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Our role in closing the gender gap in retirement

The future of defined contribution

next

Issue no. 9

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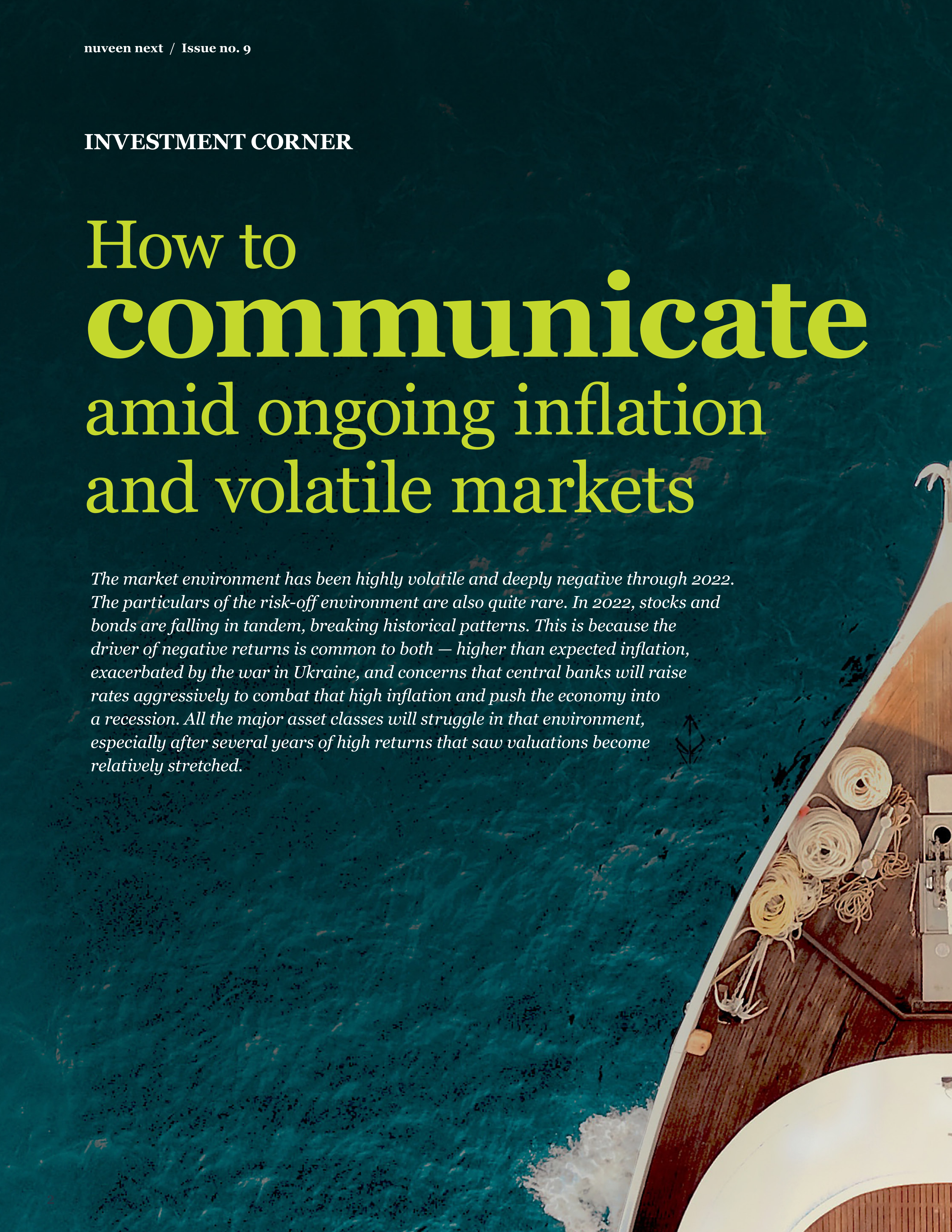
Pushing limits and finding solutions

This year has been a rollercoaster for the economy, and the markets have reflected that accordingly. But it is our mission to help steer plan sponsors and consultants toward long-lasting best practices, and to help provide long-term solutions to the difficulties we all face, despite any short-term volatility.

In this issue of *next*, we'll explore topics making news in the DC world and potential ways to continue driving equality and protect plan committees at the same time. First, we'll discuss the ongoing market volatility, which investments may help mitigate, and how to best communicate to participants in times of high stress. Next, we examine our collective roles in affecting the gender retirement savings gap, looking at the perceptions and reality that women face in the workforce. Third, in light of an increasing level of new litigation for plan fiduciaries, we examine some best practices to help ensure that fiduciaries are aware of their responsibilities and take steps to help mitigate the risk of litigation. Finally, we look at the role of benefits in recruitment and retention, specifically in the context of the pandemic and current labor market. Talent is at a premium across the economy, and now is the time to better align benefits with what employees expect, or even demand.

We are in a period of rapid change for financial markets, but one constant is the role of a fiduciary. This issue of *next* aims to bring together the right insights, resources and people to offer meaningful education and clarity.

Your Nuveen Team



INVESTMENT CORNER

How to **communicate** amid ongoing inflation and volatile markets

The market environment has been highly volatile and deeply negative through 2022. The particulars of the risk-off environment are also quite rare. In 2022, stocks and bonds are falling in tandem, breaking historical patterns. This is because the driver of negative returns is common to both — higher than expected inflation, exacerbated by the war in Ukraine, and concerns that central banks will raise rates aggressively to combat that high inflation and push the economy into a recession. All the major asset classes will struggle in that environment, especially after several years of high returns that saw valuations become relatively stretched.

Just as we discourage investors from market timing in general, we also caution that it's extremely difficult to predict the bottom of a bear market with a high degree of precision. Attempts to define a projected or hoped-for inflection point to guide specific investment decisions are likely to produce disappointing results. We would continue to recommend consistent contributions to retirement savings that help to dollar cost average into accounts.

The ongoing market turmoil may be contributing to sharp declines in consumer sentiment surveys. Consumer confidence is registering about as low as it has ever been — lower now than during the onset of Covid when the economy was shut down. Fortunately, this is not translating into consumer behavior.

Consumers though are saying one thing and doing another. Despite their gloomy professed outlooks, U.S. consumers are exhibiting considerable strength. Rising asset prices (homes values as well as financial assets) and unusually high job security have combined to make consumers more resilient than we might expect to high inflation. Many households accumulated considerable excess savings during the pandemic, and while those balances have started to fall, they, along with rising wages and pent-up demand, are powering ongoing spending growth.

FIGURE 1:
Our views on inflation indicators

	Much too cold	Too cold	Just right	Too hot	Much too hot
Jolts job openings per UE worker					■
Employment cost index					■
Inflation expectations (2-year)				■	
Average hourly earnings				■	
Rent CPI				■	
Jobless claims			■		
Financial conditions			■		
Inflation expectations (5-year)			■		
Business spending growth			■		
Manufacturing growth			■		
Labor force participation growth		■			
Export demand growth		■			

Source: Nuveen

Inflation, which is currently running at a level most Americans have not experienced in their adult lifetimes, is undoubtedly driving negative consumer sentiment. Despite an aggressive series of interest rate hikes from the Fed, the rate of price increases has yet to subside. In fact, inflation has become broader based in 2022 compared with 2021. Energy and food inflation has risen primarily because of the war in Ukraine, but core service prices like rents are also climbing and could contribute to inflation's ongoing persistence. The sharp rise in gas prices has only partially reversed, and given its visibility it has probably been the biggest contributor to negative investor psychology. Beyond engineering a recession, something they'd like to avoid, there is very little that policymakers can do in the near term about commodity prices or supply chain issues.

The labor market is very strong at the moment — job openings greatly exceed unemployed workers — which is putting upward pressure on wages. Wage inflation is concerning to investors as it can be hard to dampen without economically damaging policy changes. Higher wage costs can induce companies to raise prices on the goods or services they sell, which may lead workers feeling the pinch of inflation to demand even higher wages. This wage-price spiral eventually forces central banks to raise rates enough to slow the economy back down, add some slack back into the labor market and allow prices to climb in a more orderly manner.

So despite the risks of pushing the economy into a recession, the reasons for the Fed's rate hikes are clear: Job creation and consumer spending have stayed strong, but inflation is running hot, eroding the purchasing power of incomes. The Fed wants to loosen the labor market but not break it as it tightens policy. Job security is important to keep the economy running even as job openings come down. The Fed clearly sees more risk coming from higher inflation than it does from a potential recession. And that's a stance that makes sense to us.

FIGURE 2:

Historical equity market drawdowns and subsequent recoveries (1937–2021)

Drawdown (peak to trough)	**# of occurrences** (1937 to 2021)	**Avg recovery time** (in months)
-5% to 10%	56	1.4
-10% to -20%	21	3.4
-20% to -30%	4	11.5
-30% to -40%	3	11.2
-40% to -50%	2	35.3
-50%+	2	56.2

Source: FactSet, as of 31 Dec 2021. Average recovery time portrays the market trough until it reaches the previous market peak. **Past performance is no guarantee of future results.**

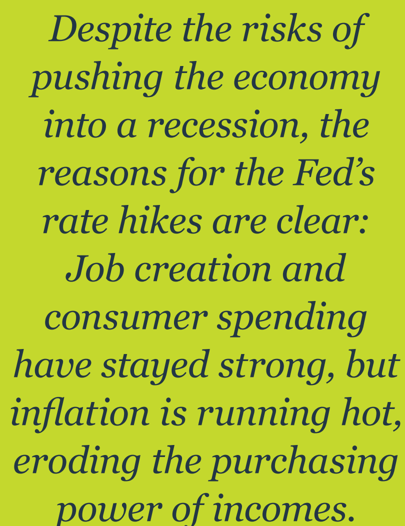
What can we say to participants?

Still, while none of us can control these events, it's important to focus on what we can control – and that's the strategies we put in place to manage the conditions we're handed. History tells us that from an investment standpoint designing, regularly contributing to and sticking to a good long-term asset strategy is the best way to achieve a long-term financial goal, retirement first and foremost.

Our Global Investment Committee expects inflation to moderate over the next 18 months. And our GIC also believes that even a mild recession should still create an environment where financial markets offer value, assuming you know where to look.

It must also be said that so far, evidence from our colleagues at TIAA suggests that we are not seeing reduced contribution rates. Hardship withdrawals have also remained flat, which is an optimistic sign. What we are seeing is tremendous engagement in people seeking information about what do now. Plan participants are desperate for information as to what they should do through times of high inflation and volatility. People want reminders to focus on the long term and to not panic. While market-moving events are uncomfortable, they often provide valuable investment opportunities — especially for people with a long-term outlook.

The value of remaining fully invested through periods of higher volatility is also paramount.



Despite the risks of pushing the economy into a recession, the reasons for the Fed's rate hikes are clear: Job creation and consumer spending have stayed strong, but inflation is running hot, eroding the purchasing power of incomes.

Historical evidence shows that when markets decline they tend to recover relatively quickly. And while the 2022 market decline is more severe than the majority of equity downturns, the recovery period historically has still been less than a year. In the 88 market declines measured, 82 saw recoveries in less than a year.

So the question for investors is focused on whether they have enough exposure to investments that perform better when inflation is 3% or 4% instead of 1% or 2%, as had been the case from the 1990s through the 2010s. Many real assets can help mitigate inflation, and in some cases are still poised to produce positive real returns. From rent escalators found in commercial real estate to CPI-based infrastructure projects to farmland assets bolstered by rising crop and land values, we see a number of ways to participate in elevated inflation levels or provide a cushion against them.

We do believe that investors should be considering rebalancing their portfolios during such periods. Participants need to make sure that their asset allocation remains in sync with goals — objectives for retirement and income are not likely to have shifted greatly, but the allocation of assets to achieve those goals may well have due to shifting valuations. Investor's tolerance for risk also needs to remain in focus.

Ultimately we recommend that plan participants stay the course, do not panic — focus on the things you can control — cash flow, tracking for goals, don't focus on day to day volatility. Making sure that a participant is saving enough day-to-day and invested correctly based on their goals remains the best advice. The dollar cost averaging inherent in a constant savings program like a 401(k) is of great benefit at a time when we see valuations across asset classes at attractive levels.

We also see recommendations in educating and reminding participants of the differences between the accumulation phase while working and the income phase in retirement. We would also continue to talk to the benefits of guaranteed lifetime income being built into a plan, as a blend of fixed and variable annuities can work to offset some inflationary risk and cement accumulated savings into a constant income stream. Our fuller article on the implementation and benefits of guaranteed lifetime income elements within a retirement plan can be found here. We see the security of a consistent paycheck as being a strong driver of lifetime guaranteed income elements, and could help women further into retirement after other potential options are exhausted.

Many real assets can help mitigate inflation, and in some cases are still poised to produce positive real returns.

PARTICIPANT ENGAGEMENT

Our role in closing the gender gap in retirement

The year 2022 marks the 50th anniversary of the passage of Title IX. This landmark piece of legislation has contributed massively to the workplace becoming more equitable for women. More women now attend college than men (74% to 66%), and more women work in public sector roles than men (24% to 16%), both of which have been linked to higher access to retirement savings vehicles. However, retirement planning and savings remain a major area of concern. Among pension beneficiaries at age 65+, women in the U.S. on average receive 33.7% less income compared to the average man; worse than the OECD average of 25.6%.

Title IX of the Education Amendments of 1972 prohibits sex-based discrimination (including pregnancy, sexual orientation and gender identity) in any education program or activity receiving federal financial assistance.

This perpetual gap in retirement savings between men and women – sons and daughters, mothers and fathers – remains a significant hurdle that we have the power to help overcome.

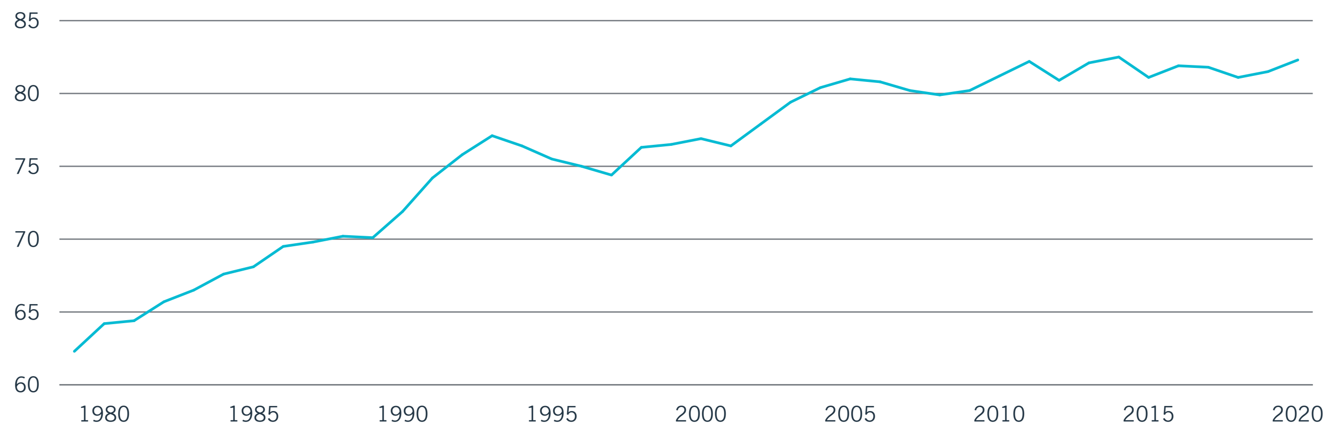
The great divide

While we have seen progress toward increased financial equity across genders, it's too slow and unsteady to expect meaningful change. Across all genders, saving for retirement seems more difficult for American workers today than it was for prior generations.

For women, it's even harder for a few reasons.

1. **Pay.** It remains the case that women, on average, earn $0.83 per $1 that a man earns.[1] Women's relative earnings have been consistently climbing since the 1970s, but have plateaued somewhat in recent years, and the gap remains a major obstacle to retirement saving as many retirement vehicles are at least in part wage-based.
2. **Savings.** The broader status quo is that fewer women are actively saving for retirement. Women are less likely to be covered by an occupational plan than men (48% to 42%), and of those, eligible women are less likely to participate than men (55% to 49%).[2]

Figure 1:
Women's earnings have been climbing over recent decades



Source: U.S. Bureau of Labor Statistics, Current Population Survey. Note: Percentages are calculated from annual averages of median usual weekly earnings for full-time wage and salary workers.

3. **Longevity.** Women also take more time out of the workforce, are more likely to be primary caregivers, and when they do retire their savings produce less income than the average man's savings. Women also, on average, live five years longer than men do.[3] Meaning that their already lower savings have to last that much longer to provide throughout retirement.

Women are also more likely to be part-time employees, and are less likely to work in industries with traditionally strong retirement savings plans, which depress the amount they are likely to save for retirement.

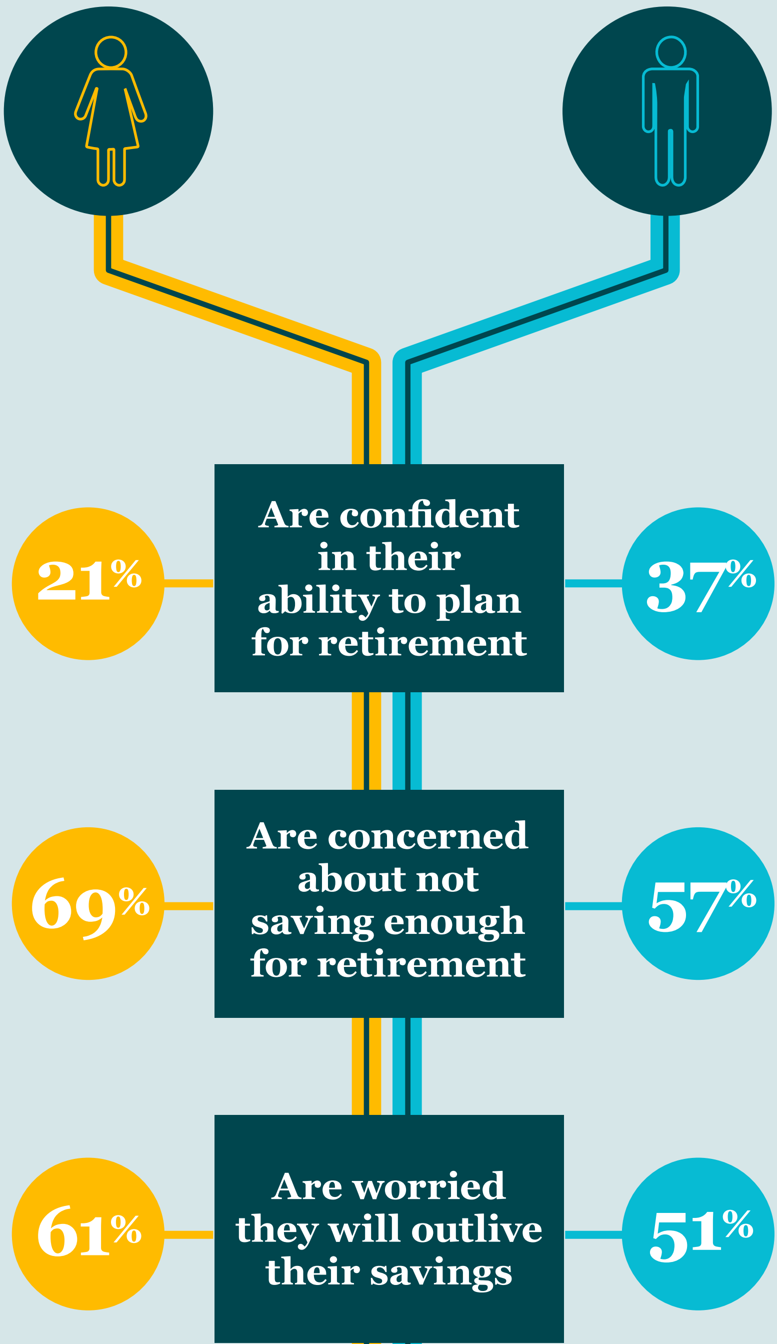
It is important to note that this isn't a problem unique to America. Among pension beneficiaries at age 65+, women in the U.S. on average receive 33.7% less income compared to the average man. While this is worse than the OECD average of 25.6%, the gaps in Japan and the United Kingdom are even larger than those in the U.S., at 47.4% and 40.5%, respectively.[4]

Women are less certain of their retirement savings than men. The TIAA Retirement Insights Survey found that only 21% of women are confident in their ability to plan for retirement, compared to 37% of men, while 69% of women are concerned that they are not saving enough for retirement, again compared to just 57% for men.[5]

But wait, there's more. There is also just a fundamental financial

MIND THE GAP

Women's vs. men's retirement confidence



Source: 2022 TIAA Retirement Insights Survey

literacy gap, with men scoring 55% on the TIAA financial literacy index, and women scoring 45%.[6] This shows fundamental knowledge gaps that can exacerbate already extant structural issues.

But, importantly, there are also factors that have worked to narrow the gap in retirement savings plans over recent years. More women now attend college than men (74% to 66%), and more women work in public sector roles than men (24% to 16%), both of which have been linked to higher access to retirement savings vehicles to boost savings.

Building a bridge

But in an effort to not just be a source of doom and gloom, it is important to examine what can be done to help rectify these gaps.

There are reasons to be more optimistic for the future. The labor force participation rate for women continues to climb, and the median earnings number for women versus men has consistently narrowed over time. Simply having more women in the workforce, and having those women earn a closer amount to their male counterparts will go a long way toward narrowing the gaps over time. Further, the continued growth of women attaining college degrees will also further help narrow the gap over generational timeframes.

Smoothing over the gaps where women take time out of the workforce due to primary caregiver responsibilities would help lessen the significance of the gaps in savings.

We would also argue that there are certain baseline elements of retirement savings that employers should ensure they have in place in order to further level the playing field.

- Automatic enrollment, auto-save and re-enrollment: companies have to make sure that people are being auto-enrolled in the right benefits options available to them. A simple step but it ensures that people aren't leaving money on the table. There should also be automatic increases in the savings rate of employees, say, 1% a year increase in the contribution to a 401(k) up to a maximum of 10% of pay. This option should be one that employees can opt out of, but it goes a long way to growing a retirement savings account.

  There should also be a default option that includes lifetime income guarantees as lifetime guaranteed income can help to offset the longevity risk that women's life expectancy gives them. This is a broader story on plan design/investment menu construction but it will help close retirement savings gaps. Retirement options available in the plan should also represent a diverse range of asset classes to allow women who are actively engaged in their retirement savings to select the options that match their risk tolerance.
- Education also remains an important way to assist employees, even if automatic enrollment should be forefront. Employers should make sure that their workforce is engaged and knowledgeable. The financial literacy gap between men and women should be closed. This will also educate women on how to take age-appropriate risk, and changing that risk balance considering women might be out of the workforce for longer throughout their careers. The education speaks to the unique needs of women, including that they take more gaps from the workforce, are paid less to begin with, and ultimately live longer. These three elements have to drive financial literacy and how women approach retirement saving.
- Peer representation is another way to ensure that women feel involved and engaged with their retirement planning. Around sensitive matters such as contingency planning, emergency planning, divorce or single motherhood and safety nets, mid- and late-career women look to their peers to gain knowledge and advice. Education has to remain at the forefront of employer's efforts. The gap in financial literacy is a structural issue that should be closed, and would help ensure that women in the workforce are taking advantage of any programs that are already available to them.

Careful consideration of work-life balance benefits must be taken into account with focus on the likelihood of women taking breaks from the workforce due to

primary caregiver responsibilities, as this means that they are more likely to fall behind in retirement savings. Ensuring that there is a seamless progression in growing retirement savings vehicles through any temporary periods outside the labor force would help. These benefits can include specific provisions for elder care or child care, and working to connect those dots between the broader societal roles that women play and their roles in the workforce.

Employers need to ensure that they are communicating these benefits, and continually educating their employees as to the programs available. This needs to happen throughout the career lifecycle. As we discuss in our *On The Horizon* article in this edition, well-thought-out benefits and communication programs can also be a useful tool for recruitment and retention. Applying these tools across a workforce can help show to employees that a company is an engaged member of their lives, and is working hard to rectify historical and structural issues, such as those that result in women's retirement savings being so much lower than men's.

Connect the points

There is also a significant element of DE&I to these considerations. There is a fundamental and growing desire among employees to feel secure and valued at work. Working to ensure that women remain a valued and cared for segment of the workforce is valuable for companies, and something that broader stakeholder groups are advocating. Employees are looking for more than just a paycheck, steps must be taken to extend equity into communications around benefits offerings to create that culture of enhancing retirement confidence with the employee base.

Now is the right time to take these steps. The labor market is incredibly tight, and attracting and retaining employees has never been a more difficult task. Programs that highlight the value of saving early, often and consistently throughout a career should be considered the baseline. Further, programs that include an element of guaranteed lifetime income are well worth considering as part of an overall plan construction. As women live longer and have lower savings level, the risk of running out of money in retirement can be greatly reduced through the inclusion of some form of annuity.

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Diversity, equity and inclusion:

Fostering an environment in which all members of society are treated equitably.

FIDUCIARY PERSPECTIVES

Best practices for plan fiduciaries

The Employee Retirement Income Security Act (ERISA) establishes fiduciary standards of conduct for employers and other persons who sponsor, maintain and administer certain retirement plans (e.g., 401(k) plans). Plan fiduciaries are subject to one of the highest levels of responsibility in law under ERISA.

There has been a recent flood of ERISA lawsuits related to plan fees, appropriateness of plan investments and other fiduciary matters. Since 2020, more than 170 lawsuits challenging retirement plan fees and investments have been filed in federal court with the pace of cases escalating. Settlements have regularly been in the millions of dollars.[7]

ERISA litigation also has had the knock-on effect of driving insurance rates for fiduciary liability coverage up by 15–20 percent.[8]

It is important to understand exactly who is an ERISA fiduciary, what their responsibilities are, and what steps can be taken to help protect the plan and fiduciaries when sponsoring, maintaining and administering a retirement plan.

Who is a plan fiduciary?

There are generally two types of plan fiduciaries: (1) named fiduciaries and (2) functional fiduciaries.

Named fiduciary

Every ERISA retirement plan has to have at least one named fiduciary authority who has control over operation and administration of the plan.[9] This designation is regularly done at an entity or position level, rather than the name of the person specifically, which means that the plan documents do not need to be updated whenever a new person takes on that position.

The named fiduciary can be an individual or entity (e.g., the employer), or a group of individuals (e.g., plan committee). The plan can have more than one named fiduciary, but the plan must have at least one named fiduciary.

Functional fiduciary

A functional fiduciary is someone engages in one or more of the following activities:[10]

- Exercises any discretionary authority or control over management of the plan and/or the plan assets;
- Provides investment advice for a fee or other compensation (direct or indirect) with respect to any assets of a plan, or have any authority or responsibility to do so;
- Has any discretionary authority or responsibility in the administration of the plan.

A person who engages in one of the above activities is a fiduciary for that action only.

Common fiduciary responsibilities[13]

Selection and monitoring of plan service providers

Plan sponsors are responsible administrating and record keeping a plan in the sole interest of plan participants. Administering and record keeping a retirement plan requires expertise in a variety of areas. Because plan sponsors are not generally equipped to administer and record keep a plan themselves, they hire plan service providers to help administer and record keep the plan.

Selection and monitoring of the various vendors, consultants, investment managers and other parties to the plan is one of the key responsibilities of a fiduciary. The duty does not end with the selection of investment options or consultants, but specifically includes ongoing monitoring to ensure that the plan service provider remains appropriate for the plan.

Monitoring fees

ERISA contains provisions that allow plan assets to be used for two purposes: paying benefits and paying reasonable expenses of administering the plan. Excessive fee court cases have been climbing, so this is an area of increased scrutiny for fiduciaries. Proper examination of underlying administrative fees, and documentation of processes to ensure that fees are reasonable are an increasingly important area for fiduciaries to monitor. Again, it is the process and

Fiduciary Duties

A plan fiduciary must act in accordance with the following rules in carrying out their fiduciary duties solely for the interests of plan participants.[11]

1. **Exclusive benefit rule** – Fiduciaries must carry out their obligations for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the plan.
2. **Prudent person rule** – Fiduciaries must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. For purposes of this rule, prudence is judged under a test that examines the process used to reach the fiduciary decision, rather than judging on the outcomes of that decision. This underscores the need for documentation and process management to meet fiduciary standards.
3. **Diversification rule** – Fiduciaries must diversify plan investments so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. For purposes of this rule, there must be at least three different investment options so that participants can diversify investments within an investment category and diversify among the investment alternatives offered by the plan.[12]
4. **Plan documents rule** – Fiduciaries must administer the plan in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with ERISA and the federal tax code. Plan documents include (but are not limited to) the plan document, plan trust agreement, plan policies, investment policy statements, summary plan descriptions, and plan forms. Fiduciaries should read these documents carefully and ensure that decisions taken are consistent with them.

procedure that are important, as higher investment management fees are not necessarily automatically excessive, as long as the process in determining the suitability of the investment options can be justified.

Fiduciary liability

With fiduciary responsibility comes fiduciary liability. Plan fiduciaries who breach their fiduciary responsibilities, obligations, or duties are personally liable to make the plan whole for any losses resulting from the breach. In addition, plan fiduciaries are personally liable for returning any profits made by the fiduciary through use of plan assets to the plan.[14]

In addition, plan fiduciaries may be jointly liable for the actions of other plan fiduciaries. For example, if a fiduciary knowingly participates in another fiduciary's breach, conceals that breach or does not act to correct a breach then they are potentially liable.[15]

There are a number of ways plan fiduciaries can limit their potential liability.

- **Documenting plan fiduciary actions and decisions.** Documentation and proper process remain one of the most important ways that fiduciaries can protect themselves. Notes of relevant meetings, how decisions were reached, and what information was requested and analyzed in carrying out fiduciary duties should be properly recorded. It is often not the outcome that is examined for prudency, but the decision making process that went into the outcome, and the only way to justify a decision as being prudent is through thorough and complete documentation.
- **Fiduciary training.** Proper training of fiduciaries should be undertaken to ensure that each fiduciary understands their roles and responsibilities. The U.S. Department of Labor has initiated a national campaign of seminars and webcasts to help fiduciaries understand their role and keep up-to-date on the latest regulations and legal rulings. External consultants and other firms can also be utilized to help with ongoing training of fiduciaries.
- **Fiduciary liability insurance.** Insurance is an important step in helping to protect fiduciaries, as the process of working with D&O and ERISA insurance brokers can help the plan and fiduciaries identify potential risk areas.
- **Hiring professional fiduciaries.** Many plan sponsors hire one or more 'professional fiduciaries' to be responsible for specific plan fiduciary functions. For example, plan sponsors often hire an investment manager to manage plan investments.[16] Some plan sponsors hire a plan administrator who has responsibility for administering the plan.[17] Plan sponsors may remain responsible for selection and monitoring of professional fiduciaries, but are not liable for the individual decisions of that professional fiduciary.
- **Fiduciary safe harbors.** ERISA provides a number fiduciary safe harbor rules for specific fiduciary decisions that deem a fiduciary to have met his or her fiduciary responsibility if the rule is followed. For example, a plan sponsor that adopts a qualified default investment alternative (QDIA) may be relieved of liability for investments made to the QDIA made on behalf of participants who fail to direct the investment of their plan account.[18]

Settlor decisions

Not all actions taken by an employer for its retirement plan are fiduciary in nature. Some actions taken by an employer for its retirement plan are non-fiduciary business decisions ("settlor decisions").

The DOL takes the position that decisions related to establishment, design and termination of plans generally are not fiduciary activities governed by ERISA. For example, in making the decision to create a plan, the business is acting on behalf of the business, not its employees, so these are not fiduciary decisions.

It is important to identify settlor decisions because expenses incurred in connection with the performance of settlor functions may not be paid by the plan as the expenses would be incurred for the benefit of the employer. For example, legal or consulting services in connection with plan formation may not be paid by the plan.[19]

We believe that by taking proper precautions and having an awareness of fiduciary responsibilities under ERISA plan sponsors and committees can work diligently and productively while maintaining appropriate protections.

ON THE HORIZON

What will make you stay?

It is no secret that the labor market is historically tight right now. Despite higher inflation, the U.S. equity market down year to date and growing questions about the U.S. economy is heading toward a recession, the employment market remains one of the brightest stories and best pandemic recovery narratives around…for employees.

The unemployment rate at the end of June sat at 3.6%, back to the level it was at pre-pandemic, and the second lowest it has ever been since 1953. We've also seen a broad decline in the labor force participation rate (the percentage of the population working or seeking work, which has continued to decline since its peak in 2000 and currently sits around 62%).[20] These two factors combined lead to a strong market for employees, as the overall pool of labor is reduced, while the fluctuating pool of unemployed labor is also at historically tight levels.

There's also a reason why the term "Great Resignation" was coined; we've seen historic levels of quits versus layoffs, as employees *en masse* decided that they wanted better wages, better culture, better work-life balance and benefits, more flexible remote work and better Covid safety protocols. The rate of people quitting their jobs had been climbing steadily since 2012, but after an initial pandemic-related collapse in quits and spike in layoffs, we now see nearly three times as many people quit their jobs each month than get laid off. The latest data shows that in May 2022 4.2 million people voluntarily left, while just 1.4 million were laid off.[21] With employers desperate for talent, and employees a hot commodity, it is no surprise that people are leaving for better pastures.

Why switch jobs?

Higher salaries and better benefits are typical rewards for employees switching jobs, but this has become more pronounced over the last couple of years. For example, in June 2022 job-stayers on average received a 4.7% wage raise, compared to 6.4% for a job switcher — a 36% increase in the wage raise for the job switcher.[22] In times of elevated inflation, it would appear that switching jobs might be one of the only ways to mitigate the increasing cost of living. Younger cohorts are acutely aware of this, according to a Conference Board survey, with 72% of millennials concerned about their pay keeping up with inflation. However, salary alone isn't driving job dissatisfaction.

Across all employees, culture, career advancement and the ability to "work from anywhere," in addition to better pay, are at the top of overall reasons why workers left, or intend to leave, their current employer.

Interestingly, Generation Z (ages 18–25) workers show a number of characteristics that separate them from older cohorts of employees, which is well worth considering since they are rapidly entering the workforce highly educated and very diverse, and becoming an increasingly influential in workplace dynamics and the economy.

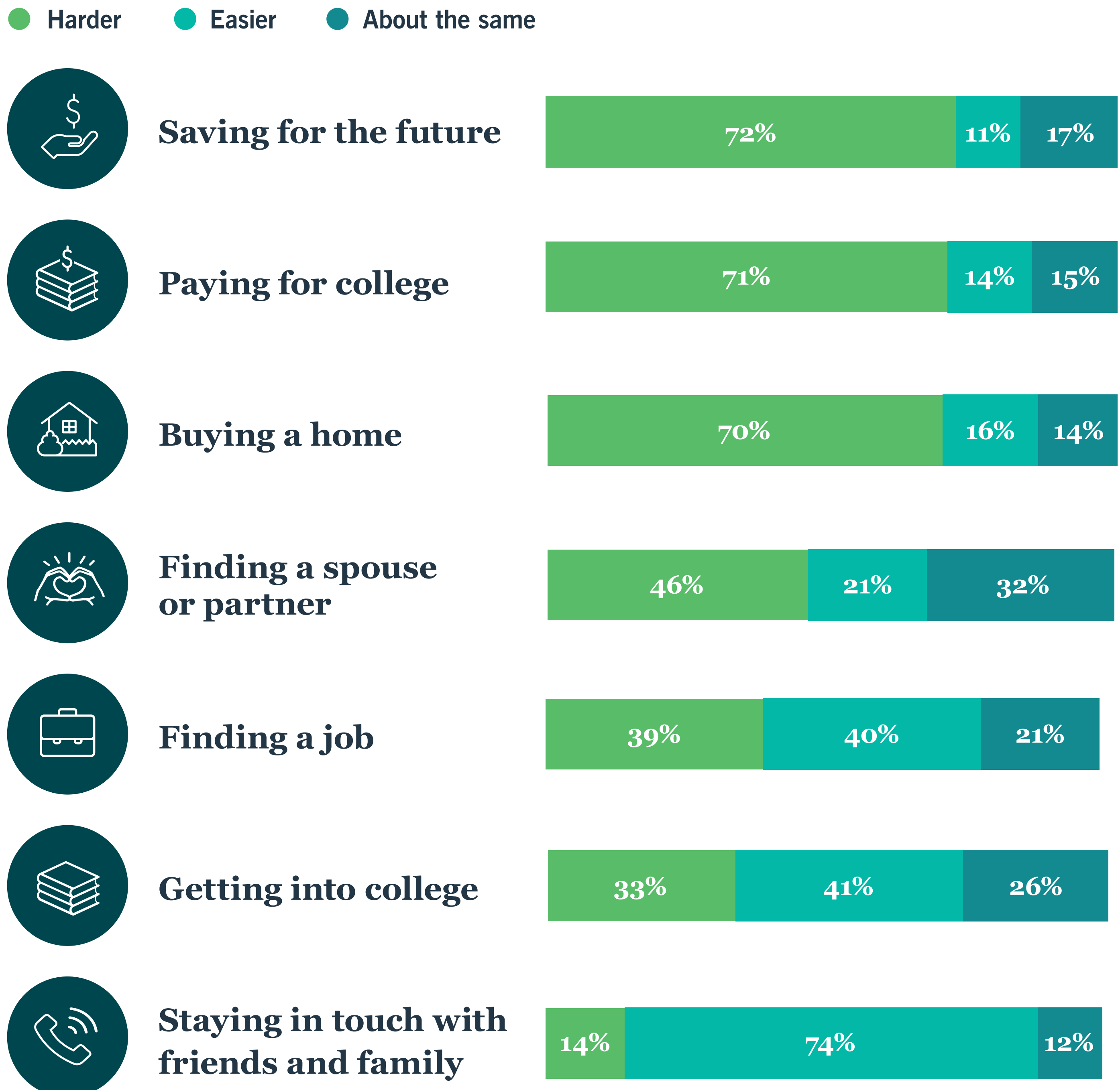
Overall these employees are less satisfied with their jobs and twice as likely as Baby Boomers (ages 58–76) to be concerned that technology will replace their roles in the next three years. They are also more enthusiastic about remote working, and more likely to ask for a raise or promotion, and be willing to leave their jobs if they don't get their demands met.[23]

In June 2022, job stayers on average received a **4.7%** wage raise compared to **6.4%** for a job switcher — a **36%** increase in the wage raise for the job switcher.[22]

Figure 1:

When it comes to savings, paying for college, and home buying, most say young adults today have it harder than their parents' generation

% of U.S. adults saying each of the following is harder, easier, or about the same for young adults today compared with their parents' generation.



Source://www.pewresearch.org/fact-tank/2022/02/28/most-in-the-u-s-say-young-adults-today-face-more-challenges-than-their-parents-generation-in-some-key-areas/

Data breaches are a growing liability for any organization that maintains personal data, and financial data of employees and retirement systems have to have the highest security around them. The avoidance of phishing attacks and cyberattacks is a top priority that is best tackled through ongoing educational training and guidance, with best practices being updated regularly.

Appreciating the benefits of benefits

Since the pandemic, half of employees say they are more concerned about retiring when they want; however, 48% are more appreciative of their retirement plan and 57% are more appreciative of their healthcare plans. Millennials in particular are more vocal as to what they want from employers, including more holistic benefit considerations. 72% of employees see a company contribution to a retirement plan as a top priority, but it was closely followed by workplace flexibility, with millennials specifically prioritizing paid time off and workplace flexibility.[24]

We've seen a shift in attitude from employers too in both strategic and implementation of benefits. Since 2000, benefits have slowly increased as a percent of employees' total compensation (with the other part being salary). This has risen from 27% in 2000 to 31% in 2022. In the not-for-profit sector, benefits usually take up a larger proportion of total compensation than in the for-profit sector.[25]

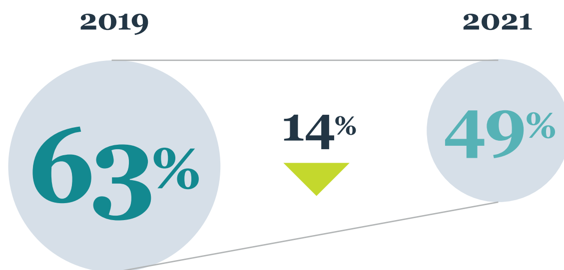
Retirement plans are a critical component of this. Over the past few years, plan sponsors have consistently said that the primary reason they offer a retirement plan to employees is because it's the right thing to do. Over the last two years, we saw a large leveling occur with plan sponsors increasingly saying that their retirement plans are a tool to help attract and retain talent. But offering the benefits isn't enough.

What's next?

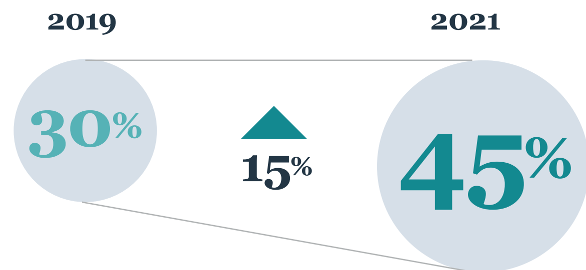
You can design the best benefits package, but you still need uptake: design isn't the objective alone. It's often adoption and perhaps even instilling a sense of loyalty toward the employer

Figure 2:
Why plan sponsors offer a plan

Because it's the
right thing to do



Because it helps
attract and retain talent



Source: Nuveen, in partnership with Strategic Insight, proprietary research study of the plan aggregators, 2021.

HELP EMPLOYEES GAIN FINANCIAL CONFIDENCE
☑ Encourage employees to create an emergency fund
☑ Offer services to help employees and their families with forgiveness for student loan debt
☑ Remind employees market volatility levels out over time
☑ Offer a guaranteed lifetime income option
☑ Provide 24/7 support to a divers, on-the-go employee population with automatic enrollment and contribution increases for retirement plan
☑ Consider innovative ways of assisting with employees: Loans from retirement plans, selling back vacation days, everyday payroll, etc.
☑ Offer retirement advice and financial wellness programs to reduce stress and improve work productivity

and security for the employee. So thoughtful, deliberate and actionable communications are critical.

Tailoring communication around benefits and having a comprehensive awareness of how different employees have different demands and expectations for benefits and time off can be an important way for employers to attract and retain younger talent.

The basics have to remain front and center of any comprehensive benefits package.

Financial literacy has to be targeted so that younger employees have the same breadth of knowledge as their more senior cohorts. Without structured and thorough knowledge of retirement planning being part of a comprehensive benefits introduction at a relatively early stage of a career, it is possible that younger employees will make mistakes, not understand the benefits of saving as early as they can, and miss out on potential benefits available to them. Taking age-appropriate risk/return calculations into retirement planning can allow for more aggressive growth at the earliest stages of a career, when retirement is still decades away. The education should speak to the unique needs of the younger generations, including time they may plan to take away from the workforce, how switching between jobs can impact retirement savings, and structural shifts in retirement planning that are occurring between generations. These shifts can include the decline of defined benefit programs, changes to Social Security and initial higher student debt burdens.

Structuring benefits and communication around them remains a key consideration for the younger generation, an increasingly digital-first and remote-working cohort of the workforce. Therefore, ensuring that digital information on benefits, robust 24/7 web access and the ability to ask questions and get support without having to meet a representative from HR in person has to be paramount. Directly coupled with this are concerns around cybersecurity. Data breaches are a growing liability for any organization that maintains personal data, and financial data of employees and retirement systems have to have the highest security around them. The avoidance of phishing attacks and cyberattacks is a top priority that is best tackled through ongoing educational training and guidance, with best practices being updated regularly.

We would also recommend that employers work to simplify their retirement plan investment options. Reducing the number of available investments can make it less intimidating for participants to choose by reducing confusion and complexity in their planning.

For more information, please visit us at nuveen.com

Endnotes

1 Bureau of Labor Statistics, U.S. Department of Labor. 24 Jan 2022.

2 OECD (2021), Towards Improved Retirement Savings Outcomes for Women, OECD Publishing, Paris, https://doi.org/10.1787/f7b48808-en

3 CDC.gov. Mortality in the United States 2020.

4 OECD (2021), Towards Improved Retirement Savings Outcomes for Women, OECD Publishing, Paris, https://doi.org/10.1787/f7b48808-en

5 The 2022 TIAA Retirement Insights Survey was conducted online from Dec. 21, 2021 to Jan. 7, 2022 surveying 1,008 retirement plan participants ages, ages 25 to 70 employed full-time at a company with 50+ employees and participates in a 401(k) or 403(b) plan, and 500 benefit plan decision makers employed full-time at a company with 50+ employees and offers a 401(k) or 403(b) plan.

6 TIAA Institute-GFLEC Personal Finance Index, 2022.

7 Bloomberg Law. 5 April 2022.

8 401k Specialist. 8 August 2022.

9 29 U.S. Code § 1102

10 29 U.S. Code § 1002(3)(21)

11 29 U.S. Code § 1104(a)

12 26 CFR § 1.401(a)(35)-1

13 https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/meeting-your-fiduciary-responsibilities.pdf

14 29 U.S. Code § 1109

15 29 U.S. Code § 1105

16 29 U.S. Code § 1002(3)(38)

17 29 U.S. Code § 1002(3)(16)

18 29 U.S. Code § 1104(c)(5)

19 https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/advisory-opinions/2001-01a

20 U.S. Bureau of Labor Statistics. 8 Jul 2022.

21 U.S. Bureau of Labor Statistics. 19 Jul 2022.

22 Atlanta Fed wage growth tracker. 21 July 2022.

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