

## **Transamerica Study Finds American Employers Remain Reluctant to Enhance Retirement Benefits Despite Rising Confidence in Economy**

**LOS ANGELES – June 23, 2010** – As the country continues to recover from the recent recession, new research has found that almost half of U.S. employers are optimistic about the U.S. economy and their own company’s financial situation. However, the 11<sup>th</sup> Annual Transamerica Retirement Survey – conducted among a nationally representative sample of 601 U.S. employers – found that despite this optimism, most companies continue to be reluctant to make significant changes to their retirement plans such as adding or enhancing key plan features.

Marking a significant shift from the year prior, many employers are optimistic about their financial situations and the U.S. economy. Nearly half of employers (49 percent) expect their company’s financial situation to improve over the next 12 months, compared to only 29 percent in the year prior. Forty-five percent of companies surveyed indicated they expect the economy to improve in the next 12 months, compared to 27 percent in the year prior. Relatively few companies expect their financial situation to worsen (13 percent) or the economy to worsen (19 percent) in the next 12 months.

### **Retirement Plan Coverage**

The vast majority of companies surveyed (82 percent) reported they now offer a 401(k) or similar employee funded plan, up from 78 percent the previous year. Of those companies, those that reported offering a matching contribution fell to 69 percent from 76 percent the year prior.

For companies that don’t currently offer a plan to employees, 87 percent indicate that they are unlikely to in the near future, with 74 percent “not at all likely.” This is a sharp increase from the prior year’s survey in which only 59 percent indicated they weren’t likely, and only 43 percent “not at all likely.” This shift was much more prominent among small businesses. Cost-related concerns continue to be a recurring theme for not offering a plan.

“Increasing access to a 401(k) or similar plan for workers, including small business and part-time workers, continues to be an area of major opportunity,” says Catherine Collinson, president of the Transamerica Center for Retirement Studies. “Our corresponding study of workers clarifies the broader influence workplace retirement plans have on an employee’s overall retirement preparedness. Even just the presence of a basic plan can significantly impact savings. With the many cost effective options available to employers, it is imperative that all companies examine how they can offer these benefits to their employees.”

Previously released findings from the 11<sup>th</sup> Annual Transamerica Retirement Worker Survey revealed a strong correlation between the availability of a 401(k) or similar plan and higher levels of proactive savings behaviors, financial literacy and confidence among workers.

## Adoption of Key Retirement Plan Features

During the past year, 27 percent of employers who offer a 401(k) or similar plan made changes to their company plan, up slightly from last year. Of those that made changes to their plan, a change in investment selections was the most common, and saw the most significant increase from the year prior (48 percent vs. 38 percent previously).

In addition to these changes, the Survey found that adoption rates of some key plan features have stalled:

- **Auto-enrollment and escalation:** Twenty-seven percent of employers automatically enroll employees into their company sponsored retirement plan, up slightly from 24 percent the previous year. Large companies (43 percent) remain much more likely than small companies (25 percent) to automatically enroll employees. Of employers that do not automatically enroll their employees, most (84 percent) do not plan to in the future.
- **Advice and Guidance:** Nearly all employers (93 percent) believe they give employees the right information to make decisions about their retirement plan. However, there was no change in the percentage of employers offering investment advice/guidance (58 percent). Among those not offering advice, 88 percent do not plan to in the near future. Of note, significantly more employers are citing potential liability as a reason for not offering advice than the year prior (48 percent vs. 35 percent previously).
- **Roth 401(k):** Nearly one-quarter of employers offer a Roth 401(k) or similar option, consistent with the previous year. Roth adoption also remains relatively equal among small and large employers. Almost 8 in 10 employers that don't currently offer a Roth option don't plan to in the near future, with more than one-third of those citing lack of employee interest.
- **An Annuity as a Distribution Option:** Just over one-quarter (26 percent) of employers offer an income annuity as a distribution option for retiring employees in their plan, up slightly from 24 percent the prior year.

## Satisfaction with Current Plan Offerings

Of those employers who sponsor a 401(k) or similar plan, satisfaction with retirement plans and providers remains high, with 95 percent reporting satisfaction with their provider and 97 percent reporting that employees are satisfied with the company's plan. The majority of employers (81 percent) are not concerned with the financial stability of their plan provider, despite recent troubles faced by many financial institutions.

Employers are also reporting high levels of satisfaction with the elements of their plans. For example, 95 percent of employers believe that their employees are satisfied with the quality of investments within the company's plan, while more than two-thirds believe their employees are content with the number of investment options available to them.

## Employee Involvement with Retirement Plan

Although employers perceive high rates of plan satisfaction among their employees, employers still lack confidence in their employees' involvement with the plan. Nearly 4 in 5 employers agree that the employees at their company do not know as much as they should about retirement investing, while fewer than half agree that their employees are very involved in monitoring and managing their retirement savings. Additionally, three-quarters of employers believe their employees could work until

age 65 and still not have enough saved to meet their needs in retirement, while only 53 percent are confident in their employees' ability to achieve a comfortable lifestyle in retirement.

“Most employers understand that these plans are important to their employees and are key retention tools,” says Collinson. “By adding a retirement plan – or enhancing existing retirement benefits with automatic features, investment advice, and retirement income options – employers can increase their impact in helping their employees prepare for a secure retirement.”

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***About Transamerica Center for Retirement Studies®***

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***About the 11th Annual Retirement Survey***

A telephone survey was conducted among a nationally representative sample of 601 employers. Potential respondents were targeted based on job title at for-profit companies and met the following criteria:

- Business executives who make decisions about employee benefits at his or her company
- Employ 10 employees or more across all locations

Telephone interviews were conducted between December 1, 2009 and January 8, 2010 among large (500+ employees) and small (10 – 499 employees) companies. Results were weighted as needed using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range. A full methodology is available.

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