

# Powering up retirement in the energy & utilities sectors

## KEY TAKEAWAYS

1. The aging workforce in the energy and utilities sectors puts a spotlight on the need for robust retirement solutions.
2. Lifetime income solutions, made possible by the SECURE Acts, are essential for ensuring stable retirement income.
3. Promoting financial literacy among employees, especially younger generations, is crucial to helping them charge forward and maximize their retirement benefits.

The energy and utilities sectors are facing a retirement challenge of extraordinary scale. A significant portion of the workforce in both industries is nearing retirement age and there is a pressing need for stronger retirement solutions. Granting access to secure, predictable retirement benefits has become an increasingly effective strategy for plan sponsors looking to improve participant outcomes across the age spectrum.

Historically, defined benefit plans provided workers in the energy and utilities sectors with the assurance of lifetime income. In recent decades, however, the transition to defined contribution plans has dramatically shifted the burden of retirement planning onto employees. In industries like energy and utilities, where an aging workforce is a key factor, this shift has created new challenges.

A recent study sponsored by Nuveen, conducted by Economist Impact, underscores the need for a transformation in how retirement benefits are structured and communicated to employees. Below we examine some key takeaways for plan sponsors.

## ADDRESSING RETIREMENT CONCERNS IN OUR MOST CRITICAL INDUSTRIES

McKinsey estimates that 400,000 employees in the energy sector will retire within the next decade, and the utilities sector is projected to lose approximately 50% of its current workforce to retirement over the same period.<sup>1,2</sup> These workforce dynamics underscore the growing need for effective retirement solutions that address longevity risk.

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In addition, the physically strenuous nature of work in these sectors means that employees may be especially concerned about ensuring they have a stable income in retirement. The survey by Economist Impact highlights this, with 38% of energy and utilities workers indicating they would consider switching jobs for better retirement benefits.

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### **THE ROLE OF LIFETIME INCOME SOLUTIONS**

Lifetime income solutions, which convert a portion of an employee's retirement savings into a guaranteed income stream, are ideally suited to address these challenges.\* Such solutions mitigate the risks associated with outliving retirement savings and ensure that retirees have a stable income to rely on throughout their retirement years.

For energy and utilities workers who may be focused on securing predictable income streams in retirement, the appeal of a guaranteed income stream is obvious.\* The integration of lifetime income options within familiar retirement vehicles, such as target-date funds, allows workers to benefit from these solutions without drastically altering their existing approach to retirement savings.

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### **THE IMPACT OF THE SECURE ACTS**

The passage of the SECURE Act of 2019 and the SECURE 2.0 Act of 2022 has introduced significant changes to the retirement landscape, offering new opportunities for plan sponsors to enhance their retirement offerings. These legislative acts were designed to improve access to retirement plans, encourage savings and provide more flexibility in how retirement funds can be used.

The legislation enables sponsors to introduce lifetime income solutions and incorporate annuities into 401(k) plans with confidence. These changes, supported by continued bipartisan efforts, have the potential to revitalize the notion

of retirement security for American workers. By taking advantage of the new provisions of the SECURE Acts, companies can better serve the evolving needs of their workforce.

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### **PROMOTING FINANCIAL LITERACY IS FUNDAMENTAL**

Offering lifetime income solutions is only part of the equation. Promoting financial literacy among employees is equally important, particularly for younger employees who will be making up a larger share of the workforce in the coming years.

Economist Impact's survey reveals that a significant gap exists between generations in terms of satisfaction and clarity around retirement planning. While 92% of Gen X employees are satisfied with their company's retirement plan, only 60% of Gen Z employees share the same sentiment. Furthermore, just 58% of Gen Z respondents feel they have enough clarity about how much income they will receive in retirement, compared to 86% of Gen X respondents.

This lack of clarity is an impediment to effective retirement planning. Employees who do not fully understand their retirement options are less likely to take advantage of the benefits available to them. If companies leverage advisors who can provide targeted financial education and resources, they can empower their employees to make more informed decisions about their hard-earned retirement savings.

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### **STRONGER RETIREMENT BENEFITS IMPROVE EMPLOYEE RETENTION**

The survey data also highlights the critical role that retirement benefits play in employee retention in the energy and utilities sector. 55% of survey respondents in the sector said that retirement benefits are an important consideration when choosing a new job, and 38% would consider switching jobs for better retirement benefits alone.

For plan sponsors, this data points to a clear opportunity. By enhancing retirement benefits

and promoting financial literacy, companies can not only address the specific challenges faced by their workforce but also position themselves as employers of choice in a competitive job market.

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## THE PATH FORWARD

As the energy and utilities sectors navigate the challenges of an aging workforce, the need for effective retirement solutions has never been more important. By incorporating lifetime income

solutions and prioritizing financial literacy, plan sponsors can help ensure that their employees are prepared for retirement, providing them with the security and confidence they need to face the future.

With the support of innovative retirement solutions from Nuveen, companies can take meaningful steps toward securing the financial futures of their employees and strengthening their organizations and industries.

**For more information, please visit [nuveen.com](https://nuveen.com).**

### Footnotes

1 <https://www.mckinsey.com/industries/oil-and-gas/our-insights/talent-squeeze-planning-for-the-energy-sectors-talent-transition>

2 <https://librestream.com/blog/how-utility-leaders-are-dealing-with-the-aging-workforce-and-infrastructure-challenges/>

### Endnotes

\*Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. **Past performance is no guarantee of future results.** Guarantees of fixed monthly payments are only associated with fixed annuities.

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