

## **Transamerica Study Finds Rising Employer Confidence is Translating into a Renewed Commitment to Retirement Benefits**

*Smaller Employers Continue to Struggle to Provide Benefits and Educational Tools in Comparison to Larger Counterparts*

**LOS ANGELES – July 12, 2011** – A new report released today reveals an encouraging sign that employer confidence is rising and that it appears to be translating into a renewed commitment to retirement benefits for the first time since the recession began. The results of the 12<sup>th</sup> Annual Transamerica Retirement Survey – conducted among a nationally representative sample of 743 U.S. employers by the non-profit Transamerica Center for Retirement Studies® – found that while retirement benefits and educational tools are more prevalent among large employers (500+ employees), small employers (10 to 499 employees) lag in comparison.

Underscoring a significant change from the year prior, 59 percent of employers expect their company's financial situation to improve over the next 12 months (up from 49 percent) and almost half of employers (48 percent) expect the economy to improve over the next 12 months (up from 45 percent). Based on the study, employers are generally reporting higher levels of employment, with over half (55 percent) hiring additional employees in the last twelve months. This positive trend is more prominent with large companies where 69 percent hired workers compared to 54 percent of small companies. Additionally, fewer companies implemented layoffs or downsized in the last twelve months – 33 percent compared to 48 percent last year.

### **Renewed Commitment to Retirement Benefits**

For the first time since the recession began, this rise in confidence is accompanied by an increase in enhancements to retirement benefits as well as intentions to reinstate certain benefits that had been suspended since the recession began in 2008. Although the percentage of employers offering matching contributions to their 401(k) or similar plan is consistent with last year's survey (70 percent versus 69 percent the year prior) – the survey found an encouraging sign that 51 percent of companies that recently decreased or suspended the match plan to reinstate it within the next two years.

“The excellent news is that half of companies surveyed that recently decreased or suspended their company's 401(k) match are planning to reinstate it within the next two years,” says Catherine Collinson, president of the Transamerica Center for Retirement Studies. “Hopefully the other half will follow their lead. As we continue to emerge from the recession, employers can attract and retain the best employees by offering competitive benefits packages, while at the same time making a positive impact on their employees' retirement outlook.”

### **Small Employers Lag Behind Larger Peers in Offering Benefits**

Most employers (85 percent) believe that a 401(k) or similar plan is important for attracting and retaining employees, and most (85 percent) believe their employees view these plans as an important benefit. Yet, small employers continue to struggle to provide retirement benefits to their employees in comparison to large employers.

Plan sponsorship rates of 401(k) or similar plans are significantly higher for large companies (94 percent) than small companies (76 percent). Large companies (79 percent) also continue to be more likely than small companies (69 percent) to offer a matching contribution to their 401(k) or similar plan.

Of those small companies that do not currently offer a 401(k) or similar plan, only 21 percent indicate they are likely to begin offering a plan the next two years; however, a higher percentage (34 percent) indicate they would be likely to consider joining a multiple employer plan. Of companies that are not likely to offer a 401(k) plan in the next two years, the most common reasons are: difficult business conditions (47 percent), concerns about cost (43 percent) and perceived lack of employee interest (43 percent).

### **Employers Voice Warning Signs About Employee Retirement but Not Doing Enough**

Most employers (82 percent) feel their employees do not know as much as they should about retirement investing. Similarly, while there has been a gradual decline over the last three years in employers agreeing their employees could work until age 65 and still not save enough to meet their retirement needs, a full 70 percent of employers still agree (down from a high of 80 percent two years ago).

Employees' lack of knowledge about saving and investing for retirement provides employers with an important opportunity to help educate them. Since the recession began, few employers (15 percent) indicate they or their retirement plan provider has implemented any programs to help employees get back on track with their retirement savings. Large companies have been much more likely (34 percent) than small companies (13 percent) to have implemented any such programs.

Employers also have an opportunity to help employees transition into retirement. Among those employers who offer a 401(k) plan, 43 percent offer financial counseling and 19 percent offer pre-retirement seminars for employees who are transitioning into retirement. Large companies are more likely to offer both, with 53 percent of large companies offering counseling and 46 percent offering seminars. (In contrast, of those employers who do not offer a plan, 78 percent do "nothing" to help their employees).

### **Recommendations for Helping Improve Employees' Retirement Outlook**

The retirement services industry, media, policymakers, plan sponsors, and employers have an important role to play in helping improve the retirement outlook of workers of both small and large employers.

"As the jobs and growth engine of our economy, small businesses can play a vital role in helping American workers prepare for retirement," said Collinson. "By sponsoring a 401(k) plan, encouraging participation, and promoting available planning tools, these employers can help workers save and invest for a more secure retirement."

Employers and plan sponsors can take the following steps to help employees successfully save for retirement by:

- Offering a retirement plan if not already in place;
- Proactively encouraging participation in existing retirement plans;
- Adding, increasing and/or reinstating matching contributions to 401(k) plans;
- Promoting the educational resources offered by the company's retirement plan provider and encourage employees to take advantage of them;
- Establishing an annual 401(k) retirement readiness check-up at the same time of year as healthcare open enrollment; and
- Promoting awareness of tax incentives such as the Saver's Credit and Catch-up Contributions.

The retirement services industry and the media can help employers by:

- Expanding outreach efforts and promoting available retirement planning tools and resources;
- Promoting awareness of the financial penalties of taking withdrawals from 401(k) and other retirement savings plans; and
- Promoting awareness of tax incentives, including the Saver's Credit and Catch-Up Contributions.

Policymakers should consider the following to help employers and their employees:

- Expanding retirement coverage to more workers by expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans;
- Expanding the Saver's Credit by raising the income eligibility requirements so that more tax filers are eligible;
- Expanding Catch-Up Contributions by raising limits and lowering the eligible age;
- Offering tax incentives to employers for hiring older workers in order to help keep them in the workforce longer;
- Extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals; and
- Requiring retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum.

For the full survey results and for resources about retirement planning, visit [www.transamericainstitute.org](http://www.transamericainstitute.org).

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

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***About the 12th Annual Retirement Survey***

A telephone survey was conducted by Harris Interactive on behalf of Transamerica Center for Retirement Studies® among a nationally representative sample of 743 employers between January 28, 2011 and February 25, 2011. 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

Quotas were set for large (500 or more employees) and small companies (10 to 499 employees) and results were weighted as needed on employee size using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range. A full methodology is available upon request.

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