

# The Current State of 401(k)s: The Employer's Perspective

16<sup>th</sup> Annual Transamerica Retirement Survey

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### About the Transamerica Center for Retirement Studies®

- The Transamerica Center for Retirement Studies<sup>®</sup> (TCRS) is a division of Transamerica Institute<sup>®</sup> (The Institute), a nonprofit, private foundation. TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the United States. Its research emphasizes employer-sponsored retirement plans, including companies and their employees, unemployed and underemployed workers, retirees and the implications of legislative and regulatory changes. For more information about TCRS, please refer to <u>www.transamericacenter.org</u>.
- The Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties.
- TCRS and its representatives cannot give ERISA, tax, investment or legal advice. This material is provided for informational purposes only and should not be construed as ERISA, tax, investment or legal advice. Interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here.
- Although care has been taken in preparing this material and presenting it accurately, TCRS disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.



#### About the Survey

- Since 1998, the Transamerica Center for Retirement Studies<sup>®</sup> has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public. It has grown to be one of the longest running and largest national surveys of its kind.
- On behalf of Transamerica Center for Retirement Studies, Harris Poll conducted the 16<sup>th</sup> Annual Retirement Survey. The analysis contained in this report was prepared internally by the research team at Transamerica Center for Retirement Studies.
- Over the last five decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, The Harris Poll has gained strong brand recognition around the world. For more information contact: <u>ConsumerInsightsNAInfo@nielsen.com</u>.

#### **About the Author**

<u>Catherine Collinson</u> serves as president of the <u>Transamerica Institute</u><sup>®</sup> and <u>Transamerica Center for</u> <u>Retirement Studies</u><sup>®</sup>, and is a retirement and market trends expert and champion for Americans who are at risk of not achieving a financially secure retirement. Catherine oversees all research, publications and outreach initiatives, including the Annual Transamerica Retirement Survey. In 2015, Catherine was also named executive director of the <u>Aegon Center for Longevity and Retirement</u>.

With two decades of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small business, which featured the need to raise awareness of the <u>Saver's Credit</u> among those who would benefit most from the important tax credit.

Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: USA Today, Time, Next Avenue, Forbes, U.S. News & World Report, and CBS MoneyWatch. She co-hosts the <u>ClearPath: Your Roadmap to Health & Wealth</u> radio show on Baltimore's WYPR, an NPR news station. Catherine speaks at major industry conferences each year and also authors articles published in leading industry journals.

She is currently employed by Transamerica Retirement Solutions. Since joining the organization in 1995, she has held a number of positions with responsibilities including in the incorporation of Transamerica Center for Retirement Studies as a nonprofit private foundation in 2007 and its expansion into Transamerica Institute in 2013, as well as the creation of the Aegon Center for Longevity and Retirement in 2015.



### Methodology: Employer Survey

- A 29-minute survey was conducted between September 15 December 3, 2015 among a nationally representative sample of 1,022 employers by Harris Poll for Transamerica Center for Retirement Studies. 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
  - Those with appropriate job titles
  - Their company employs 10 employees or more across all locations
- Quotas were set for large and small companies and results were weighted as needed by 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.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- In 2015, the survey transitioned from phone to online mode and some results have been filtered to minimize differences between the phone and online mode.
- The base includes:
  - 426 employers of micro companies
  - 206 employers of small non-micro companies
  - 390 employers of large companies
  - Other reduced bases have been noted throughout the report

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#### Methodology: Worker Survey

- A 25-minute online survey was conducted between February 18 March 17, 2015 among a nationally representative sample of 4,550 workers by Harris Poll for Transamerica Center for Retirement Studies. Respondents met the following criteria:
  - U.S. residents, age 18 or older
  - Full-time or part-time workers in a for-profit company employing 10 or more people
- Data were weighted as follows:
  - To account for differences between the population available via internet versus by telephone.
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- This report focuses on full-time and part-time workers combined
- The base includes:
  - 1,145 workers of micro companies
  - 911 workers of small non-micro companies
  - 2,494 workers of large companies



### Terminology

This report uses the following terminology:

#### Company Size

- Small company: 10 to 499 employees
  - Micro company: 10 to 99 employees
  - Small non-micro company: 100 to 499 employees
- Large company: 500 or more employees

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*The Current State of 401(k)s: The Employer's Perspective*, as part of TCRS' 16<sup>th</sup> Annual Retirement Survey, offers an overview of employer trends, plan sponsorship rates, comparisons by company size, and worker insights.

Employer-sponsored retirement savings plans play a vital role in facilitating and simplifying the savings process, making such plans attractive for American workers. The benefits of saving in an employer-sponsored plan (e.g., investment education, tax-deferred savings, the potential for employer contributions, fiduciary oversight), combined with the convenience of automatic payroll deduction, make American workers more likely to save for retirement through participation in an employer-sponsored plan versus contributing to an IRA outside the workplace.

This survey report provides measurements relating to employers and the extent to which they are helping their employees prepare for retirement. Ten of the 25 measurements set forth in this report include:

- 1. Workers and Employers Agree on the Importance of Benefits. The vast majority of *workers* (89 percent) view a 401(k) or similar plan as an important benefit. A similar percentage (84 percent) of *employers* believe that their employees see such a benefit as important. Slightly more workers (60 percent) than employers (53 percent) see these benefits as being "very important."
- 2. Retirement Plan Sponsorship Rates Increase With Company Size. Seventy-four percent of employers offer a 401(k) or similar plan to their employees. Employers' offering of employee-funded plans are most common (92 percent) among large companies with 500 or more employees and least (72 percent) among micro companies with 10 to 99 employees. Fewer than one in five (16 percent) employers offers a company-funded defined benefit plan.



- 3. Few Part-Time Employees Are Eligible to Participate. While 74 percent of employers offer a 401(k) or similar plan to their employees, only 38 percent of them extend eligibility to part-time workers. Doing so varies by company size: Large employers (58 percent) are more likely to extend eligibility to part-time workers than micro companies (34 percent). Among plan sponsors that do not extend eligibility to part-time employees, 91 percent do not plan to do so in the future and their most frequently cited reasons include: generally impractical (39 percent), concerns about cost (37 percent), and high turnover among part-time employees (33 percent). In the current public policy dialogue on how to increase workplace-based retirement savings programs among American workers, providing coverage to part-time workers is a tremendous opportunity.
- 4. Adoption of Automatic Features Increases With Company Size. Automatic enrollment is a feature that eliminates the decision-making and action steps normally required of employees to enroll and to start contributing to the plan. It simply automatically enrolls employees into a plan and they only need to take action if they desire to opt out and not contribute to the plan. Plan sponsor adoption rates of automatic enrollment increase with company size. Forty-one percent of large companies offer automatic enrollment, compared to just 28 percent of small non-micro companies and 18 percent of micro companies. Plan sponsors with automatic enrollment report a median default contribution rate of three percent of an employee's annual pay. Industry experts, including TCRS, are concerned that three percent may be misleading to participants by implying that it is adequate to fund an individual or family's retirement when in most cases, it is not. Automatic escalation is also more prevalent at large companies, with 43 percent automatically increasing participants' contributions annually with no action required by participants, compared to 26 percent for both micro and small non-micro companies.



- 5. Automatic Features Have Strong Appeal Among Workers. Seventy-one percent of workers find the idea of automatically being enrolled in a 401(k) or similar retirement plan to be appealing, a finding which is consistent by company size. Workers say that an appropriate percentage to be deducted from their paycheck when automatically enrolled in a 401(k) or similar plan would be six percent (median). Sixty-seven percent of workers say they would be likely to take advantage of an automatic increase feature that would automatically increase their contributions by one percent of their salary either annually or whenever they receive a raise, until such a time when they choose to discontinue the increases. Plan sponsors should be encouraged to adopt automatic features which can help drive up savings rates among their employees.
- 6. Roth 401(k) Option Increases With Company Size. The Roth option enables participants to contribute to their 401(k) or similar plan on an after-tax basis with qualified tax-free withdrawals at retirement age. (It complements the long-standing ability for participants to contribute to the plan on a tax-deferred basis in which their savings is taxed when they take withdrawals from the plan at retirement.) The Roth 401(k) option can help plan participants diversify their risk involving the tax treatment of their accounts when they reach retirement age. Overall, 47 percent of plan sponsors offer the Roth 401(k) option. Large (56 percent) and small non-micro (54 percent) companies are similarly likely to offer this feature, with micro companies (45 percent) being less likely to do so.
- 7. Professionally Managed Services / Asset Allocation Suites. Professionally managed services such as managed accounts and asset allocation suites, including target date and target risk funds, have become staple investment options in 401(k) or similar plans. Micro companies are less likely to offer these than larger companies. Such offerings enable plan participants to invest in professionally managed services or funds that are essentially tailored to his/her goals, years to retirement, and/or risk tolerance profile, and can help participants with asset allocation without their having to become investment experts themselves.



- 8. Plan Sponsors Can Do More to Assist With Retirement Transition. Workers nearing retirement age face a myriad of difficult decisions regarding when and how they transition into retirement. Employers of all sizes share a tremendous opportunity to work with their retirement plan providers to offer resources and tools to these participants. Less than half of plan sponsors provide information about distribution options, planning materials, referrals to plan or IRA providers, educational resources, systematic withdrawals, or an annuity as a payout option as part of their plan. Micro companies, in particular, are less likely to offer these services.
- 9. Phased Retirement Versus Reality: A Double Disconnect. Workers' vision of a phased retirement depends on their employers having programs and employment practices in place to facilitate it. The survey found a major two-fold disconnect: First, few employers have practices in place such as accommodating flexible schedules (35 percent), enabling workers to shift from full-time to part-time (25 percent), or take on positions that are less stressful or demanding (17 percent); and, second, even fewer workers believe their employers have such practices (only 19 percent believe their employer will accommodate a flexible schedule).
- **10.** Employers Should Offer More Support for Caregiving Employees. Given increases in longevity and the high cost of assisted living and long-term care, many workers may be called upon to be an unpaid family caregiver for an aging parent or loved one. These responsibilities can involve decisions such as reducing work hours or taking time out of the workforce that can negatively affect their own future retirement in terms of income, ability to save, and accruing of pension benefits. The survey findings show that there is much more that employers can do to support their caregiving employees including compliance with the Family and Medical Leave Act (FMLA).



As the economy is still recovering from what is commonly referred to as the Great Recession, the U.S. retirement landscape is continuing to evolve, with increases in life expectancies, uncertainty about the sustainability of Social Security benefits, and individuals increasingly expected to self-fund a greater portion of their retirement income. Employers and workplace retirement benefits play an invaluable role in helping individuals become successful.

This survey report was released as part of TCRS' testimony before the U.S. Senate Special Committee on Aging's hearing on <u>Closing the Gaps: Innovations to Promote Americans' Retirement Security</u> on June 15, 2016.

Catherine Collinson

President, Transamerica Institute<sup>®</sup> and Transamerica Center for Retirement Studies<sup>®</sup>



#### **Recommendations for Employers**

Employers can play a crucial role in helping Americans save for retirement. Working with their retirement plan professionals and providers, employers can help improve their employees' retirement outlook through these opportunities:

- 1. Offer a retirement plan along with other health and welfare benefits if not already in place. Take advantage of the tax credit available for starting a plan.
- 2. For employers who offer a plan, extend eligibility to part-time workers. Seek expertise of retirement specialists familiar with plan design on how to best accomplish this.
- 3. Proactively encourage participation in existing retirement plans. Consider adding automatic enrollment and automatic escalation features to increase participation rates and salary deferral rates.
- 4. Discourage loans and withdrawals from retirement accounts. Limit the number of loans available in the plan. Ensure participants are educated about the ramifications of taking loans and early withdrawals. Allow for an extended loan repayment time for terminated participants.
- **5.** Consider structuring matching contribution formulas to promote higher salary deferrals (e.g., instead of matching 100 percent of the first three percent of deferrals, change the match to 50 percent of the first six percent of deferrals or even 25 percent of the first 12 percent of deferrals).
- 6. Ensure educational offerings are easy to understand and meet the needs of employees. Provide education on calculating a retirement savings goal, principles of saving and investing, and, for those nearing retirement, ways to generate retirement income and savings to last throughout their lifetimes.
- 7. Offer pre-retirees greater levels of assistance in planning their transition into retirement including education about distribution options, retirement income strategies, and the need for a backup plan if forced into retirement sooner than expected (e.g. health issues, job loss, family obligations).
- 8. Create opportunities for workers to phase into retirement by allowing for a transition from full-time to part-time and/or working in different capacities.
- 9. Promote incentives to save, including the Saver's Credit and catch-up contributions.



#### **Recommendations for Policymakers**

Workplace retirement benefits play a vital role in helping workers save for retirement. The workplace retirement savings system has succeeded in serving as the preferred method of saving for retirement for millions of workers. However, more can and should be done to improve the current system. Recommendations for policymakers include:

- **1.** Preserve existing incentives for workers to save for retirement including tax-deferred savings, existing contribution limits to qualified retirement plans and IRAs, and the Saver's Credit.
- 2. Expand retirement plan coverage for all workers including part-time workers by:
  - a. Expanding the tax credit for employers to start a plan and facilitating the opportunity for employers to participate in existing plans by implementing reforms to multiple employer plans.
  - b. Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing.
- **3.** Increase default contribution rates in plans using automatic enrollment. The current minimum default contribution rate in the safe harbor, which ranges from three percent to six percent, sends a misleading message to plan participants that saving at those levels is sufficient to achieve a secure retirement. A new auto enrollment safe harbor, under which employees are enrolled at six percent (increasing to eight percent, then 10 percent), which also provides a tax credit for adopting it, can drive up plan sponsor adoption rates and participant savings rates.
- **4.** Reduce leakage from retirement accounts by extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
- **5. Illustrate savings as retirement income on retirement plan account statements**. Require retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum to help educate about savings needs.
- 6. Facilitate retirement savings to last a lifetime. Proposals that help participants both manage their investment risk and build retirement savings to last their lifetime are encouraged, including facilitating the offering of inplan annuities and annuities as a distribution option.
- 7. Expand the Saver's Credit by making it refundable and/or raising the income eligibility requirements so that more tax filers are eligible. TRANSAMERICA CENTER

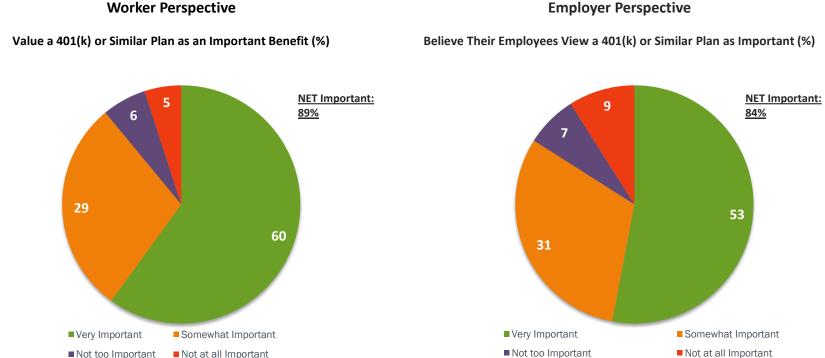
The Current State of 401(k)s: The Employer's Perspective

**Detailed Findings** 



#### Workers and Employers Agree on the Importance of Benefits

The vast majority of workers (89 percent) view a 401(k) or similar plan as an important benefit. A similar percentage (84 percent) of employers believe that their employees see such a benefit as important. Slightly more workers (60 percent) than employers (53 percent) see these benefits as being "very important."



#### **Employer Perspective**

WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1171. Please tell us how important that benefit is to you, personally ... a 401(k)/403(b)/457 or other employee self-funded plan. EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (TELEPHONE AND ONLINE)

Q520\_5. Do you think your company's employees see this benefit as important ... 401(k) or other employee self-funded plans including SIMPLE and SEP plans



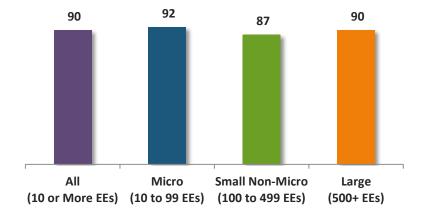
### Access to a 401(k) or Similar Plan Inspires Savings

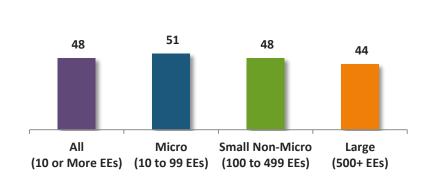
Workers who are offered a 401(k) or similar plan by their employer are more likely to save and invest for retirement in the plan and/or outside of work (90 percent) compared to those who do not have access to such plans (48 percent), a finding which is consistent by company size.

Worker Perspective: Saving for Retirement (in an Employer-Sponsored Plan and/or Outside of Work)

Among Those Offered a 401(k) or Similar Plan (%)

Among Those Not Offered a 401(k) or Similar Plan (%)



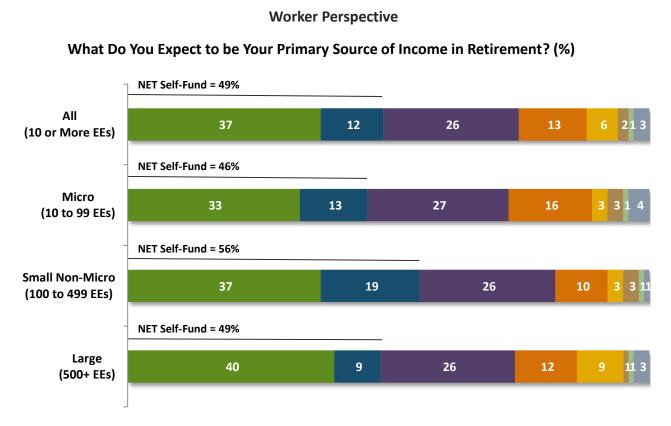


TRANSAMERICA CENTER FOR RETIREMENT STUDIES<sup>®</sup>

WORKER BASE: THOSE WITH QUALIFIED PLANS CURRENTLY OFFERED TO THEM Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan? WORKER BASE: ALL QUALIFIED RESPONDENTS Q740. Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.?

#### Many Workers Expect to Primarily Rely on 401(k)s in Retirement

Thirty-seven percent of workers expect savings from 401(k)s, 403(b)s, and/or IRAs to be their primary source of income when they retire. Workers of large companies (40 percent) are more likely to expect to rely on these types of retirement accounts, compared to workers of small non-micro companies (37 percent) and micro companies (33 percent).



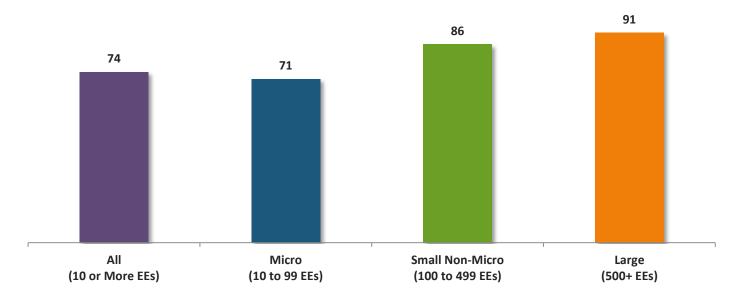
■ 401(k), 403(b), IRAs ■ Other Savings & Investments ■ Social Security ■ Working ■ Company Funded Pension ■ Inheritance ■ Home Equity ■ Other



#### **Retirement Benefits Are Important for Attracting Talent**

Seventy-four percent of employers believe that offering a 401(k) or similar plan is important for attracting and retaining employees, a finding that increases with company size. Seventy-one percent of micro company employers believe they are important compared to 86 percent of small non-micro companies and 91 percent of large companies.

#### Employers' perceptions of 401(k) or similar plan as important for attracting and retaining employees Very/Somewhat Important (%)



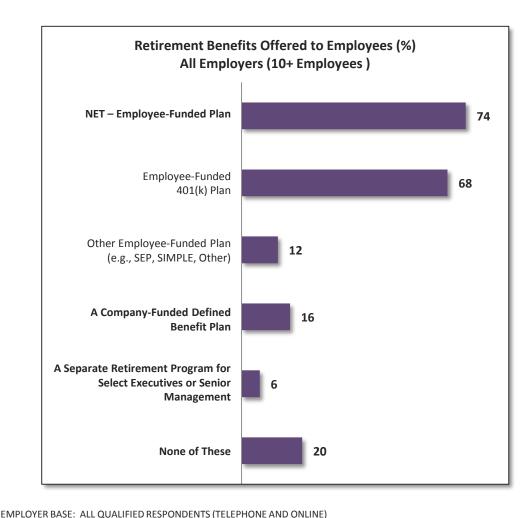


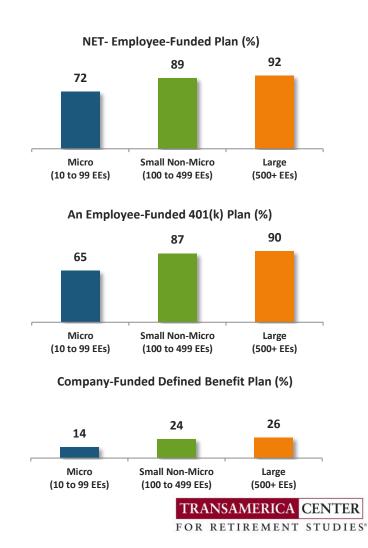
EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (TELEPHONE AND ONLINE)

Q650. How important would you say a company's/your company's employee-funded retirement plan package is to your ability to attract and retain employees?

#### **Retirement Plan Sponsorship Rates Increase With Company Size**

Seventy-four percent of employers offer a 401(k) or similar plan to their employees. Employers' offering of employee-funded plans are most common (92 percent) among large companies with 500 or more employees and least (72 percent) among micro companies with 10 to 99 employees. Fewer than one in five (16 percent) employers offers a company-funded defined benefit plan.



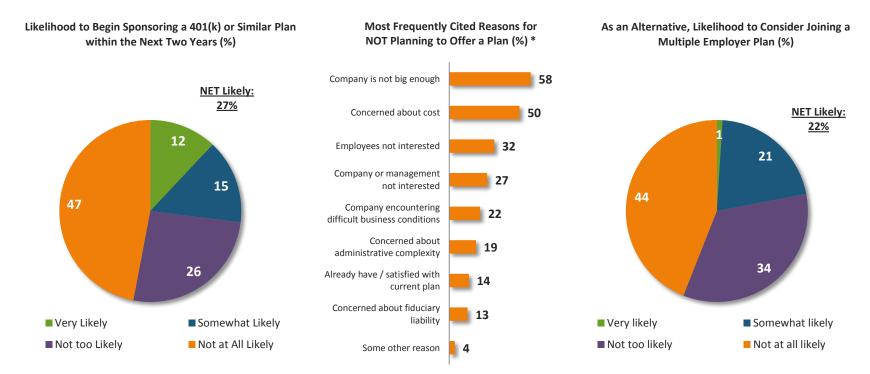


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Q530. Which of the following retirement benefits does your company offer? Select all that apply.

### Most Non-Sponsors Are Not Planning to Offer a Plan

Among companies that do not offer a 401(k) or similar plan, only 27 percent say that they are likely to begin sponsoring a plan in the next two years. Among those not planning to do so, their most frequently cited reasons are: company is not large enough (58 percent), concerns about cost (50 percent), employees not interested (32 percent), and company or management is not interested (27 percent). However, 22 percent of those not likely to offer a plan indicate that they would consider joining a multiple employer plan (MEP) offered by a vendor who handles many of the fiduciary and administrative duties at a reasonable cost.



\*Note: Responses less than 13% are not shown

EMPLOYER BASE: DOES NOT OFFER 401(K) OR OTHER SELF-FUNDED PLAN (TELEPHONE AND ONLINE)

Q600. How likely is your company to begin offering an employee-funded retirement plan package like a 401(k) to its employees in the next two years?

EMPLOYER BASE: NOT LIKELY TO OFFER 401(K) OR OTHER PLAN IN THE NEXT TWO YEARS (TELEPHONE AND ONLINE)

Q610. Why is your company not likely to offer a plan in the next two years? Select all that apply.

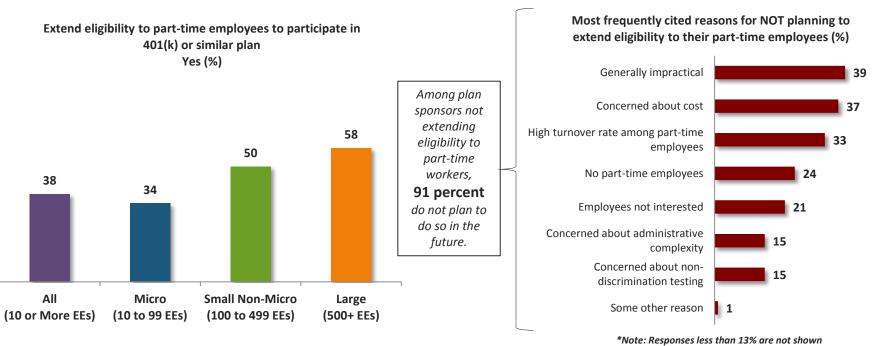
Q1605. As an alternative to establishing a stand-alone 401(k) plan, if your company had the ability to join a multiple employer plan which is offered by a reputable

vendor who handles many of the fiduciary and administrative duties at a reasonable cost, how likely would you be to consider such a plan?



### Few Part-Time Employees Are Eligible to Participate

While 74 percent of employers offer a 401(k) or similar plan to their employees, only 38 percent of them extend eligibility to part-time workers. Doing so varies by company size: Large employers (58 percent) are more likely to extend eligibility to part-time workers than micro companies (34 percent). Among plan sponsors that do not extend eligibility to part-time employees, 91 percent do not plan to do so in the future and their most frequently cited reasons include: generally impractical (39 percent), concerns about cost (37 percent), and high turnover among part-time employees (33 percent). In the current public policy dialogue on how to increase workplace-based retirement savings programs among American workers, providing coverage to part-time workers is a tremendous opportunity.



EMPLOYER BASE: OFFERS 401(k) PLAN OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q1650. Are any part-time employees eligible to participate in the employee-funded retirement plan?

EMPLOYER BASE: 0FFERS 401(K) PLAN OR SIMILAR PLAN, DOES NOT EXTEND ELIGIBILITY TO PART-TIME EMPLOYEES (TELEPHONE AND ONLINE)

Q1660. Does your company plan to extend 401(k) eligibility to any part-time employees in the future?

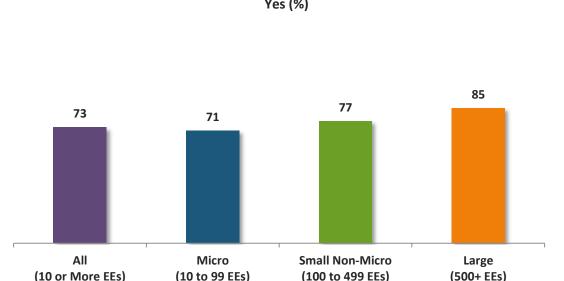
EMPLOYER BASE: OFFERS 401(K) PLAN OR SIMILAR PLAN, HAS NO PLANS TO EXTEND ELIGIBILITY TO PART-TIME EMPLOYEES (TELEPHONE AND ONLINE)

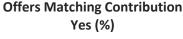
Q1655. Which of the following reasons apply to your company's not planning to extend 401(k) eligibility to any part-time workers in the future? Select all that apply.



#### **Matching Contributions Are More Prevalent in Large Companies**

Smaller companies lag behind larger companies in offering matching contributions as part of their 401(k) or similar plan. Seventy-three percent of all plan sponsors offer a matching contribution, with 71 percent of micro companies and 77 percent of small non-micro companies offering a match. Eighty-five percent of large companies offer a match. The employer's matching contribution is one of the most important features of a 401(k) or similar plan because it incentivizes employees to join the plan.







EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN (TELEPHONE AND ONLINE) Q640. Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?

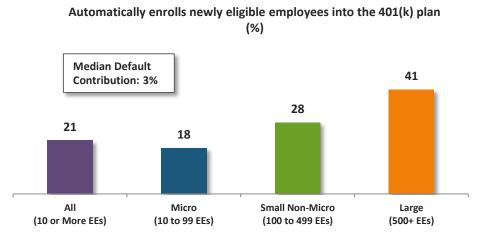
### **Adoption of Automatic Features Increases With Company Size**

Automatic enrollment is a feature that eliminates the decision-making and action steps normally required of employees to enroll and to start contributing to the plan. It simply automatically enrolls employees into a plan and they only need to take action if they desire to opt out and not contribute to the plan.

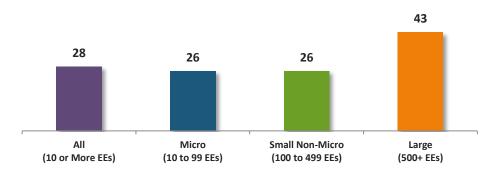
Plan sponsor adoption rates of automatic enrollment increase with company size. Forty-one percent of large companies offer automatic enrollment, compared to just 28 percent of small non-micro companies and 18 percent of micro companies.

Plan sponsors with automatic enrollment report a median default contribution rate of three percent of an employee's annual pay. Industry experts, including Transamerica Center for Retirement Studies, are concerned that three percent may be misleading to participants by implying that it is adequate to fund an individual or family's retirement when in most cases, it is not.

Automatic escalation is also more prevalent at large companies, with 43 percent automatically increasing participants' contributions annually with no action required by participants, compared to 26 percent for both micro and small non-micro companies.



Automatically increases participants' contribution rates annually (%)



EMPLOYER BASE: OFFERS 401(k) OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q1025. When a new employee qualifies to join the employee-funded 401(k) plan, are they (A) initially given a choice to participate or not participate in the plan, or (B) automatically enrolled in the plan with the choice to opt out at a later date?

Q1031. Does your plan have a provision to automatically increase participants' contribution rates annually, such as on their anniversary date of hire? EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE 401(K) PLAN (TELEPHONE AND ONLINE)

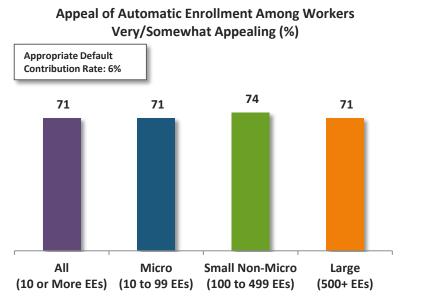
Q1027. What is the default employee-funded 401(k) plan contribution rate (excluding the company match)?

### Automatic Features Have Strong Appeal Among Workers

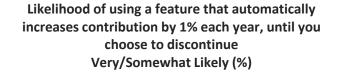
Seventy-one percent of workers find the idea of automatically being enrolled in a 401(k) or similar retirement plan to be appealing, a finding which is consistent by company size. Workers say that an appropriate percentage to be deducted from their paycheck when automatically enrolled in a 401(k) or similar plan would be six percent (median).

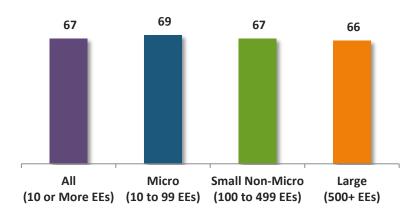
Sixty-seven percent of workers say they would be likely to take advantage of an automatic increase feature that would automatically increase their contributions by one percent of their salary either annually or whenever they receive a raise, until such a time when they choose to discontinue the increases.

Plan sponsors should be encouraged to adopt automatic features which can help drive up savings rates among their employees.



#### **Worker Perspective**





#### WORKER BASE: ALL QUALIFIED RESPONDENTS

Q2750. Imagine that your current employer automatically enrolled you into a 401(k), 403(b) or similar retirement plan, deducting a percentage of each paycheck, and investing it for your future retirement. How appealing would this seem to you?

Q2755. Imagine that your current employer automatically enrolled you into a 401(k), 403(b) or similar retirement plan, what would you consider to be an appropriate percentage to deduct from your paycheck to be invested for your future retirement?

Q702. How likely would you be to use a feature in a 401(k) or similar plan where your employer would automatically increase your contribution rate (as a percentage of your salary) to the plan by 1% each year, until you choose to discontinue this increase?

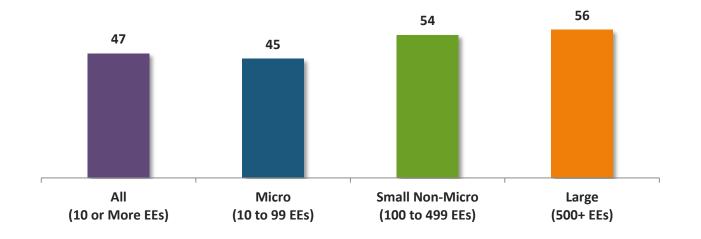
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### Roth 401(k) Option Increases With Company Size

The Roth option enables participants to contribute to their 401(k) or similar plan on an after-tax basis with qualified tax-free withdrawals at retirement age. (It complements the long-standing ability for participants to contribute to the plan on a tax-deferred basis in which their savings is taxed when they take withdrawals from the plan at retirement.) The Roth 401(k) option can help plan participants diversify their risk involving the tax treatment of their accounts when they reach retirement age. Overall, 47 percent of plan sponsors offer the Roth 401(k) option. Large (56 percent) and small non-micro (54 percent) companies are similarly likely to offer this feature, with micro companies (45 percent) being less likely to do so.

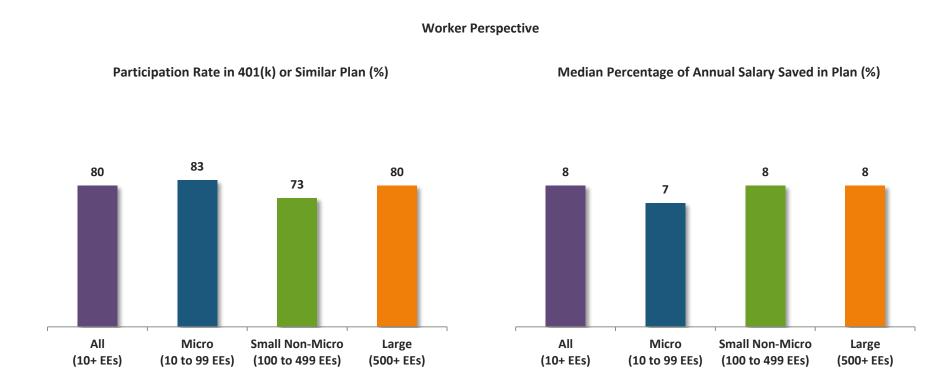
Offers Roth 401(k) Option By Company Size Yes (%)





#### **Plan Participation and Salary Deferral Rates**

Among workers who are offered a 401(k) or similar plan, the plan participation rate is 80 percent. Microcompany workers (83 percent) and large-company workers (80 percent) are more likely than small nonmicro-company workers (73 percent) to participate. The median annual salary deferral rate is eight percent and is similar among workers of all company sizes.



WORKER BASE: CURRENTLY OFFERED QUALIFIED PLAN

Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan? WORKER BASE: CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN

Q601. What percentage of your salary are you saving for through your company-sponsored plan this year?

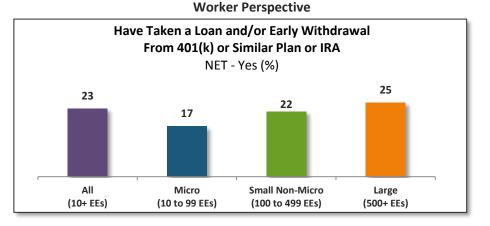
#### **Retirement Plan Leakage: Loans and Withdrawals**

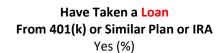
"Leakage" from retirement plans in the form of loans and withdrawals can severely inhibit the growth of participants' long-term retirement savings.

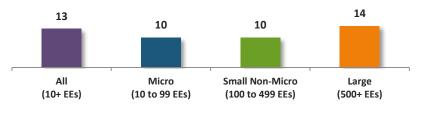
Among workers who are currently participating in a plan, 23 percent have taken some form of loan and/or early withdrawal from a 401(k) or similar plan or IRA:

- Large company workers (25 percent) are most likely to have taken a loan or early withdrawal.
- Small non-micro company workers (22 percent) are somewhat less likely.
- Micro company workers (17 percent) are least likely.

Among all participants, the proportion of taking loans (13 percent) is the same as that of early withdrawals (13 percent).

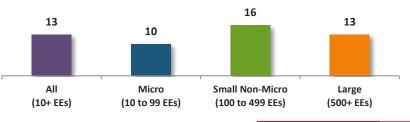






Have Taken an Early Withdrawal From 401(k) or Similar Plan or IRA

Yes (%)



WORKER BASE: CURRENTLY PARTICIPATES IN QUALIFIED PLAN

Q754. Have you ever taken any form of loan or early withdrawal from a qualified retirement account such as a 401(k) or similar plan or IRA?

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#### **Reasons for Plan Loans**

Among those who have taken a loan from their 401(k) or similar plan, the most frequently cited primary reasons are unplanned major expenses (23 percent) and paying off debt (23 percent). To a lesser extent, purchase of a vehicle (11 percent), home improvements (8 percent), and medical bills (8 percent) are cited as the primary reason. (Please note that the sample base size is small for micro and small non-micro company workers.)

#### **Worker Perspective**

#### Primary Reason for Taking a Loan From Retirement Plan (%)

	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs) *	Small Non-Micro Companies (100 to 499 EEs) *	Large Companies (500+ EEs)
Unplanned major expense (e.g., home or car repair, etc.)	23	22	21	23
Pay off debt	23	22	19	23
Purchase of a vehicle	11	9	13	12
Home improvements	8	8	9	8
Medical bills	8	14	6	7
Purchase of primary residence	7	2	6	8
Everyday expenses	6	6	4	6
Tuition	2	4	4	2
Planned repairs to a vehicle	2	1	<1	2
Some other purpose	10	12	18	9

\*Note: Base sizes are small with less than 100 respondents

WORKER BASE: THOSE WHO HAVE TAKEN A LOAN (NOTE: SMALL BASE FOR MICRO AND SMALL NON-MICRO COMPANY WORKERS) Q660. For what primary purpose did you take out a loan?



### **Reasons for Taking Hardship Withdrawals**

Among those who have taken a hardship withdrawal, 28 percent say their primary reason for doing so is to pay for certain medical expenses. Another primary reason for the withdrawal is payments to prevent eviction from primary residence (17 percent). The third most frequently cited reason is payment of tuition and related educational fees for the next twelve months of post-secondary education (14 percent). Please note: these findings reflect a small sample base and should be considered as directional in nature.

#### Worker Perspective

#### Primary Reason for Hardship Withdrawal (%)

	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs) *	Small Non-Micro Companies (100 to 499 EEs) *	Large Companies (500+ EEs) *
Pay for certain medical expenses	28	14	36	31
Payments to prevent your eviction from your principal residence	17	29	4	16
Payment of tuition and related educational fees for the next twelve months of post-secondary education	14	21	8	13
Expenses for repairs of damage to your principal residence that would qualify for the casualty deduction under Internal Revenue Code section 165	12	8	10	13
Cover the costs related to the purchase of a principal residence	7	7	7	8
Burial or funeral expenses for your deceased parent, spouse, children or dependents (as defined in Internal Revenue Code section 152)	7	13	7	5
Other	15	8	28	14

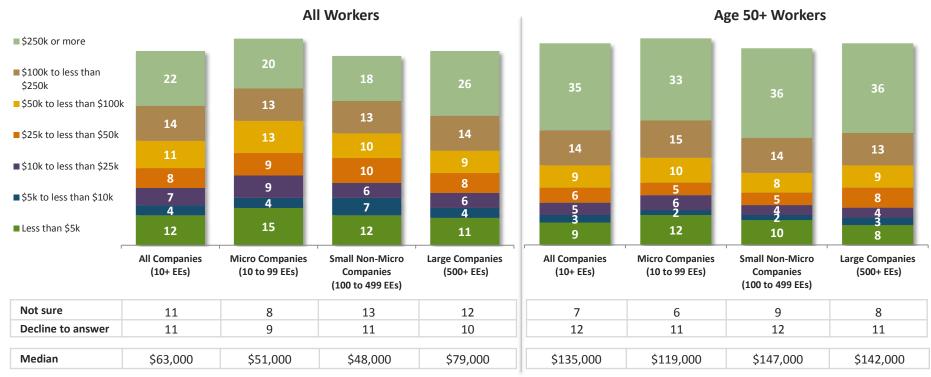
\*Note: Base sizes are small with less than 100 respondents

WORKER BASE: THOSE WHO HAVE TAKEN A HARDSHIP WITHDRAWAL (NOTE: SMALL BASE)

Q1465. What is the primary reason you have taken a hardship withdrawal from your employee-funded retirement savings plan?

### Workers' Savings Vary by Company Size

Perhaps the ultimate measure of a worker's retirement outlook is his/her level of total household savings in all retirement accounts. In 2015, the estimated median household retirement savings is \$63,000; however, it is higher among large-company workers (\$79,000) than among micro-company workers (\$51,000) and small non-micro-company workers (\$48,000). Among age 50+ workers, the estimated median household savings is \$135,000; however, it is higher among age 50+ workers in large companies (\$142,000) than those in micro-companies (\$119,000).



Worker Perspective Total Household Retirement Savings (%)

Note: The median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

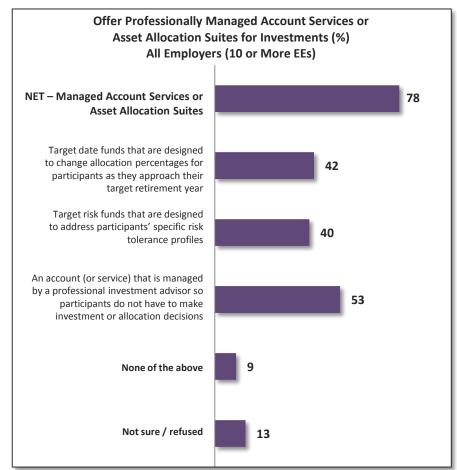
#### WORKER BASE: ALL QUALIFIED RESPONDENTS

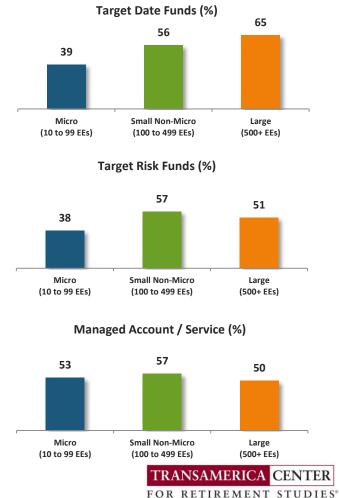
Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.



#### **Professionally Managed Services / Asset Allocation Suites**

Professionally managed services such as managed accounts and asset allocation suites, including target date and target risk funds, have become staple investment options in 401(k) or similar plans. Micro companies are less likely to offer these than larger companies. Such offerings enable plan participants to invest in professionally managed services or funds that are essentially tailored to his/her goals, years to retirement, and/or risk tolerance profile, and can help participants with asset allocation without their having to become investment experts themselves.





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EMPLOYER BASE: OFFERS 401(K) OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q3591. Which of the following professionally managed services or asset allocation suites does your plan's investments include? Select all that apply.

#### **Micro Companies' Plans Have Fewer Educational Offerings**

The majority of micro companies offer online tools and resources, professional advice, seminars/meetings/ webinars/workshops, informative emails, mobile apps, information on social media, and text messages – but are generally less likely to offer them than larger companies. Small non-micro companies and larger companies share similar levels of educational offerings.

.. . .

	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)
Quarterly statements	83	83	86	81
Online tools and calculators to project retirement savings and income needs on retirement plan provider's website	60	57	73	79
Professional advice on how to invest their retirement savings	59	58	66	63
Informational seminars, meetings, webinars, and/or workshops	45	42	66	66
Informative emails	45	43	58	61
Educational articles and videos that share ideas and insights on how to save and plan for a financially secure retirement	37	34	52	58
NET – Mobile apps	33	30	51	54
Mobile apps to manage their accounts	27	23	41	47
Mobile apps that include tools and calculators to project retirement savings and income needs	26	22	42	49
Information on social media (e.g., Twitter, Facebook)	12	10	16	21
Text messages related to your retirement plan	7	6	12	15
Other	6	5	7	5
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EMPLOYER BASE: OFFERS 401(k) PLAN OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q3605. Which one of the following does your company and retirement provider offer to your employees to assist them with planning, saving, and investing for retirement?

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### **Helpfulness of Employer Offerings**

Workers participating in a 401(k) or similar plan find many of the resources and tools offered through the plan to be helpful. Among age ranges, there are similar levels of agreement on the helpfulness of tools offered. Of note, 20-somethings are more likely than some older workers to find tools to be helpful – especially tools that are technology-based. A dramatic example: 71 percent of 20-something workers find mobile apps to manage their accounts to be helpful compared to just 36 percent of 60-something and older workers.

#### Worker Perspective How helpful do you find the following from your employer's retirement plan provider?

	All Ages	Twenties	Thirties	Forties	Fifties	Sixties+
Quarterly statements from the retirement plan provider	85	81	83	84	86	90
Online tools and calculators to project retirement savings and income needs on the retirement plan provider's website	83	88	85	83	79	79
Professional advice on how to invest my retirement savings from the retirement plan provider	81	86	79	80	78	82
Educational articles and videos from the retirement plan provider that share ideas and insights on how to save and plan for a financially secure retirement	76	80	78	76	73	73
Informative emails sent to my work and/or my personal address from the retirement plan provider	75	81	78	76	71	68
Informational seminars, meetings, webinars, and/or workshops by retirement plan provider	71	81	70	70	66	68
Mobile apps from the retirement plan provider that include tools and calculators to project retirement savings and income needs	59	74	63	58	49	44
Mobile apps from the retirement plan provider to manage my account	56	71	63	54	44	36
Information on social media (e.g., Twitter, Facebook) from the retirement plan provider	44	58	58	38	32	21

#### NET – Very/Somewhat Helpful (%)

WORKER BASE: OFFERED A RETIREMENT PLAN (Rebased to Exclude "Don't Know" and "Not Available" Responses)

Q2036. How helpful do you find the following from your employer's retirement plan provider in assisting you to plan, save, and invest for retirement?

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### Plan Sponsors Can Do More to Assist With Retirement Transition

Workers nearing retirement age face a myriad of difficult decisions regarding when and how they transition into retirement. Employers of all sizes share a tremendous opportunity to work with their retirement plan providers to offer resources and tools to these participants. Less than half of plan sponsors provide information about distribution options, planning materials, referrals to plan or IRA providers, educational resources, systematic withdrawals, or an annuity as a payout option as part of their plan. Micro companies, in particular, are less likely to offer these services.

5	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)
Allow terminated retirement plan participants to leave their money in the plan*	52	49	62	65
Provide information about the distribution options available in your retirement plan*	42	39	56	64
Distribute retirement planning materials	39	37	44	49
Provide referrals to your company's current retirement plan provider	36	34	48	43
Provide educational resources	35	32	48	51
Allow systematic withdrawals by terminated plan participants	27	25	39	44
Offer education about transitioning into retirement	22	19	30	40
Offer seminars about transitioning into retirement	14	12	20	29
Offer an income annuity as a payout option in your retirement plan	13	11	18	25
Provide referrals to an IRA provider that is not your current retirement plan provider	8	7	17	15
Something else	3	3	4	2
Nothing	21	23	13	10

\*While regulations concerning terminated participants may require that companies perform these actions, these statistics only reflect companies' responses to the survey. EMPLOYER BASE: OFFERS 401(k) PLAN OR SIMILAR PLAN (TELEPHONE AND ONLINE)

Q770. Does your company do any of the following to help its employees transition their savings and finances into retirement? Select all that apply.

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### Are Employers Supportive of Their Employees Working Past 65?

In today's world many workers plan to work past age 65 or do not plan to retire. But are their employers receptive? Seventy-eight percent of employers agree that they are supportive of their employees working past age 65 and delaying retirement, including 31 percent who "strongly agree" and 47 percent who "somewhat agree." On the other hand, workers are less likely to believe that their employers are indeed supportive, with 71 percent agreeing that their employers are supportive, of whom 23 percent "strongly agree" and 48 percent "somewhat agree." This represents a disconnect between employers' beliefs and workers' perceptions. Employers sharing their views may afford workers greater confidence in their ability to remain employed as they age.

<ul><li>Employer Responses</li><li>Worker Responses</li></ul>	All (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)
NET – Agree	78	77 74	<b>64</b> 80	81 71
Strongly agree	31 23	30 25	31 22	23 23
Somewhat agree	47 48	47 49	49 42	46 48
NET – Disagree	22 29	23 26	20	19 29
Somewhat disagree	14 20	14 17	12 24	17 20
Strongly disagree	89	9 9	8 12	2 9

#### <u>"My company/employer is supportive of its employees working past</u> <u>65 and delaying retirement." (%)</u>

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (ONLINE ONLY)

Q3620. State your level of agreement for the following: My company is supportive of its employees working past 65 and delaying retirement. WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1532. How much do you agree or disagree with the following statement: My current employer is supportive of its employees working past 65 in order to delay retirement.



### How Do Employers Perceive Their "Older" Workers?

Fears about ageism are common in today's society especially with so many workers planning to work past age 65 and delay retirement. Employers were asked about their perceptions of "older" workers age 50 and over to bring clarity and attempt to quantify their beliefs. Overall, employers have positive impressions, with 53 percent saying that their older workers "bring more knowledge, wisdom and life experience," and are "more responsible, reliable and dependable" (51 percent) and are "a valuable resource for training and mentoring" (48 percent). A minority (29 percent) feel they have higher healthcare costs, and only 10 percent cite higher disability costs. Notably, only six percent believe older workers are less productive. (Note: Age 50 and over was chosen as the benchmark because it coincides with AARP membership eligibility.)

What are your company's perceptions of workers age 50 and older compared to younger workers in today's workforce? (%)	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)
NET – Positive perceptions	75	75	76	79
Bring more knowledge, wisdom, and life experience	53	54	52	46
Are more responsible, reliable, and dependable	51	52	41	42
Are a valuable resource for training and mentoring	48	49	40	43
Are an important source of institutional knowledge	41	40	41	43
Are more adept at problem solving	35	36	31	24
Are better at getting along with others in team environment	28	29	26	25
NET – Negative perceptions	51	50	56	62
Have higher healthcare costs	29	28	33	32
Command higher wages and salaries	26	26	21	31
Have outdated skill sets	<b>1</b> 0	9	22	15
Have higher disability costs	<b>1</b> 0	8	16	21
Are less open to learning and new ideas	9	8	16	15
Are less productive	6	6	12	9
None of the above	17	18	12	9

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#### EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (ONLINE ONLY)

Q3625. What are your company's perceptions of workers age 50 and older compared to younger workers in today's workforce? Select all that apply

#### Most Workers Envision a Phased Retirement

Forty-one percent of workers envision a phased transition into retirement during which they will continue working, reduce hours with more leisure time to enjoy life, or work in a different capacity that is less demanding and/or brings greater personal satisfaction. Only 21 percent expect to immediately stop working when they retire, and 18 percent are "not sure." Another one-fifth (20 percent) plan to continue working as long as possible. Worker Perspective

	How do you envision transitioning into retirement? (%)							
	All Workers (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)				
Continue working as long as possible in current or similar position until I cannot work any more	20	23	17	20				
NET – Transition	41	43	47	38				
Transition into retirement by reducing work hours with more leisure time to enjoy life	26	29	28	23				
Transition into retirement by working in a different capacity that is either less demanding and/or brings greater personal satisfaction	15	14	19	15				
NET – Planned Stop	21	17	18	25				
Immediately stop working once I reach a specific age and begin pursuing retirement dreams	14	12	10	17				
Immediately stop working once I save a specific amount of money and begin pursuing retirement dreams	7	5	8	8				
Not sure	18	17	18	17				
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WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1545. How do you envision transitioning into retirement?

### **Phased Retirement Versus Reality: A Double Disconnect**

Workers' vision of a phased retirement depends on their employers having programs and employment practices in place to facilitate it. The survey found a major two-fold disconnect: First, few employers have practices in place such as accommodating flexible schedules (35 percent), enabling workers to shift from full-time to part-time (25 percent), or take on positions that are less stressful or demanding (17 percent); and, second, even fewer workers believe their employers have such practices (only 19 percent believe their employer will accommodate a flexible schedule). Micro-company employers are least likely to offer these transition practices.

Which of the following, if any, does your employer/company have in place to help employees who are transitioning into retirement? (%)						
Employer Responses Workers Responses	All (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)		
Accommodate flexible work schedules and arrangements	19 35	17 35	16 33	22 37		
Enable employees to reduce hours and shift from full-time to part-time	19 <sup>25</sup>	19 <sup>25</sup>	14 31	19 30		
Encourage employees to participate in succession planning, training and mentoring	11 21	6 19	11 32	15 45		
Enable employees to take on jobs which are less stressful or demanding	12 <sup>17</sup>	1115	13 32	29		
Offer financial counseling about retirement	n/a 12	n/a 9	n/a 11	n/a 14		
Provide seminars and education about transitioning into retirement	n/a 9	n/a 5	n/a 6	n/a 12		
Provide information about encore careers opportunities	7 12	4 11	20	8 27		
Offer retirement-oriented lifestyle and transition planning resources	8 <sup>12</sup>	6 10	6 21	10 30		
Other	14	1 5	2 1	13		
None of these	23 38	30 40	26 33	18 18		
Not sure	n/a 33	n/a 30	n/a 35	n/a 34		

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (ONLINE ONLY)

Q3615. Which of the following work-related programs, if any, does your company have in place to help workers age 50 and older transition into retirement? Select all that apply. WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1533. In which of the following ways, if any, does your current employer help its employees who are transitioning into retirement? Select all that apply.

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### **Employers Should Offer More Support for Caregiving Employees**

Given increases in longevity and the high cost of assisted living and long-term care, many workers may be called upon to be an unpaid family caregiver for an aging parent or loved one. These responsibilities can involve decisions such as reducing work hours or taking time out of the workforce that can negatively affect their own future retirement in terms of income, ability to save, and accruing of pension benefits. The survey findings show that there is much more that employers can do to support their caregiving employees including compliance with the Family and Medical Leave Act (FMLA).

<u>Which of the following programs, if any, does</u> your company offer to help its employees balance their caregiving obligations? (%)	All Employers (10 or More EEs)	Micro Companies (10 to 99 EEs)	Small Non-Micro Companies (100 to 499 EEs)	Large Companies (500+ EEs)
Flexible work schedule	58	59	55	53
The ability to take unpaid leave of absence <i>not covered</i> by FMLA (Family and Medical Leave Act)	48	47	58	56
The ability to take unpaid leave of absence <i>covered</i> by FMLA (Family and Medical Leave Act)	47	43	69	71
The ability to shift from full-time to part-time with the opportunity to resume full-time work when possible	44	44	44	46
Flexible working arrangements including telecommuting	36	36	37	37
An employee assistance program that offers counseling and referral services	24	19	48	59
Workplace wellness programs	22	18	42	56
Online resources and/or tools to support caregivers	13	11	21	32
Financial planning sessions or workshops on eldercare issues	10	9	14	19
Employee-based caregiver support group(s)	6	5	11	12
A formal caregiving policy statement	5	4	9	11
Access to backup adult day care services at a subsidized or discounted cost	4	3	11	9
Other	3	3	2	2
None	15	17	6	4

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS (ONLINE ONLY)

Q4030. At one time or another, workers may face the need to balance their work responsibilities with caregiving for an aging parent or loved one (separate from taking time off to raise children). Which of the following programs, if any, does your company offer to help its employees balance their obligations? Select all that apply.

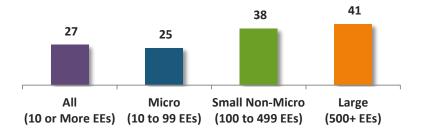
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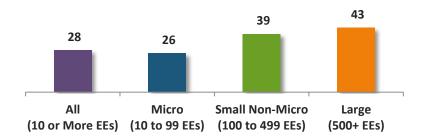
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### **Few Employers Offer Information About Government Benefits**

As part of their retirement planning educational offering, few employers provide information about Social Security (27 percent) and Medicare (28 percent) benefits. With regards to both Social Security and Medicare benefits, large companies are more likely than smaller companies, especially micro companies, to offer such information.









## Appendix



#### Participant Survey for Plan Sponsors to Use

<b>CENTER CENTER</b> OR RETIREMENT STUDIES®	Retirement Plan Survey for Plan Participants						
This survey has been designed for employers to assess the effectiveness of their retirement plans among their participants.		Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	Not Applicable
My Employer's Retirement Plan							
I value my employer's retirement plan as an important benefit.							
l am satisfied with my employer's retirement plan features including matching contrib or profit sharing contributions.	butions						
Retirement Readiness Indicators							
I understand my retirement income needs and have calculated my retirement savings	s goal.						
I have a roadmap for achieving my retirement income needs.							
I am saving enough and investing appropriately to achieve my savings goal.							
I am confident that I will be able to fully retire with a comfortable lifestyle.							
Planning Tools & Educational Resources							
Overall I am satisfied with the planning tools and educational resources offered by the retirement plan.							
The retirement plan's online planning tools and educational resources are helpful and my needs.	meet						
The educational meetings and seminars offered have been helpful for me to learn abore saving, planning, and making informed decisions about the retirement plan.	out						
I often use the planning tools and educational resources offered by the plan.							
Plan Services / Account Management							
Overall I am satisfied with the retirement plan's website and customer services.							
The website is easy to navigate and obtain information and/or process my requests.							
The automated telephone system is easy to use, obtain information and process requ	uests.						
The telephone contact center representatives are courteous, professional and provide with the assistance that I need.	e me						
My retirement plan account statements are timely and accurate.							
Investments							
Overall I am satisfied with the retirement plan's investment options.							
I am satisfied with the variety and number of investments available to meet my needs	s.						
I am knowledgeable about investments, risk tolerance, and asset allocation principles prefer to manage my investment options on my own.							
I prefer investment options such as target date funds, life-cycle funds and/or profession managed portfolios that are tailored to my savings goals, years to retirement, and risk tolerance.							

#### About Transamerica Center for Retirement Studies®

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