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Building the retirement plan of the future

The future of defined contribution

next

Issue no. 14

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

next / *The future of defined contribution*

Building the retirement plan of the future

The ideal retirement plan continues to evolve, driven by the ongoing shift to integrate guaranteed[1] lifetime income, but also shifting data security best practices and plan sponsors becoming more responsive to the individualized needs of their participants. We continue to strive to be at the forefront of these conversations, offering a broad spectrum of the latest studies, data-driven findings and academic papers that help our readers build a better and more comprehensive retirement plan.

Our cover story is a conversation between Saira Malik, CFA, Head of Nuveen Equities and Fixed Income, Brendan McCarthy, Nuveen's head of retirement investing and John Cunniff, Nuveen's head of the target date multi-asset team. This conversation examines the evolution of an ideal plan design and ongoing trends in both asset management and portfolio allocation. We also examine how lifetime income fits within an ideal plan menu.

In our second article, we examine a new paper from the TIAA Institute focused on data security, fraud and best practices to help protect both the plan sponsor and the participants. This is a fast-moving area, but the data suggests some common-sense best practices that can help protect the plan and those using it.

With one eye still on both the past and the future, our third article looks to changing communication best practices and top tips for talking about retirement with employees across the generational spectrum. What does a Gen Z worker just starting their career care about and need to know, versus someone within the last few years of their working career? A plan sponsor has a great deal of influence in both plan design and communication to help educate and drive employees toward their best outcomes, including integrated lifetime income solutions.

We close this edition of *next* with an article that dives into some data that looks at current plan sponsor perceptions of embedded annuities and guaranteed lifetime income options. The latest TIAA research shows that much of the work that remains to be done to help drive the adoption of these embedded plans relates to education. The impact of a cutting-edge retirement plan that includes lifetime income is becoming better known, as both a recruitment and retention tool, and this article dives into the latest trends.

As we reflect on the past half century and look toward the future, one thing is clear: adapting to these changes and innovations is essential for ensuring a more secure and prosperous retirement for all.

Your Nuveen Team

Building the target date of tomorrow

A conversation between Saira Malik, CFA, Head of Nuveen Equities and Fixed Income, Chief Investment Officer, Brendan McCarthy, Head of Nuveen Retirement Investing, and John Cunniff, CFA, Head of Target Date Multi-Asset Portfolio Management

Saira

As we continue to have more conversations with clients about their changing investment menus — Brendan, how do you see the current status quo? What are they currently working toward?

Brendan

In terms of investment menus, plan sponsors are always looking to simplify the plan menu and make it as easy as possible for participants to understand their investment options. Firstly, that generally means a 'do it for me' option, usually a target date, secondly, an investment option for those who want to self-select, and third, an advisory offering for those who want to take advantage of a managed account service. We are not seeing a lot of growth in self-directed brokerage windows, which was big for a while. The focus is just trying to minimize and simplify the menu.

The biggest change to investment menus now seems to be how and where to incorporate lifetime income. We are starting to see the first large plan sponsors implement these solutions into their 401(k) offerings. We've been talking to plan sponsors about the why — why they should consider adding lifetime income into the investment menu. They are now moving to the how. They've seen a lot of different products come to market and they need help to evaluate, select and implement one of these solutions into the plan. A lot of them are going to their consultants for guidance, but a lot of them are reaching out to leading product manufacturers.

Saira

John, as target dates continue to evolve, how have you thought about your allocations, changing risks, and more recently with this lifetime income conversation beginning, how does that impact how you think about target dates?

John

Going back to 2006 when I joined the firm, lifecycle funds had just started, and we sat down with our actuaries to talk about longevity risk. We had all the experience of various market risks, whether stock or bond market, but we wanted to analyze how long individuals live to incorporate their needs into the design of our original lifecycle series without the annuity. It was obvious we needed a 'through retirement' path versus just 'to retirement'. People are living longer, and 'to retirement' solutions were too short-sighted — there's often 20 – 30 years of wonderful retirement after that. Today, about two-thirds of our target date competitors have a 'through retirement' path. We extended our glidepaths when we noticed individuals staying invested in their target dates longer through retirement.

In terms of asset classes, Nuveen has deep expertise in traditional asset classes, equities, fixed income, alternatives and commercial real estate. And that provides a tremendous degree of diversification and independence relative to the stock and bond market. We are also one of the few asset managers to offer index, blend and active series target dates. In terms of adding the annuity to our other capabilities, which we believe are the best Nuveen has to offer and the 100+ year history of TIAA, we built the Nuveen Lifecycle Income CIT Series. We're leveraging that annuity through the TIAA Secure Income Account, which gives the option for guaranteed[1] income but may even provide an equal if not better risk adjusted return profile than other fixed income asset classes for individuals who choose not to annuitize. Our goal is to bring the best of the firm forward and provide that in a solution for participants and firms.

Saira

From an asset class analysis perspective, when it comes to the addition of the annuity — is that the same process you went through with real estate? How did you approach and think about that?

John

We have a scoring system and process for analyzing different glidepaths. We're focused on the retirement outcome, balancing market risk and portfolio characteristics, and looking at that glidepath from a decumulation angle — how many assets does the participant have, and how much income can they generate. So, we went through a whole structure process of when to add an annuity, how much we could add at certain points, and the most we could own of the annuity. We found that growing the allocation in our glidepath to 40% at retirement gave, what we believe, the best improvement to retirement income, while giving those individuals the option to annuitize at retirement.

Saira

Brendan, how are you approaching this with clients? Is there an education or knowledge gap?

Brendan

There are a couple of things we say to plan sponsors right out the gate — anything to work inside a 401(k) plan today, it probably needs to be inside of a target date. The majority of employees are going to get auto-enrolled into a target date fund and they are going to leave their money there.[2] The second thing we talk about is how the annuity works inside the target date fund, using three guiding principles for the inclusion of the annuity.

The first is that target date funds work. People like them, so change them as little as possible.

The second thing is making the annuity option available to all. There shouldn't be restrictions around the annuity option — it should be open to all who are in the target date fund. Some lifetime income products coming out aren't available to everybody – for example, they may have an age cutoff at 65 or 70 years old.

The third thing we want is the target date to be designed for the broadest population possible. Not everyone is going to use the option, but for those who are not going to annuitize, is the target date alone good enough? Are you using a target date that will get those participants to the same place or better? To John's point, we look at this like any other asset class; the asset mix should improve returns and decrease volatility. At the end of the day, in more scenarios than not, we think participants are going to be in a better place even if they don't annuitize.

The asset mix should improve returns and decrease volatility. At the end of the day, in more scenarios than not, we think participants are going to be in a better place even if they don't annuitize.

Saira

What impact does this have on fees? Is there an advantage to doing this as an embedded option?

Brendan

I think one of the key things to make plan sponsors aware of is this is not a retail annuity — these are institutional annuities that are designed specifically for the 401(k) plan. The plan sponsors are getting that scale for their employees and getting the best price available for their annuity. In fact, a target date series that invests a portion of the portfolio to a deferred fixed annuity can result in lower fees for the overall product when compared to standard target date series that doesn't invest in the annuity.

They also fall under the umbrella of going inside an ERISA plan, so you get higher level fiduciary oversight. It's important to educate plan sponsors on these differences as much as their employees.

Saira

So with 100 years of history behind us doing this, what does the future hold?

John

The growth of annuities in a packaged target date and making that available in a QDIA is a great service. Here, we're giving people the option to annuitize giving them as much flexibility as possible relative to other participants. We always have ongoing research work into our glidepath in hopes of leveraging the best across our equity, fixed income, and alternatives. We've done a tremendous amount of work recently with alternatives and we're going to keep looking at those options.

When we're talking to advisors or plan sponsors, there's a shift in the overall feeling about these types of products. Go back 5-10 years, there were annuity products out there, but they never really took off. Over the next 3-5 years we're going to see more availability, and it's very important that these are built to be portable and available for all. The demand for these products is rising, and I can see a large portion of the QDIA moving from a standard target date to a product request. If you can replicate that and do no harm, while providing the product for a similar or lower fee with an option for lifetime income, that's a very attractive offering.

Brendan

The biggest thing right now really is infrastructure to support this shift. That process has started but it's going to take a little bit. Congress changed policy to make it easier and encourage use of annuities inside 401(k) plans, but record keepers did not have the capability to add third-party annuities to their systems. It was much more complex, and they weren't designed to hold those types of instruments. But we are seeing record keepers build the technology so they can offer these third-party annuities. In 2024, we saw the two largest defined contribution U.S. record keepers — Fidelity and Empower[3] — announce plans to start offering these solutions on their record keeping system. In 2025 we've seen Principal, the seventh[3] largest record keeper, make an announcement as well. The second is plan sponsors being educated and starting to head down this path with their consultants. Consultants are starting to embrace these and rate them while firms like us help — not just with the build but education, understanding, participant experience, and even retirement income certification programs.

Keeping retirement savings safe from scams and fraud

Every year millions of Americans fall prey to financial scams and fraud, and the number of victims continues to grow. Middle-aged adults report the highest rates of victimization, but older adults report higher loss amounts. In 2023, nearly 400,000 complaints were filed with the FTC from those over age 60, comprising $1.9 billion in losses.[4] Sadly, as the number of older victims rises, so does the risk to their hard-earned retirement savings.

And for the retirement plan sponsors who help workers — in many cases for decades — to gather, invest and save for retirement, they may feel a vested interest in helping protect retirees' nest eggs. Fortunately, there are steps individuals can take to protect themselves, and plan sponsors can help.

A new TIAA Institute report *Safeguarding Retirement in the Age due to Scams* dives into common types of frauds and scams, and examines the steps that can be taken to protect workers and companies. The responsibility for being protected ultimately sits with the individual, but a plan sponsor can do a lot to help protect the most vulnerable workers.

The threat continues to rise

The magnitude of reported financial fraud cases spiked during the Covid-19 pandemic. As scammers become more organized, use better technology and create more sophisticated cons, the value of fraud losses increased 5x from 2019 to 2023. This growth is powered by the anonymity of cryptocurrency, increasing involvement of organized crime, pervasiveness of social media, and other driving factors.

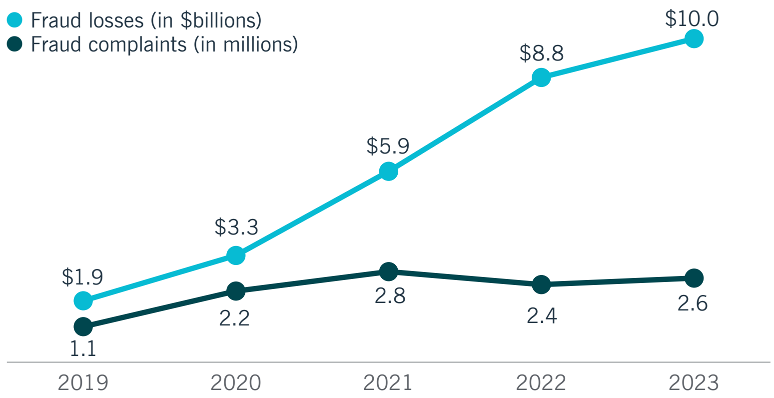
Unfortunately, older Americans are common targets, with about 1 in 20 falling victim to scams each year.[5] Fraudsters may view this group as easy targets due to age-associated factors such as declining cognitive function or social isolation. The fact that older adults often have accumulated wealth, typically in the form of retirement savings, can also make them attractive targets.

But with so many bad actors using advanced technology in an organized, focused way, the deck seems stacked against those nearing, or in, retirement. The good news is that there are ways they can protect themselves, and there is an important role plan sponsors play in raising awareness.

Even as the number of complaints remains relatively flat, losses continue to grow by over a billion dollars every year.

FIGURE 1:

Fraud losses and reported complaints from 2019 – 2023



Source: FTC Consumer Sentinel Network Data Books from 2020 - 2024 (5 consecutive reports). https://www.ftc.gov/enforcement/consumer-sentinel-network/reports

Common scams

Fraud and scams have come a long way since a foreign Prince offered to share his fortune in exchange for a (relatively) small payment. Today's scams are focused, sophisticated, and designed to appeal to the target in many ways, often playing on core emotions like fear, hope and love. Some of the most common scams, particularly those directed at older adults, can be grouped into four categories, see right.

As the overall number of reported scams continues to rise, business and government imposter scams have increased dramatically. During the lockdown and subsequent move to remote work, scams involving online retailers, shipping companies and tech support groups surged and remain prevalent today.

FAMILY/FRIEND IMPOSTER SCAMS
Make the target believe that a friend or relative is in trouble and needs money

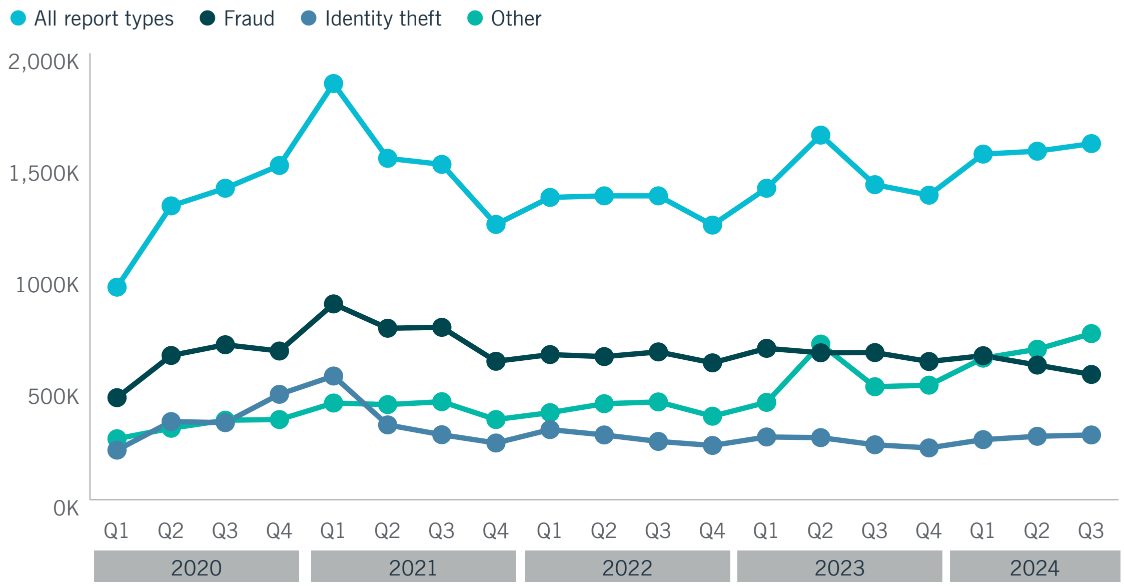
BUSINESS, GOVERNMENT OR TECH SUPPORT IMPOSTER SCAMS
Falsely use authority or expertise to demand or entice the victim to pay a fee or move money to a "secure" account

GET-RICH-QUICK SCAMS
As the name suggests, promise financial gain and can involve fake investment schemes, false claims of cryptocurrency profits, or non-existent lottery or sweepstakes winnings

ONLINE ROMANCE SCAMS
Offer the promise of deep, lasting relationships and can be the most damaging to older victims because of the emotional consequences on top of the financial loss

Figure 2: Different types of imposter scams over time

Number of reports



Source: FTC's Consumer Complaint Database using Tableau. The Big View: All Sentinel Reports, Federal Trade Commission, published July 24, 2024.https://public.tableau.com/app/profile/federal.trade.commission/viz/TheBigViewAllSentinelReports/TopReports.

Staying safe from scams and fraud

A three-lines-of-defense approach is a comprehensive form of protection that starts with awareness of scams and techniques, and extends to engaging trusted contacts for support. The table below provides some actionable steps plan sponsors can take to help educate and protect employees.

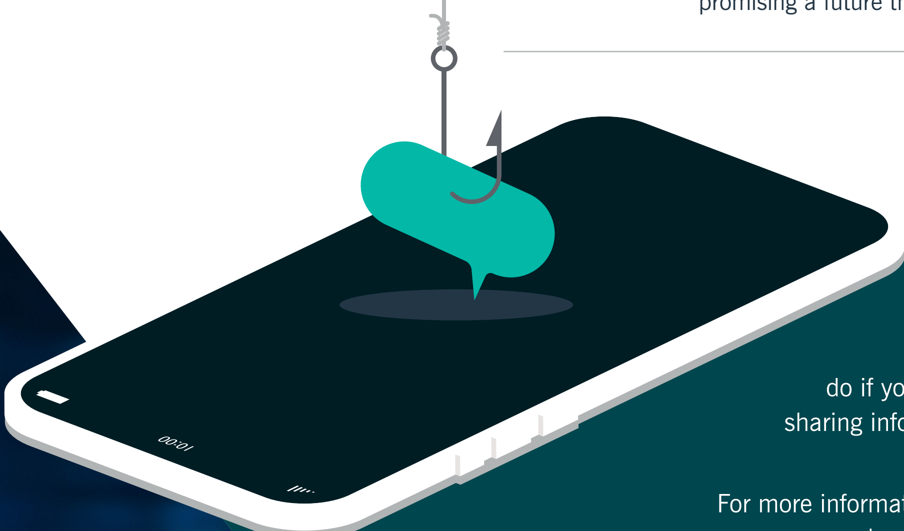
1	**Reduce the risk of exposure to and engagement with scams**	• Enhance scam awareness • Encourage activation of online and mobile accounts • Encourage opting-in to account security features • Engage in advanced financial care planning • Encourage naming a trusted contact for every retirement and investment account
2	**Intervene by responding to immediate threats and protect funds**	• Investigate suspicious activity and behavior • Ask questions and educate plan participants on fraud risks • Secure accounts through temporary holds • Report fraud to law enforcement • Seek to recover funds where possible • Refer to victim support services
3	**Reduce the longer-term risks and potential for harm**	• Encourage the use of trusted contact(s) • Involve agents under power of attorney to provide support and financial oversight • Monitor financial accounts • Address unmet needs (e.g., financial security, social interaction, sense of purpose) • Refer to legal, financial and mental health services

Identifying red flags

Common persuasion techniques

In hindsight, many scams appear easy to identify and avoid, but bad actors continue to refine their deceptive persuasion tactics, making scams more difficult to detect. Helping plan participants be aware of techniques that scammers use can help individuals detect scams before they are victimized. Below are a few common ploys that can be red flags.

AUTHORITY	Pretending to be someone in a position of power, authority or expertise
EMOTIONAL AROUSAL	Provoking emotions like fear, excitement or surprise to distract the target from making calm, reasoned decisions
URGENCY OR SCARCITY	Creating urgency that is positive (“This opportunity won’t last”) or negative (“Transfer funds or else”), or implying scarcity (“This offer is only for a few”)
SECRECY	Making threats or telling lies to motivate the victim to keep their plans secret — because the scam will likely unravel if it is shared with a friend or family member
PHANTOM FIXATION	Identifying the target’s unmet needs like love, financial freedom or even a sense of purpose, and promising a future that fulfills their need



Nuveen has long communicated best practices in preventing scams, and shared tips for what to do if you are caught. It is our hope that by sharing information we can help prevent fraud and keep participants safe.

For more information on how Nuveen views security, cybersecurity and fraud prevention, visit:

https://www.nuveen.com/global/security

What plan sponsors can tell victims to do

Once a victim is identified, plan sponsors can help identify the next steps and guide the participant toward resolution. According to the Commodity Futures Trading Commission (CFTC), it's important that victims act quickly and follow a few steps to help fix what's damaged and avoid future scams.[6]

1. **Don't pay any more money** – while it may seem obvious, victims must resist persistent requests for additional fees
2. **Collect all the pertinent information and documents as soon as possible** – this includes a timeline, websites, names, email addresses, phone numbers, and anything else related to the scam
3. **Protect identity and accounts** – this may include blocking access to bank accounts, freezing credit cards or changing passwords
4. **Report the fraud to authorities** – there are online resources (including this *Department of Justice directory*) in addition to local police or state regulators
5. **Check insurance coverage and other financial recovery steps** – homeowner policies may offer coverage or tax and/or financial professionals can provide guidance
6. **Consider changing behaviors and building resistance to fraud** – victims should not blame themselves but should think about the events leading up to the scam and what can be done differently next time

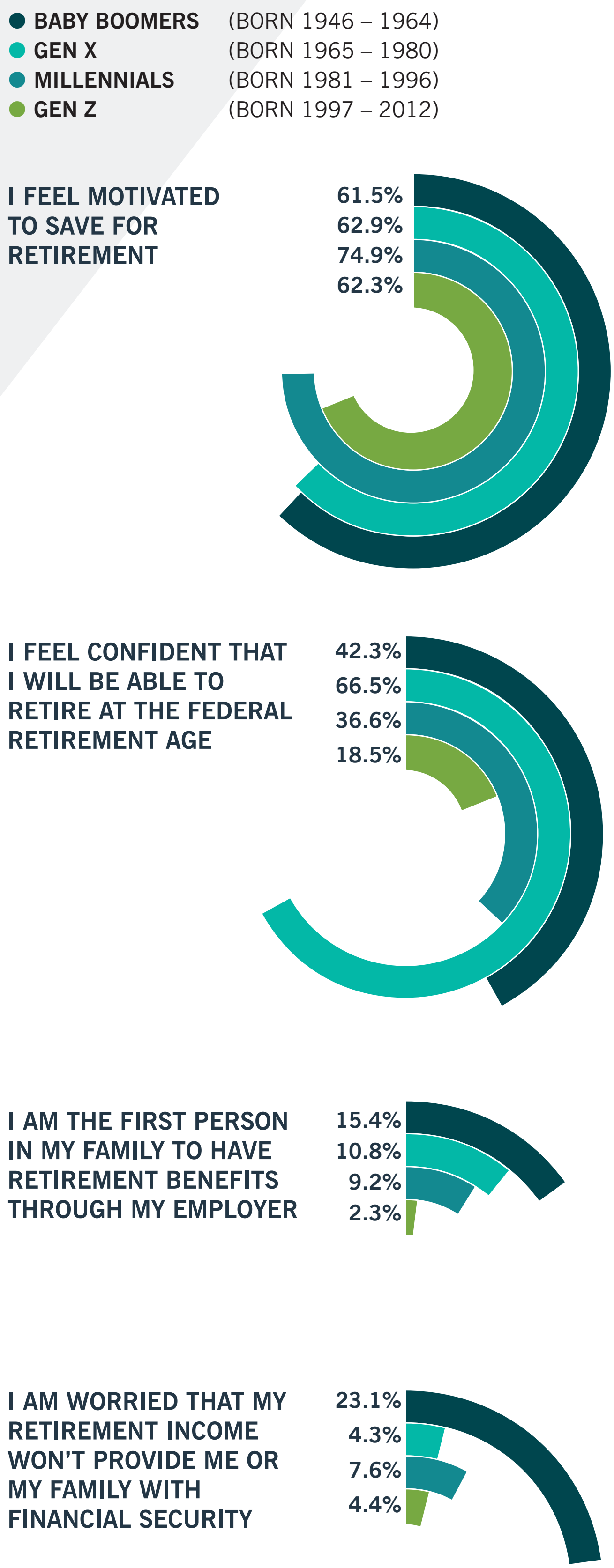
Keeping retirement secure

For older adults to safeguard their retirement savings from the pervasive threat of financial fraud, it is critical they are aware of common scams and tactics scammers use. They should also know how to respond to immediate threats, protect themselves in the long-term, and what to do if they've been victimized.

While individuals have an important responsibility to avoid fraud, they are often outmatched by bad actors who are well-resourced, organized and relentless. It is up to the entire retirement ecosystem — plan sponsors, providers, participants, recordkeepers and other affiliates — to work together to help combat the global threat of financial scams and protect the retirement savings that so many people are relying on. Plan sponsors can take important steps to help safeguard their employee data, and conduct training exercises and phishing exercises to help protect both the company and workers.

Retirement across generations

The journey to retirement looks different for everyone especially when comparing across different generations. Gen X is looking to retire at a later age, while Gen Z is looking to retire sooner. Millennials fall in the middle but show keen interest in being more proactive when it comes to personalizing their retirement plans. The reality is that there is a huge misconception regarding retirement and where income is going to come from to last through retirement. Each generation has different expectations from their employers when it comes to plan offerings and employee assistance. Combating retirement misinformation is crucial when preparing employees for a journey through their careers and into retirement.



Retirement perceptions among different employees

When it comes to working with younger employees, those just starting in their careers fresh out of college through to those who are approaching their 30s, there are numerous concerns that workers have requiring different communication and priorities from a plan sponsor. Many employees at the beginning stages of their career are not thinking about retirement – it is as far away as possible within a working career, and other priorities are at the forefront of their minds. Whatever the priority may be, namely establishing financial independence, paying off student debt, or enjoying the independence that comes with living a life outside of the confines of college or home, it is the role of an employer to help meet those goals and encourage retirement saving.

Nuveen has commissioned Economist Impact to conduct research into the future of corporate benefits. The study covers a range of benefits, including retirement programs, health insurance, life/disability insurance, paid time off, wellness, family support (e.g., parental leave, childcare, elderly care and family planning) and education and training.[7] Across the survey, 25% of respondents ranked retirement benefits as their top priority with health/life/disability insurance following as a close second at just over 20%. However, the data becomes revealing once we drill into the various demographics of respondents. For example, only 2% of Gen Z ranked retirement benefits their top priority. The data shifts as age increases: 16% of millennials rank retirement benefits as their top priority, and 53% of Gen X and baby boomers rank it as their top choice. With such drastic differences just on the simplest measure, the age of the participant, we can already see the challenges that a company faces when constructing benefits packages and balancing needs across the generations.

Mismatch in savings vs expectations

A new national poll from Public First, commissioned by BPC's American Savings Education Council (ASEC) discovered a striking mismatch between the income sources workers expect to rely on in retirement and the sources of income current retirees report.[8] The report notes 49% of non-retired respondents expect Social Security to be a major source of income during retirement, compared to 82% of those already retired reporting that it is not. To further this, the Social Security trust is set to be depleted by 2033 without action from Congress, potentially leading to a cut in the benefits received by all retirees.[9]

When Gen Z, Millennials, Gen X and Baby boomers were asked their views on emergency savings, financial planning and advice services, and retirement strategy education and insights, they ranked them differently. Gen Z and Millennials rank emergency savings as their top priority while Gen X leans toward valuing professional planning and advice services. Baby boomers did not value either as much, seeing as 46% of those surveyed were in favor of guaranteed[1] retirement income options from their employers. Regardless of generation, 76% of Americans believe it is important to save and only 39% have a plan in place. So, what is the takeaway? Employers should offer a combination of these benefits to ensure that each generation feels heard when voicing their retirement priorities and concerns. Further, as employees near retirement they seem to see increasing value in guaranteed income sources to supplement their Social Security. This is where an embedded lifetime income option within a default plan can educate employees earlier in their careers on the need for diversified income sources, but also help them build that asset base for when they near retirement.

15% a year and target compounding

Regardless of how an individual may rank these attributes, it is clear that saving is important to everyone in some capacity. So how much should your employees be saving? Previously financial experts have recommended saving 10% for retirement, however 15% is a more plausible goal with the cost of retirement steadily rising.[10] A consistent savings rate also has the advantage of helping to insulate participants from market volatility. By steadily contributing, a participant essentially evens out some market volatility by buying regardless of market environment. The underlying asset allocation within a target date fund investment is then outsourced to the asset manager, meaning that the participant doesn't need to pay as much careful attention to the different value propositions offered by individual asset classes.

As age increases, medical expenses become more prevalent and can range from typical yearly health expenses to assisted living, not to mention the multitude of hardships individuals can encounter later in life. The rising cost of medical care has led to a rise in the popularity of Health Savings Accounts (HSAs). HSAs have risen in popularity due to the benefits they offer, the first being they are tax-advantaged savings accounts that allow for tax-free withdrawals, as long as they are used for qualifying expenses. To be eligible, participants must be enrolled in a high deductible health plan. While these savings should only be used for qualifying medical expenses, if the account holder needs the money before the age of 65, they must pay income taxes on the withdrawal plus an additional 20% tax penalty. This is another form of long-form saving that an employer can offer, again helping employees build those nest eggs.

Automation and lifetime income

Many companies offer automatic enrollment plans to motivate participants to contribute to their retirement plans, and rule changes in the SECURE 2.0 Act make auto-enrollment mandatory for new plans. These automatic provisions get the employee into the plan and help them see the benefits of compounding. This is especially important for younger employees who are otherwise focused on other financial goals. The choice of default for a plan also has an impact at this point, as there are more target date funds available that include an allocation to an annuity product within them. These funds can help educate employees on the benefits of a guaranteed income stream once they hit retirement much earlier in their careers. By allocating to these additional income streams throughout a career it can help employees see where that additional income is going to come from. This builds trust and knowledge of diversified income sources while maintaining relatively simple allocation decisions for the individual worker. This helps those with other financial priorities, i.e., younger workers to still build toward that more optimal allocation.

The integration of lifetime income solutions within plan default investments, such as a target date, again further outsources some initial responsibility away from the individual participant and toward the plan sponsor and asset manager. This additional complexity comes with a need for education, but it can help create a more comprehensive retirement strategy. New rules also allow for student loan repayments being made by the employee to be matched as though they were going into the 401(k), allowing younger employees who might be focused on paying down student loan debt to still build up a retirement account.

As an employer, it is important to analyze and have a deep understanding of the various guaranteed lifetime income solutions that are available. Helping an employee understand their monthly expenses and how to supplement Social Security with lifetime income is a crucial next step on their retirement journey.

Financial calculators

Encouraging the use of financial calculators for your employees can help you keep them on track. These calculators allow your employees to determine plausible investments in relation to their desired outcome.

Income calculators are one tool that give insight into your financial outlook. This takes taxes, deductions, and other earning into consideration, helping your employees make educated decisions as to whether they need to change their contributions or save more. Financial calculators work especially well for those further along in their careers who have a clearer picture after a decade or two of saving, to see whether their current rate of saving is sufficient to allow them to retire on time and with the income they wish to receive. However, these can also be useful for younger employees as well, for example those who may be looking to make a big life choice such as buying a first property or starting a family. With bigger expenses coming up they can use calculators to analyze the liquidity of their assets and make decisions as to retirement savings or other investments.

The Social Security Administration also has a calculator available. It calculates the primary insurance amount based on the average indexed monthly earnings. Not only does the calculator fluctuate for inflation, but it is also based on your highest 35 years of earning.[11] This calculator can help your employees project their SSA and determine the next stage in their savings.

Conclusion

Many Americans feel underprepared for retirement, and this feeling will not dissipate until employers help educate and provide confidence that the employee has access to sound retirement plans. Financial stability throughout retirement is the goal. Employers should look to the construct a plan that serves the majority and helps to put employees on the right path to retirement. Offering incentives such as employer match and HSAs are a start. The closer employees get to retirement, the more important it is for employers to provide the necessary tools to aid financial certainty. Regardless of plan construction, in today's world of market volatility and contentious inflation, it is imperative to encourage employees to start early and think about their lifetime income goals.

Building a better retirement

with guaranteed income

Defined contribution plan sponsors are primed to change, and plan to add a host of retirement plan features in the near term. Many see an in-plan annuity as a top way to positively impact employees' retirements.

A recent TIAA survey of 500 DC plan sponsors highlights the drivers of adoption, the potential barriers holding up sponsors and the role that consultants can have in helping sponsors overcome these obstacles.

Fortunately, many plan sponsors recognize the need for change and are open to plan enhancements — including guaranteed[1] income solutions — to help ensure better outcomes for retirees.

This survey specifically focused on DC plan sponsors' views on:

- What's driving interest in guaranteed income solutions, such as annuities
- The obstacles to implementing these solutions — and how plan sponsors can overcome them
- How retirement consultants can help
- The need for "annuity fluency"

Momentum in guaranteed income

Plan sponsors agree that offering guaranteed lifetime income, such as an annuity, can positively impact their employees' retirement. In fact, nearly half (48%) believe it is one of the best ways to have a positive impact, second only to increasing the employer match benefit (57%).

However, at the moment only about one-in-four sponsors offer an annuity in their DC plan. But there is strong momentum driving further adoption, as more than 30% of plans are looking to offer annuities in the next two years, and an additional 30% are exploring or considering adding them.

And the future for annuities appears bright, as plan sponsors view them as increasingly important and expect usage to grow. About three-in-four (76%) of survey respondents agreed that inclusion of annuities in DC plans is likely to gain momentum in the next five years. Interestingly, even 58% of those with no plans to offer an annuity agreed with this statement.

Employee need is the primary driver of change

The top motivating factors for plan sponsors to add annuities focus on what's best for employees. Specifically, plans that currently or are planning to offer annuities, cite employee need and the belief that these are valuable employee benefits as among their top two drivers.

This is heartening, because when it comes to employee benefits, employee need *should* be the top consideration. But plan sponsors also know they need to make annuities work logistically — and many turn to consultants for help. 58% of employers who currently offer an annuity ranked addressing employees needs and offering a valuable benefit as top motivators. Advice from a consultant, however, was ranked the number one motivator by plan sponsors who current offer an annuity and those who plan to add one.

The survey also uncovered another interesting consideration: the status of Social Security. 85% of respondents agreed that employees need additional sources of guaranteed income beyond Social Security. And most respondents cited it as the top *external* factor motivating employers to add or consider adding annuities, outpacing competitors' offerings and longer lifespans.

Barriers include competing priorities, complexity and cost

Survey respondents noted several obstacles to instigating change in their retirement plans. Competing priorities was most cited, as teams that are often resource-constrained recognize the challenge in researching and implementing new plan features. Other reasons involved complexity, technology, and firm-level factors like organization decision-making and strategic direction.

Digging deeper, 29% of respondents cited competing priorities as a "major barrier," with the second most-cited major barrier, complexity, only mentioned by 7%.

When asked specifically about adding guaranteed lifetime income to their plans, sponsors currently considering annuities cited cost, complexity and lack of understanding among decision-makers as sticking points to progress. Sponsors who currently have annuities in their plans cite cost sensitivity as first among a variety of barriers they managed.

How sponsors can overcome barriers to implementing annuities

Getting past the obstacles starts with understanding them. In many cases, organizations turn to benefits or retirement committees and, in fact, six-of-10 sponsors ranked committees as the top influencers of change at their organizations. Organizations can turn to retirement plan consultants and providers to help their busy benefits teams by providing access to research and best practices on potential solutions.

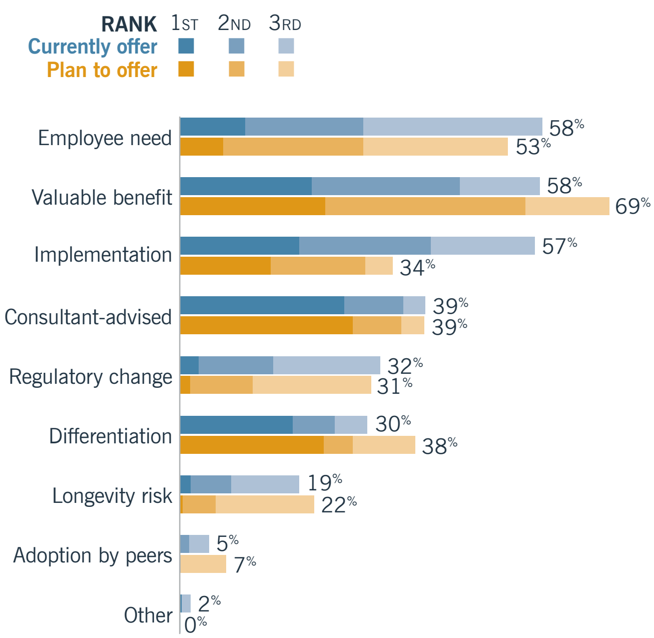
When asked what they need to move their retirement plans forward, sponsors shared a number strategies that would help them overcome obstacles to change:

1. Improving internal alignment on planning and strategy
2. More support from providers such as record keepers and asset managers
3. Elevating priority of retirement plan among key stakeholders
4. Peer-led collaborations to lead collective change
5. Securing more resources, such as people, budget, etc.
6. Support and action from policy makers

The lack of understanding among decision-makers and the need to educate them is the #1 barrier for plan sponsors who do not yet offer annuities.

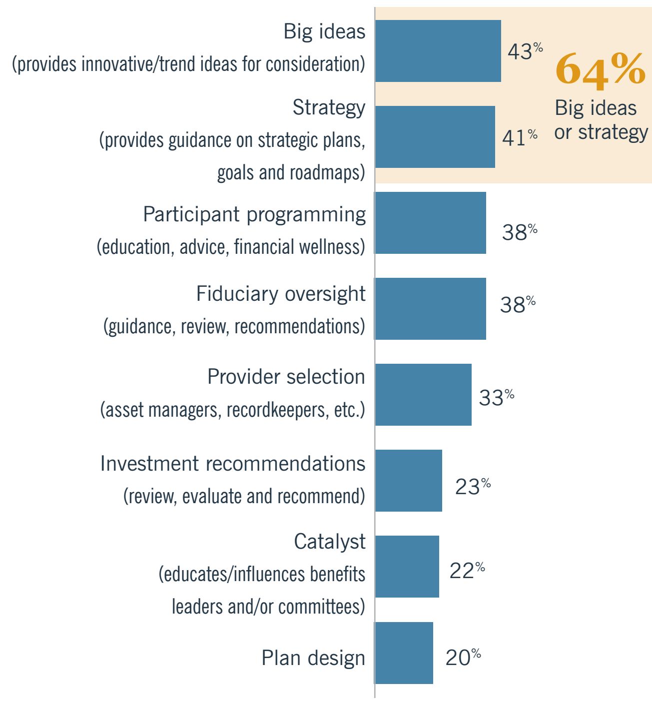
MOTIVATIONS FOR ADDING ANNUITY TO DC PLAN

What motivated you to add (or consider adding) annuities to your DC plan?

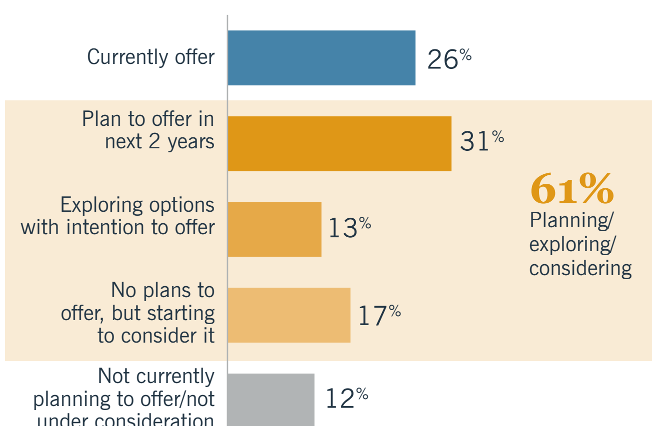


Total (n=200 currently offer; n=168 plan to offer; n=86 no plan to offer)

WHERE MORE CONSULTANT SUPPORT IS NEEDED

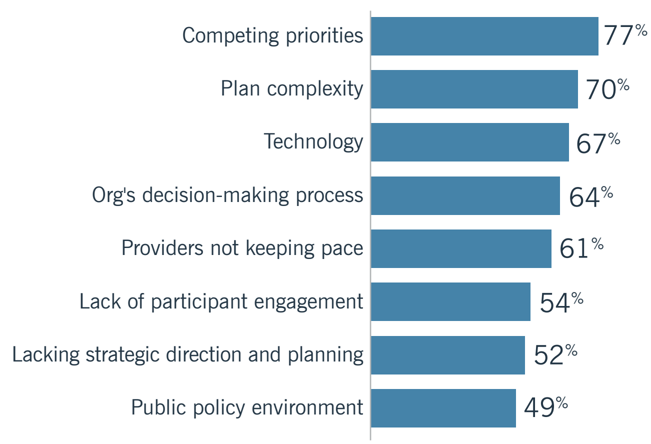


OFFERS ANNUITY IN DC PLAN



Total (n=500 All survey respondents), data may not sum to 100% due to rounding

TOP BARRIERS TO IMPROVING PLAN



Consultants can help, particularly with the big picture

While the majority of plan sponsors work with an external consultant in areas like fiduciary oversight, investment recommendations and strategy guidance, there is a desire for more support in other areas. Sponsors indicated generating "big ideas" for innovation and guiding the follow-through on strategy decisions as the two biggest needs for additional consultant support.

But beyond the big picture, sponsors recognize they have a knowledge gap about annuities. In fact, a lack of understanding and need for education is the #1 obstacle for those who don't yet offer annuities.

Consultants and providers can play a role in educating sponsors by sharing their expertise in many areas related to financial wellness. But they must go beyond the basics, as sponsors identified a host of topics where they lack understanding. Nearly two-thirds of respondents said they need to know more about portability, risks and benefits to the employer, as well as how in-plan annuities differ from retail annuities.

The impact on talent strategy

Nearly all of those surveyed generally agree that it's an employer's responsibility to make it easy for employees to prepare for retirement by helping them save and invest. Most also felt doing so helps manage their workforce by ensuring workers can retire at the appropriate ages.

But a retirement plan can also impact a company's talent strategy by influencing how it attracts and retains employees. In fact, about three-quarters of plan sponsors believe their DC plans are somewhat to very effective in helping them hire and retain employees.

The flipside, however, is that only two-in-five view their DC plans as true differentiators when it comes to talent management.

Among the 60% of respondents who said they are open to new ideas, over half believe their DC plans can be "very effective" in impacting talent strategy. This creates opportunity to pair plan sponsors who are seeking new solutions with innovative and in-demand guaranteed income solutions.

Looking forward, plan sponsors expect the momentum to continue as more companies add annuities to their DC lineups, in turn giving more workers access to a more financially secure retirement. As employees benefit from the advantages of guaranteed income, employers who offer it can often gain a competitive edge in their pursuit of talent in a competitive labor market. The role of consultants in educating plan sponsors, and the ways in which plan sponsors need to listen to the desires of their participants are areas that we will explore in future editions of *next*. The release of a participant survey in 2025 will allow us to examine the relationship between participants, plan sponsors, asset manager and record keepers further.

The power that an asset manager can have to examine and drive retirement outcomes through the management of the default investment vehicle is significant, with different asset classes, timelines and the addition of annuities within target dates changing how asset managers help plan sponsors think about retirement planning. The underlying annuity being part of a larger insurance firm allows for a separation of responsibilities in a way that can help support plan sponsors with education and resources from the most authoritative stakeholder.

ABOUT THE SURVEY / METHODOLOGY

The 2024 Building a Better Retirement study was conducted for TIAA by Greenwald Research and IM Consulting. Information for this study was gathered through a 15-minute online survey with a total of 500 plan decision-makers (CHROs, senior benefits leaders, CFOs, CIOs, senior investments or treasury leaders, etc.).

Decision-makers were required to be U.S.-based, working at companies with 250+ employees, and overseeing defined contribution retirement plans valued at $20m or more. Respondents for the survey were recruited and fielded by CoreData Research from June 27 to August 10, 2024.

Quotas were established to ensure a minimum sample size of 225 for 401(k) plans and 403(b) plans and 50 for 457 plans. The data are weighted by DC plan type to reflect the total population of plan sponsors. If this study were a random sample, it would have a margin of error (at the 95% confidence level) of plus or minus about 4 percentage points.

Explore the full survey here.

For more information, please visit us at nuveen.com

Endnotes

1 Any guarantees are backed by the claims-paying ability of the issuing company. **Past performance is no guarantee of future results.** Guarantees of fixed monthly payments are only associated with fixed annuities.

2 https://www.cnbc.com/2024/08/28/401k-auto-enrollment-less-effective-than-expected-study-says.html; https://www.ici.org/news-release/22-news-tdf

3 As of 12/31/2024. Pensions & Investments (P&I) https://researchcenter.pionline.com/rankings/dc-record-keeper/datatable

4 Federal Trade Commission (2024). Consumer Sentinel Network Data Book, 2023. https://www.ftc.gov/reports/consumer-sentinel-network-data-book-2023

5 Burnes, D., Henderson Jr., C.R., Sheppard, C., Zhao, R., Pillemer, K., & Lachs, M.S. (2017). Prevalence of financial fraud and scams among older adults in the United States: A systematic review and meta-analysis. American Journal of Public Health, 107(8), e13–e21.

6 https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/6Steps.html

7 To read the full research report, please visit www.nuveen.com/global/campaigns/benefits-2-0

8 https://bipartisanpolicy.org/blog/new-survey-retirement-expectations-dont-match-reality/

9 https://bipartisanpolicy.org/blog/new-survey-retirement-expectations-dont-match-reality/

10 https://money.cnn.com/2017/07/31/retirement/save-15/index.html

11 https://www.ssa.gov/oact/cola/Benefits.html

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