentage of Annual Salary Saved in Plan (%)

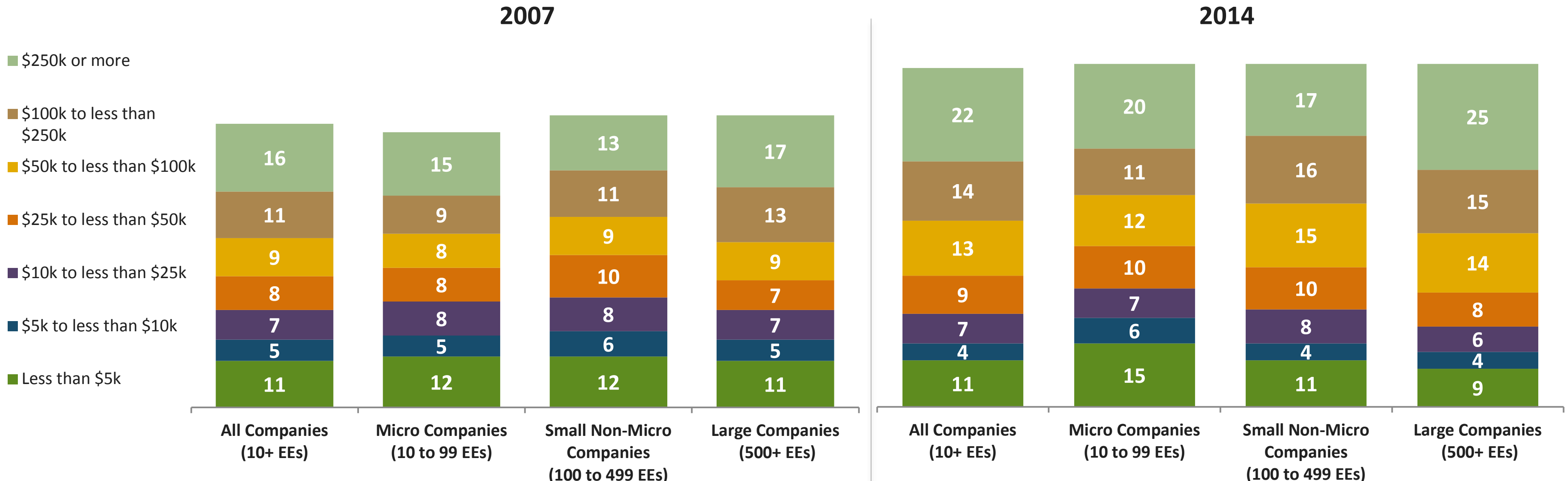


WORKER BASE: CURRENTLY OFFERED QUALIFIED PLAN
Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?
WORKER BASE: CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN
Q601. What percentage of your salary are you saving for through your company-sponsored plan this year?

Workers' Savings Vary by Company Size

Perhaps the ultimate measure of a worker's retirement outlook is his/her level of total household savings in all retirement accounts. In 2014, the estimated median household retirement savings is $63,000; however, it is lower among micro-company workers ($47,000) and small non-micro company workers ($56,000), compared to large company workers ($73,000). These 2014 savings levels represent a significant increase from 2007, when the estimated median household retirement savings was just $47,000 for workers of companies with 10 or more employees.

Total Household Retirement Savings (%)



	2007 All Companies (10+ EEs)	2007 Micro Companies (10 to 99 EEs)	2007 Small Non-Micro Companies (100 to 499 EEs)	2007 Large Companies (500+ EEs)	2014 All Companies (10+ EEs)	2014 Micro Companies (10 to 99 EEs)	2014 Small Non-Micro Companies (100 to 499 EEs)	2014 Large Companies (500+ EEs)
Not sure	13	14	14	13	9	9	8	10
Decline to answer	19	21	17	18	10	11	12	10

Median	$47,000	$37,000	$35,000	$58,000	$63,000	$47,000	$56,000	$73,000

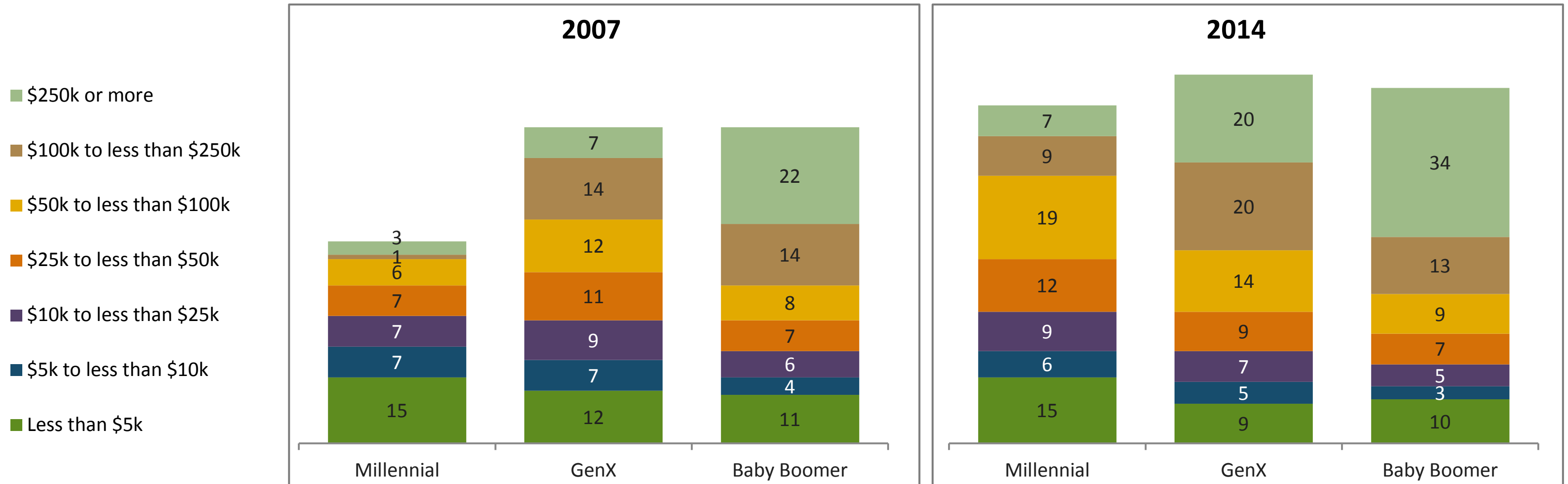
Note: The median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.

Baby Boomers' Savings Have Increased Since 2007

In 2014, Baby Boomers have saved $127,000 (estimated median) in all household retirement accounts compared to $75,000 in 2007. Household retirement savings among Generation X workers have increased to $70,000 in 2014 from $32,000 in 2007. Millennial workers report that they have saved $32,000 in 2014 up from just $9,000 in 2007.

Total Household Retirement Savings by Generation (%)



	2007 Millennial	2007 GenX	2007 Baby Boomer	2014 Millennial	2014 GenX	2014 Baby Boomer
Not sure	30	11	11	14	8	7
Decline to answer	24	17	16	9	9	12
Estimated Median	$9,000	$32,000	$75,000	$32,000	$70,000	$127,000

Note: The median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

Five Ways Employers Can Improve Their 401(k)s

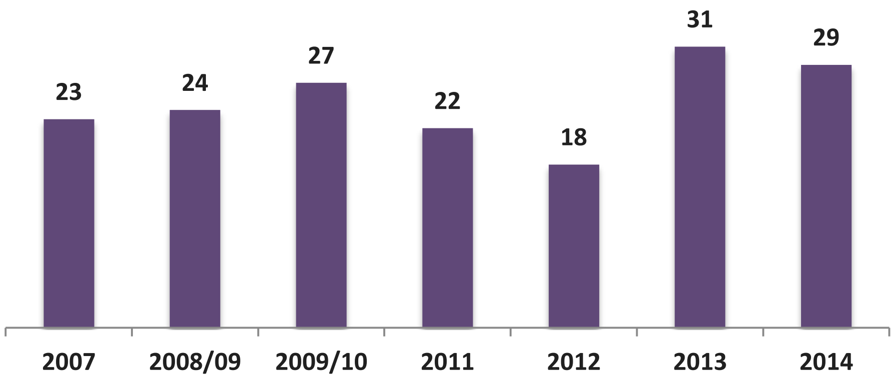
#1

Adopt automatic plan features to increase savings rates

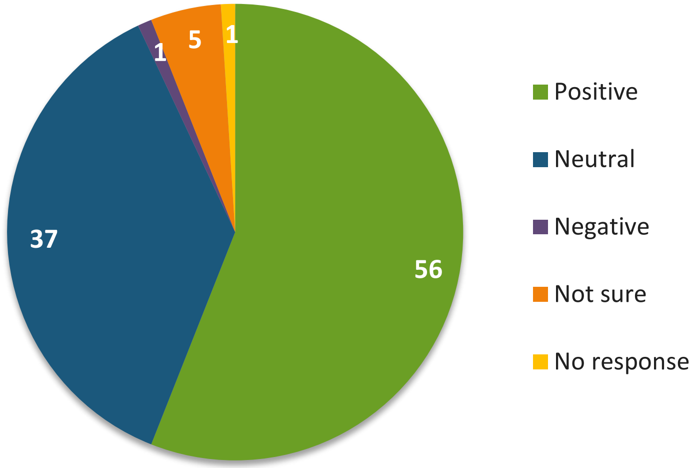
401(k) Plan Sponsors Are Adopting Automatic Enrollment

Automatic enrollment is a feature that eliminates the decision-making and action steps normally required of employees to enroll and to start contributing to the plan. It simply automatically enrolls employees into a plan and they only need to take action if he/she desires to opt out and not contribute to the plan. The percentage of plan sponsors offering this feature increased from 23 percent in 2007 to 29 percent in 2014. Plan sponsors that offer automatic enrollment report that the response among their employees has been generally positive (56 percent) or neutral (37 percent). Of note, only one percent say their employees responded negatively to being automatically enrolled.

Offers Automatic Enrollment
All Employers (10 or More Employees)
Yes (%)



Employers' Perceptions of Participant Responses (%)
2014



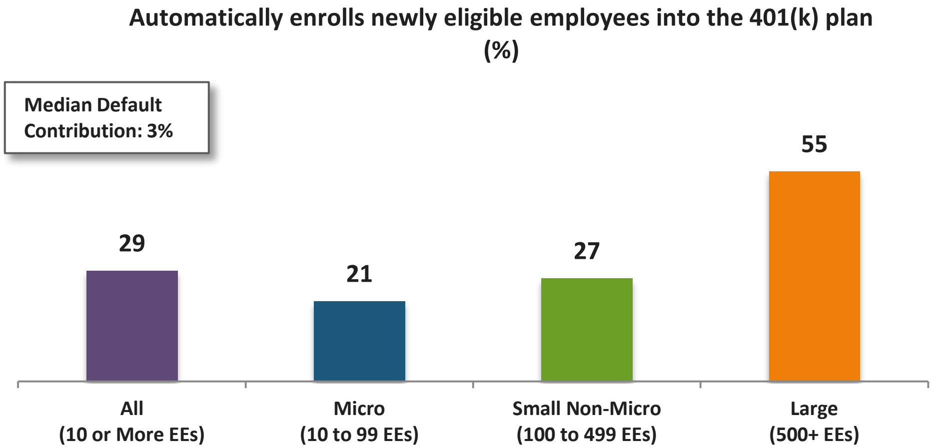
EMPLOYER BASE: OFFERS 401(k) PLAN
Q1025. When a new employee qualifies to join the employee-funded 401(k) plan, are they (A) initially given a choice to participate or not participate in the plan, or (B) automatically enrolled in the plan with the choice to opt out at a later date?
EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO RETIREMENT PLAN
Q1033. Generally, has your employees' response to being automatically enrolled been …?

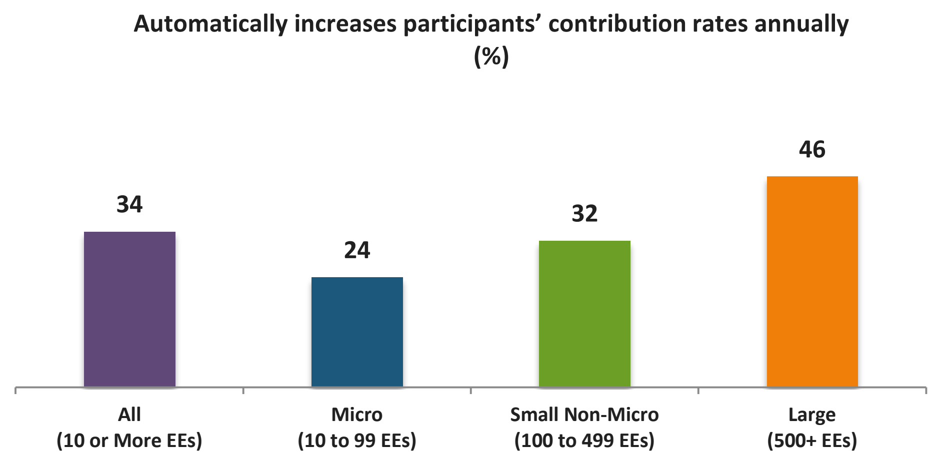
Adoption of Automatic Enrollment Increases with Company Size

Plan sponsor adoption rates of automatic enrollment increase with company size. Fifty-five percent of large companies offer automatic enrollment, compared to just 27 percent of small non-micro companies and 21 percent of micro companies.

Plan sponsors with automatic enrollment report a median default contribution rate of three percent of an employee's annual pay. Industry experts, including Transamerica Center for Retirement Studies, are concerned that three percent may be misleading to participants by implying that it is adequate to fund an individual or family's retirement when in most cases, it is not.

Among plan sponsors with automatic enrollment, 34 percent automatically increase participants' contributions annually with no action required by participants. Our survey findings directionally indicate adoption of this feature increases by company size (Note: small base of 90).



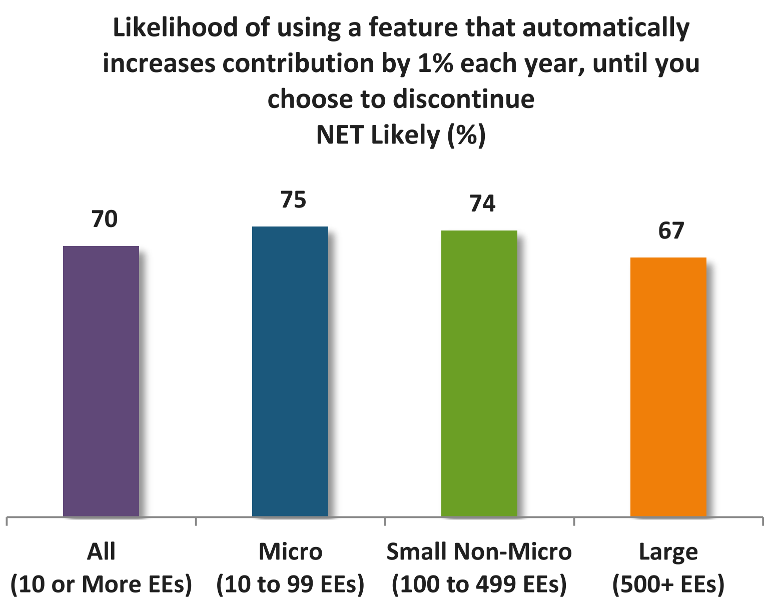


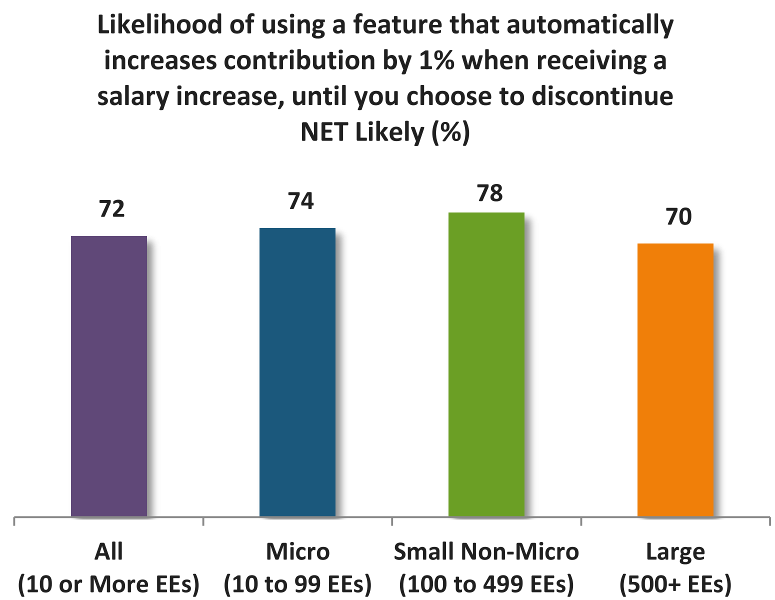
EMPLOYER BASE: OFFERS 401(k) PLAN
Q1025. When a new employee qualifies to join the employee-funded 401(k) plan, are they (A) initially given a choice to participate or not participate in the plan, or (B) automatically enrolled in the plan with the choice to opt out at a later date?
EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE 401(K) PLAN
Q1027. What is the default employee-funded 401(k) plan contribution rate (excluding the company match)?
Q1031. Does your plan have a provision to automatically increase participants' contribution rates annually, such as on their anniversary date of hire?

Automatic Increases Can Be a Powerful Solution for Workers

Seventy percent of workers who are offered a 401(k) or similar plan say they would be likely to take advantage of an automatic increase feature that would automatically increase their contributions by one percent of their salary either annually or whenever they receive a raise, until such a time when they choose to discontinue the increases. Plan sponsors should be encouraged to adopt automatic increase features which can help drive up savings rates.

Worker Perspective





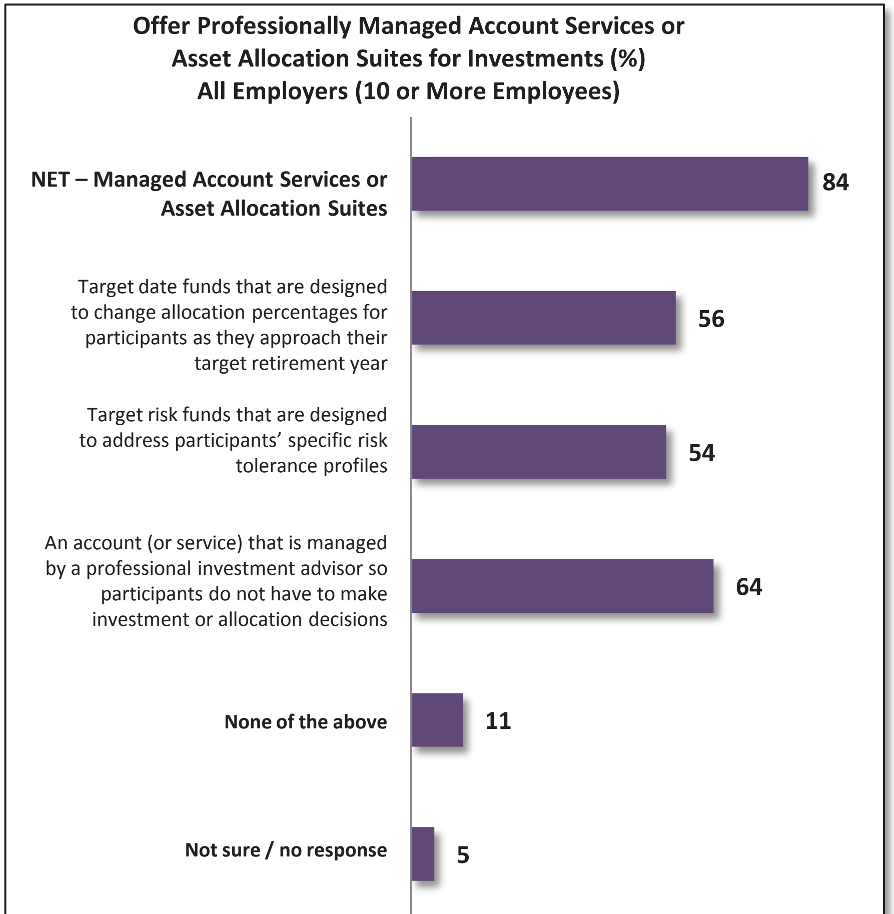
WORKER BASE: OFFERED 401(K) OR SIMILAR PLAN
Q702. How likely would you be to use a feature in a 401(k) or similar plan where your employer would automatically increase your contribution rate (as a percentage of your salary) to the plan by 1% each year, until you choose to discontinue this increase?
Q703. How likely would you be to use a feature in a 401(k) or similar plan where your employer would automatically increase your contribution rate (as a percentage of your salary) to the plan by 1% only after a salary raise, until you choose to discontinue this increase?

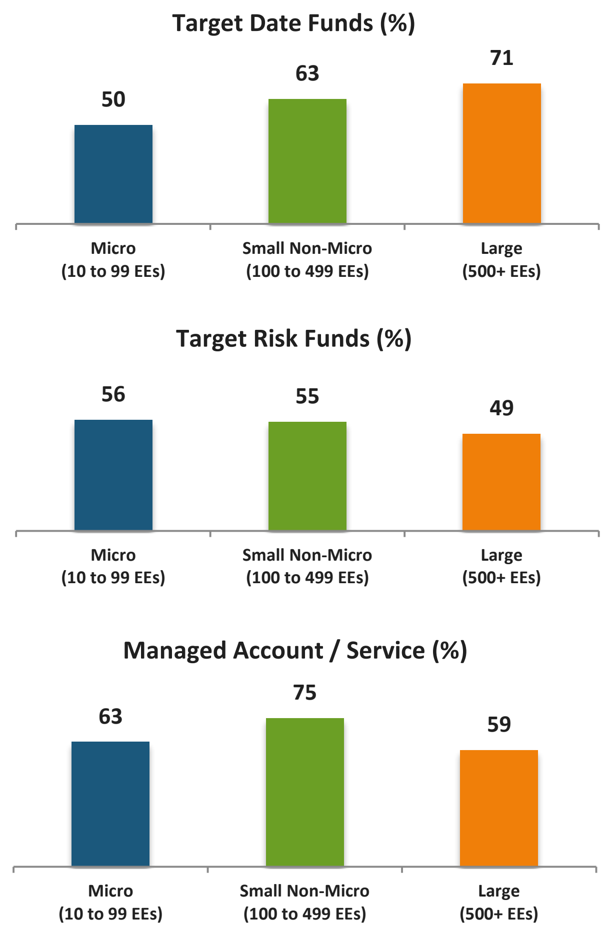
#2

Consider professionally managed services and asset allocation suites

Professionally Managed Services / Asset Allocation Suites

Professionally managed services such as managed accounts, and asset allocation suites, including target date and target risk funds, have become staple investment options offered by 401(k) or similar plan sponsors to their employees. These types of offerings enable plan participants to invest in professionally managed services or funds that are essentially tailored to his/her goals, years to retirement, and/or risk tolerance profile.





EMPLOYER BASE: OFFERS 401(K) OR SIMILAR PLAN

Q3591. Which of the following professionally managed services or asset allocation suites does your plan's investments include?

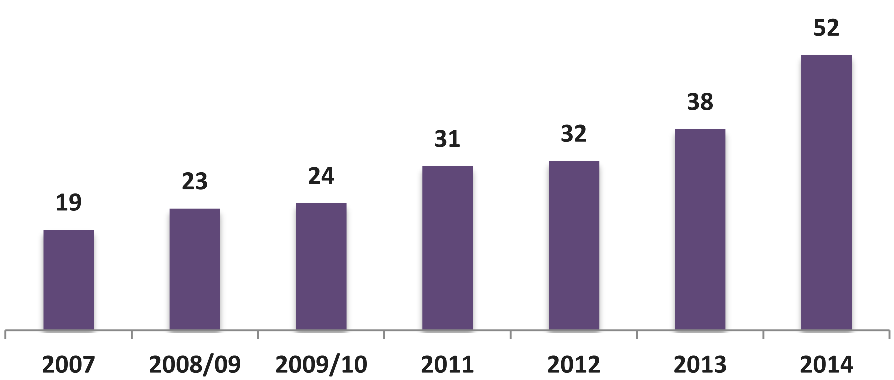
#3

Add the Roth 401(k) option to facilitate after-tax contributions

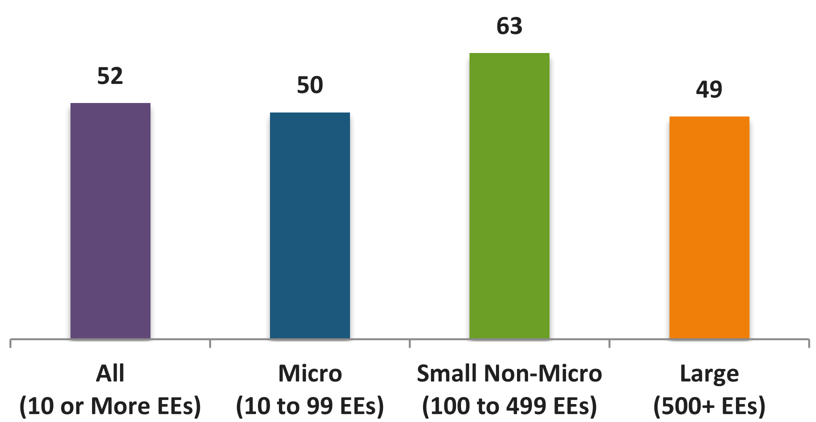
Adoption of Roth 401(k) Option is Steadily Increasing

The Roth option enables participants to contribute to their 401(k) or similar plan on an after-tax basis with tax-free withdrawals at retirement age. (It complements the long-standing ability for participants to contribute to the plan on a tax-deferred basis in which their savings is taxed when they take withdrawals from the plan at retirement age.) The Roth 401(k) can help plan participants diversify their risk involving the tax treatment of their accounts when they reach retirement age. Plan sponsors' offering of the Roth feature has increased from 19 percent in 2007 to 52 percent in 2014. Micro (50 percent) and large (49 percent) companies are similarly likely to offer this feature, compared to small non-micro companies (63 percent) which are somewhat more likely to do so .

Offers Roth 401(k) Option
All Employers (10 or More Employees)
Yes (%)



2014 - Offers Roth 401(k) Option
By Company Size
Yes (%)



EMPLOYER BASE: OFFERS 401(k) PLAN
Q540. Has your company adopted a Roth 401(k) option?

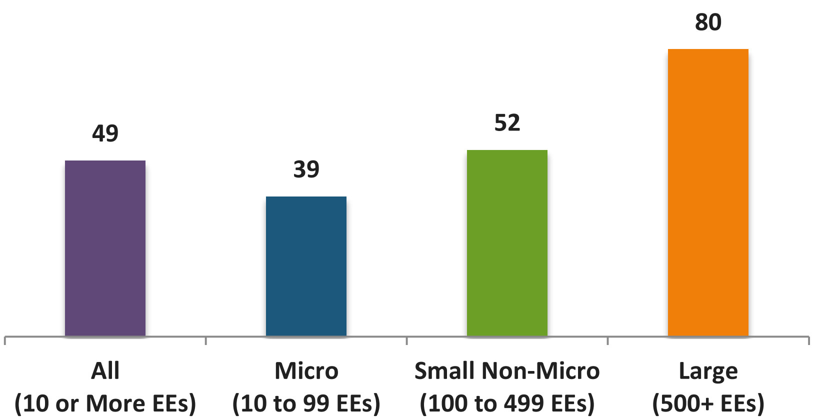
#4

Expand retirement plan coverage by extending eligibility to part-time workers

Many Part-Time Employees Are Not Eligible To Participate

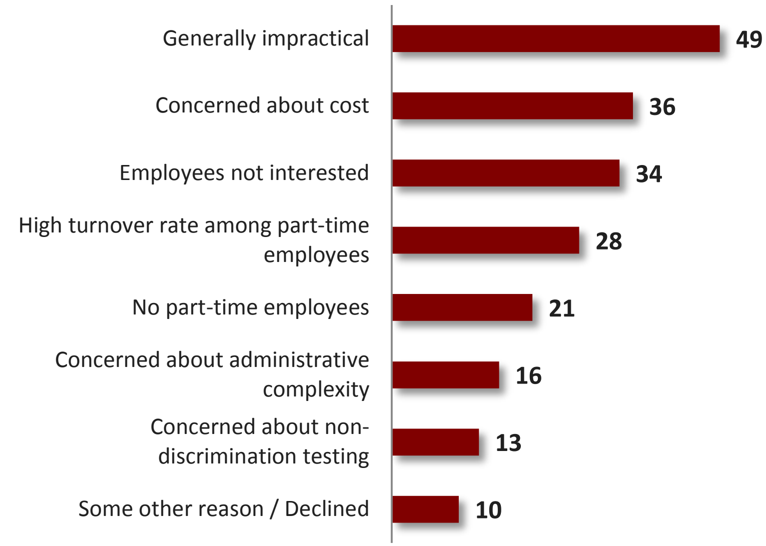
While 79 percent of employers offer a 401(k) or similar plan to their employees, only 49 percent of them extend eligibility to part-time workers. Doing so varies by company size: Large employers (80 percent) are far more likely to extend eligibility to part-time workers, compared to small non-micro companies (52 percent) and micro companies (39 percent). Among plan sponsors that are not extending eligibility to part-time employees, 90 percent do not plan to do so in the future and their most frequently cited reasons include: generally impractical (49 percent), concerns about cost (36 percent), and high turnover among part-time employees (28 percent). In the current public policy dialogue on how to increase workplace-based retirement savings programs among American workers, providing coverage to part-time workers is a tremendous opportunity.

Extend eligibility to part-time employees to participate in 401(k) or similar plan
Yes (%)



Among plan sponsors not extending eligibility to part-time workers, **90 percent** *do not plan to do so in the future.*

Most frequently cited reasons for NOT planning to extend eligibility to their part-time employees (%)



EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN
Q1650. Are any part-time employees eligible to participate in the employee-funded retirement plan?
EMPLOYER BASE: OFFERS 401(K) PLAN, HAS NO PLANS TO EXTEND ELIGIBILITY TO PART-TIME EMPLOYEES
Q1655. Which of the following reasons apply to your company's not planning to extend 401(k) eligibility to any part-time workers in the future?

#5

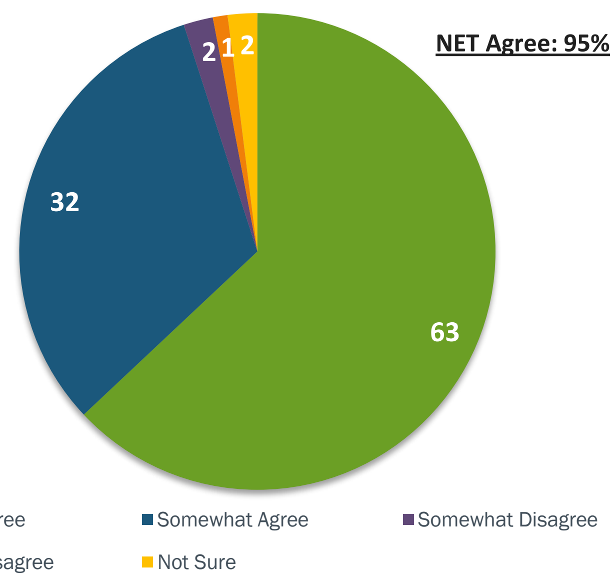
Address communication gaps between employers and workers

Employers Overestimate Worker Satisfaction with 401(k) Plans

The survey findings revealed a major disconnect between employers and workers which, if addressed, could help employers maximize the value of their benefits offering while also helping their employees achieve retirement readiness. For example, 95 percent of employers agree that their employees are satisfied with the retirement plan that their company offers, including 63 percent that "strongly agree" and 32 percent that "somewhat agree." In stark contrast, only 80 percent of workers agree that they are satisfied with their employers' plans, including 27 percent who "strongly agree" and 53 percent who "somewhat agree."

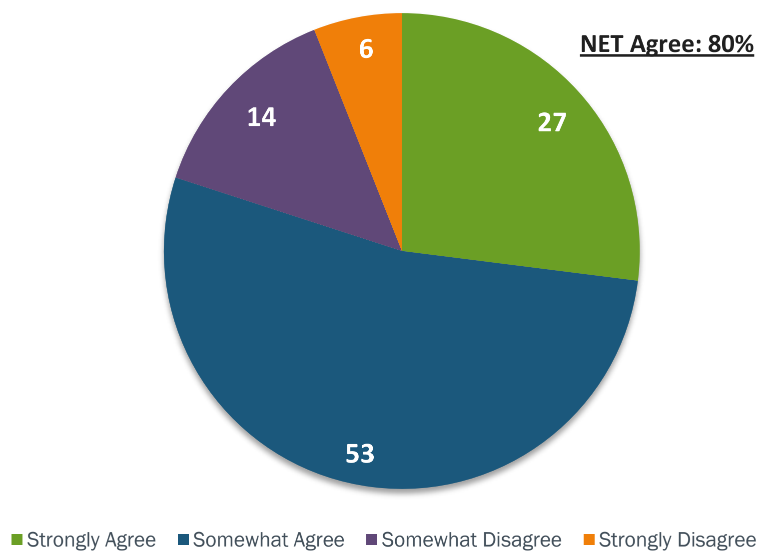
EMPLOYER PERCEPTIONS

"Our employees are satisfied with the retirement plan the company offers." (%)



WORKER OPINIONS

"I am satisfied with the retirement plan my company offers." (%)

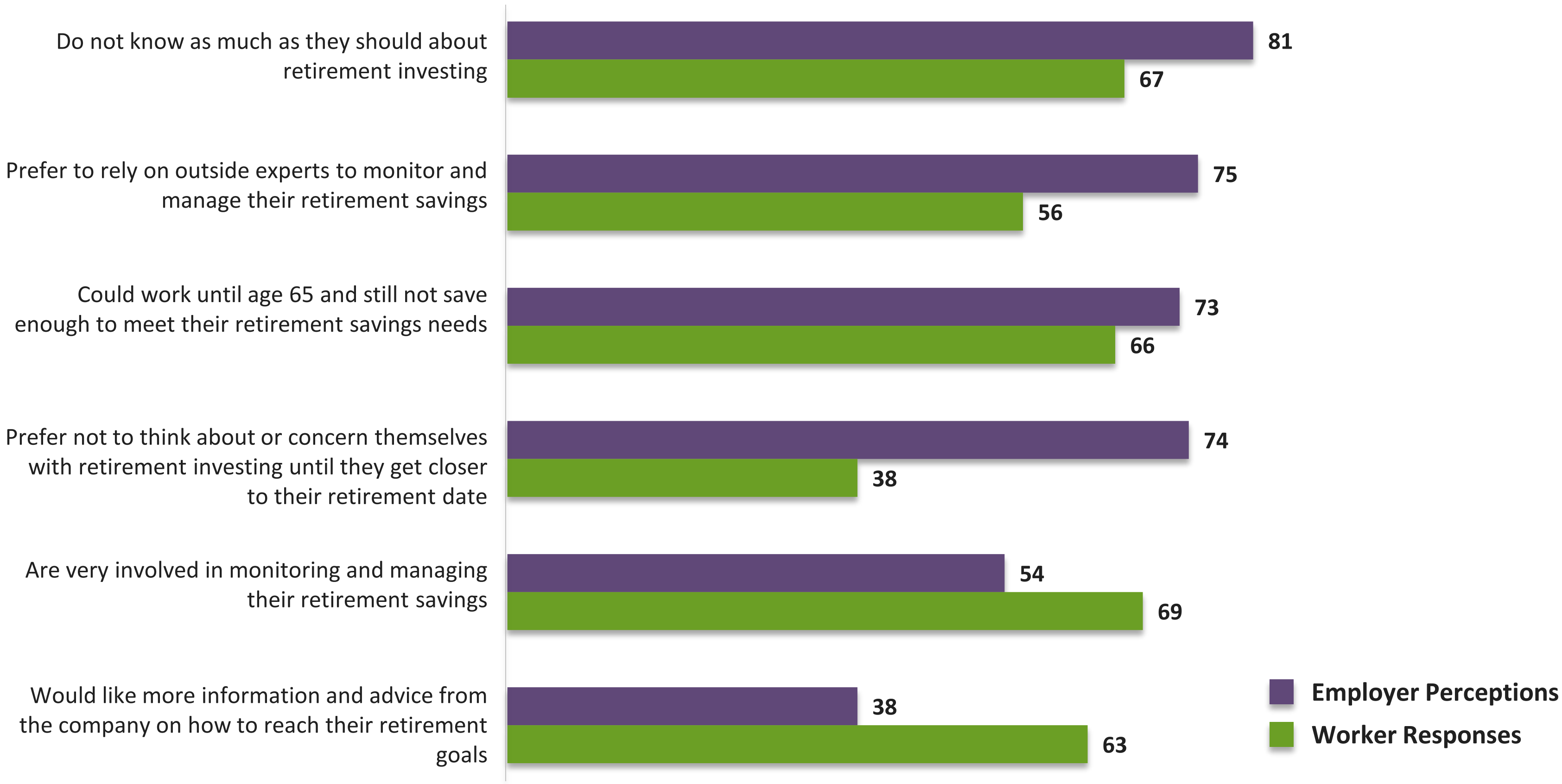


EMPLOYER BASE: OFFERS 401K) OR SIMILAR PLAN
Q750. How much do you agree/disagree that your employees are satisfied with the retirement plan the company offers?
WORKER BASE: OFFERED 401(K) OR SIMILAR PLAN
Q701. How much do you agree or disagree with the following statements? "I am satisfied with the retirement plan my company offers."

Employers Are Out of Sync with Workers' Focus on Retirement

By comparing employers' perceptions with workers' responses, the survey found that employers may be underestimating workers' retirement preparations. One major disconnect: Sixty-three percent of workers would like more education and advice from their employers on reaching retirement goals, yet only 38 percent of employers believe this to be the case.

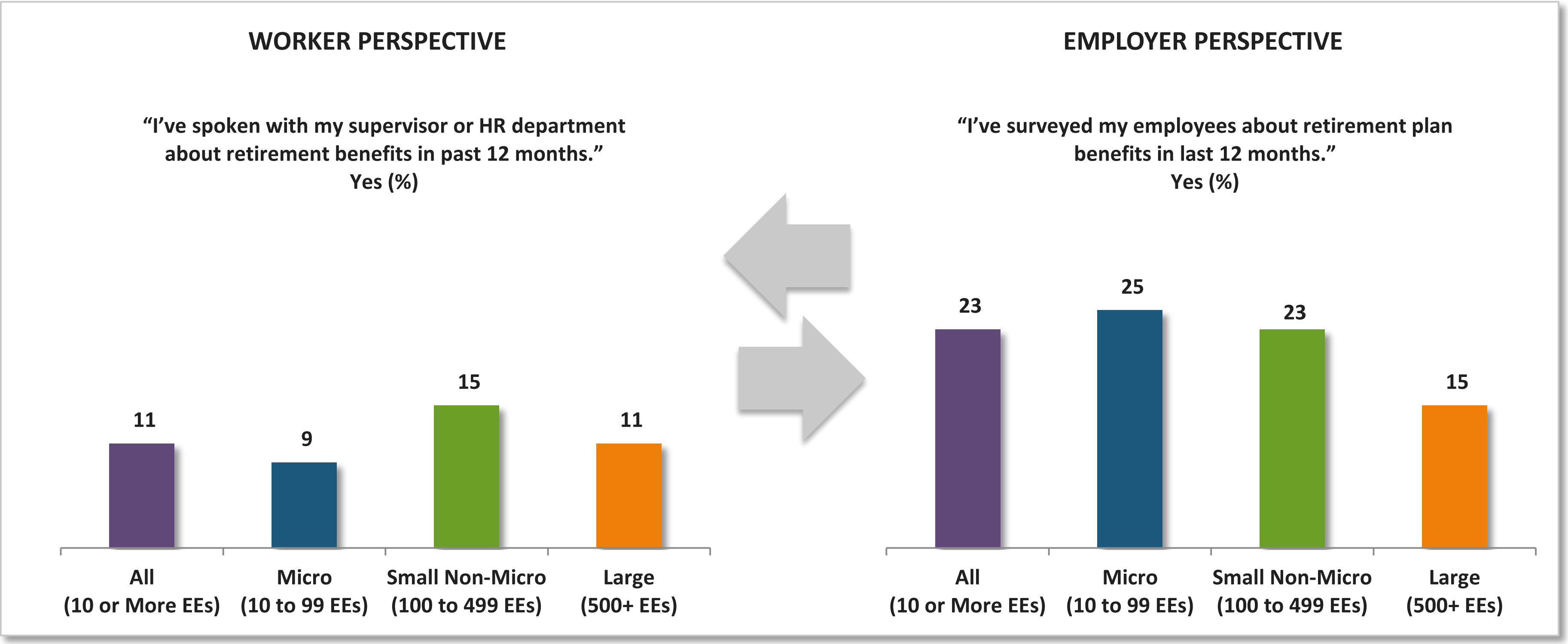
Employer Perceptions Versus Worker Survey Responses on Retirement Preparations
"Most employees at my company …" compared to "I …" Agree (%)



EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q810. For each of the following statements, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree
WORKER BASE: ALL QUALIFIED RESPONDENTS
Q931. How much do you agree or disagree with each of the following statements regarding retirement investing?

Starting a Dialogue To Close the Disconnect

An important first step, which could potentially lead to improving benefits and thereby helping increase retirement readiness, is starting a dialogue between employers and their employees about retirement preparations and available benefits. Only 11 percent of workers have approached their supervisor or HR department about retirement benefits in the past year and only 23 percent of employers have surveyed their employees on the topic. Clearing confusion and promoting awareness can affect positive changes without the need for public policy intervention or new programs which are timely and costly to implement. (Note: TCRS has created a survey tool for plan sponsors that is available here and on page 46).



WORKER BASE: ALL QUALIFIED RESPONDENTS
Q920. In the past 12 months, have you spoken with your immediate supervisor or HR department about retirement benefits?
EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q1635. Have you surveyed employees about retirement plan benefits in the last 12 months?

Participant Survey for Plan Sponsors to Use

TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

Retirement Plan Survey for Plan Participants

This survey has been designed for employers to assess the effectiveness of their retirement plans among their participants.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	Not Applicable
My Employer's Retirement Plan						
I value my employer's retirement plan as an important benefit.						
I am satisfied with my employer's retirement plan features including matching contributions or profit sharing contributions.						
Retirement Readiness Indicators						
I understand my retirement income needs and have calculated my retirement savings goal.						
I have a roadmap for achieving my retirement income needs.						
I am saving enough and investing appropriately to achieve my savings goal.						
I am confident that I will be able to fully retire with a comfortable lifestyle.						
Planning Tools & Educational Resources						
Overall I am satisfied with the planning tools and educational resources offered by the retirement plan.						
The retirement plan's online planning tools and educational resources are helpful and meet my needs.						
The educational meetings and seminars offered have been helpful for me to learn about saving, planning, and making informed decisions about the retirement plan.						
I often use the planning tools and educational resources offered by the plan.						
Plan Services / Account Management						
Overall I am satisfied with the retirement plan's website and customer services.						
The website is easy to navigate and obtain information and/or process my requests.						
The automated telephone system is easy to use, obtain information and process requests.						
The telephone contact center representatives are courteous, professional and provide me with the assistance that I need.						
My retirement plan account statements are timely and accurate.						
Investments						
Overall I am satisfied with the retirement plan's investment options.						
I am satisfied with the variety and number of investments available to meet my needs.						
I am knowledgeable about investments, risk tolerance, and asset allocation principles and prefer to manage my investment options on my own.						
I prefer investment options such as target date funds, life-cycle funds and/or professionally managed portfolios that are tailored to my savings goals, years to retirement, and risk tolerance.						

About Transamerica Center for Retirement Studies®
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TCRS 1105-0913

Recommendations for Policymakers

Recommendations for Policymakers

Workplace retirement benefits play a vital role in helping workers save for retirement. The workplace retirement savings system has succeeded in serving as the preferred method of saving for retirement for millions of workers. However, more work can and should be done to improve the current system. Recommendations for policymakers include:

1. **Preserve existing incentives for workers to save for retirement** including tax-deferred savings, existing contribution limits to qualified retirement plans and IRAs, and the Saver's Credit.
2. **Expand retirement plan coverage for all workers including part-time workers by**:
   a. Expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.
   b. Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing.
3. **Increase default contribution rates in plans using automatic enrollment**. The current minimum default contribution rate in the safe harbor, which ranges from three percent to six percent, sends a misleading message to plan participants that saving at those levels is sufficient to ensure a secure retirement. A new auto enrollment safe harbor, under which employees are enrolled at six percent (increasing to eight percent, then 10 percent), which also provides a tax credit for adopting it, can drive up plan sponsor adoption rates and participant savings rates.
4. **Reduce leakage from retirement accounts** by extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
5. **Illustrate savings as retirement income on retirement plan account statements**. Require retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum to help educate savings needs.
6. **Facilitate retirement savings to last a lifetime.** Proposals that help participants both manage their investment risk and ensure their retirement savings will last their lifetime are encouraged, including facilitating the offering of in-plan annuities and annuities as a distribution option.
7. **Expand the Saver's Credit** by making it refundable and/or raising the income eligibility requirements so that more tax filers are eligible.

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