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Lack of Communication Between Employers and Their Employees Threatens Future Retirement Security

Annual Transamerica Retirement Survey Shows Major Disconnect in the Workplace

LOS ANGELES – February 6, 2007 – Results from the Eighth Annual Transamerica Retirement Survey revealed major differences in how employers and their employees view the importance of retirement benefits. Data from the 2006 survey also indicates a lack of communication in the workplace when it comes to benefits packages, compensation and investment education, which could make it more difficult for employees to get the tools they need to successfully save for retirement.

The survey found that employers continue to overlook the high value that employees place on retirement benefits compared to salary. Fifty-six percent of employers believed employees would choose a higher salary over excellent retirement benefits, while only 34 percent of employees agreed with that statement.

Very little dialogue between employers and employees on retirement issues may be fueling this gap: Only one in five employees (22 percent) have spoken to their supervisor or HR department about their retirement benefits in the last 12 months. Coincidentally, 77 percent of employers believe their employees would prefer not to think about retirement until they near retirement age, while 73 percent of employees disagreed with this statement.

“For as long as we’ve been conducting our retirement survey, we’ve seen a great divide between employees and employers on retirement issues,” said Catherine Collinson, retirement and market trends expert for the Transamerica Center for Retirement Studies¹. “As more employees count on employer-sponsored plans as their primary source of retirement income, it’s crucial that employers and employees communicate when making decisions about their retirement plan.”

¹ The Transamerica Center for Retirement Studies (“The Center”) is a collaboration of experts assembled by Transamerica Retirement Services to promote public awareness of emerging trends surrounding retirement security in the United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes. For more information about The Center, please refer to www.TA-Retirement.com/TheCenter.

Why Employers Need to Care

Employers have much to gain by offering robust retirement benefits. Among employees whose company does not offer a retirement plan, 62 percent of employees said they would leave their job for a similar position with an employer that offers a retirement plan.

“Many employees now expect a 401(k) plan with an employer-matching contribution to be part of their overall compensation package. In fact, the survey found that employees are more likely to take another job that offers a better retirement benefits package,” said Collinson.

“Communicating with employees about how to achieve their retirement goals can go a long way toward improving employees’ perception of their retirement plan benefit.”

Better communication also may drive participation and savings rates among all employees, which can help make it easier for employers to pass nondiscrimination testing. According to survey results, 26 percent of employees are not participating in their employee-funded retirement plan.

“Beyond helping employees better prepare for retirement, plan participation is key to passing the IRS’ annual nondiscrimination tests,” added Collinson. “By encouraging employee participation, the company also is increasing the likelihood that management will be able to contribute to the maximum limits allowed by the IRS and, or, the plan.”

Employees Show Strong Interest in Pension Protection Act Provisions

Fortunately for both employers and employees, the 2006 Pension Protection Act has created new opportunities for companies to offer more comprehensive retirement benefits geared at increasing participation and savings. But while employees are indicating interest in many of these opportunities, employers are failing to recognize it.

For instance, survey results indicate that employers are not aware of employee interest in retirement accounts, such as the Roth 401(k) option, that may allow them to pay income taxes up front and withdraw funds at retirement tax free. As of August 2006, 89 percent of employers were not offering the Roth 401(k) feature and only 13 percent had planned to do so in the future. The number one reason for not offering it was the perceived lack of employee interest (29 percent). However, 44 percent of employees said they would prefer to pay taxes now instead of later, suggesting that there is a strong interest in an investment vehicle such as the Roth 401(k) option.

Additionally, results show that employees are interested in — and would benefit from — other provisions related to the Pension Protection Act. For example, more than two-thirds (68 percent) of employees admitted that they did not know as much as they should about retirement investing. Under the new law, plan sponsors will be able to offer fund-specific investment advice to their plan participants beginning in 2007.

“The Pension Protection Act is the most far-reaching retirement legislation in decades,” said Collinson. “This legislation offers employers important tools to increase participation, keeps employees in the plan, and helps them invest more wisely. It allows for a situation where everyone wins. But it’s only as good as a plan sponsor’s willingness to adapt these provisions to its plan.”

Closing the Gap

Despite the current disconnect, employees are clearly demonstrating an eagerness to engage more with employers on retirement issues. Fifty-seven percent of employees stated they would like to receive more information and advice from their company on how to reach their retirement goals.

Steps that employers can take to help better communicate with their employees and provide a retirement plan that best helps them prepare for the future include:

- Initiating ongoing dialogue with employees on the possible opportunities for improving their retirement plan — including both information on investment choices and educational offerings
- Reviewing the Pension Protection Act with their financial adviser, benefits consultant, third party administrator or retirement plan provider to learn which provisions may help increase the effectiveness of their plan
- Consulting with their retirement plan provider to make sure that their company and its employees are taking full advantage of their educational offering

“As saving for retirement becomes more challenging, both employers and employees need to take the initiative to understand each other better and bridge this perception gap—not only during annual enrollment meetings, but throughout the year,” said Collinson. “More communication and engagement can create positive change in the workplace.”

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About Transamerica Center for Retirement Studies

The Transamerica Center for Retirement Studies (“The Center”) is a collaboration of experts assembled by Transamerica Retirement Services² to promote public awareness of emerging trends surrounding retirement security in the United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes. For more information about The Center, please refer to www.TA-Retirement.com/TheCenter.

About Transamerica Retirement Services

Transamerica Retirement Services (“Transamerica”), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, designs customized retirement plan solutions to meet the unique needs of small to mid-sized businesses. Transamerica Retirement Services ranked as a top-five plan provider³ in a recent *PLANSPONSOR*[®] magazine DC Survey and has more than 14,500⁴ retirement plan clients totaling more than \$14.1⁵ billion in assets. For more information about Transamerica, please refer to www.TA-Retirement.com.

² Transamerica Retirement Services (“Transamerica”), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, specializes in the promotion of retirement plan products and services.

³ The November 2006 *PLANSPONSOR*[®] magazine Defined Contribution Survey results place Transamerica Retirement Services as a top-five provider out of 50 for retirement plans with up to \$55 million in assets based on total number of cups won. See the November 2006 issue of *PLANSPONSOR*[®] magazine for complete results.

⁴ As of December 31, 2006.

⁵ As of December 31, 2006.

Eighth Annual Transamerica Retirement Survey:

About the Survey

Transamerica Retirement Services conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes. To this end, Harris Interactive was commissioned to conduct the Eighth Annual Retirement Survey for Transamerica Retirement Services. There are two components to the survey: Employer and Worker. Where appropriate, questions were tracked and some new questions were added to investigate new topics of interest.

Employer Survey Component

This part of the survey was conducted by Harris Interactive on behalf of Transamerica Retirement Services via telephone within the U.S. among 659 owners/heads of small businesses and benefits decision-makers in larger companies, using a nationally representative random sample. Respondents met the following criteria: business executives who make decisions about employee benefits at their company, must be at a company that employs 10 employees or more, and not work for a government, education or not-for-profit organization. Interviews averaged 18 minutes in length and were conducted between July 25 and October 10, 2006. Data were weighted to ensure that each quota group had a representative sample based on the number of companies in each employee size range. With a pure probability sample of 659, one could say with a 95 percent probability that the overall results would have a sampling error of +/- 3.8 percentage points. Sampling error for data based on sub-samples would be higher and would vary. However, that does not take other sources of error into account. This online survey is not based on a probability sample and therefore no theoretical sampling error can be calculated.

Worker Survey Component

This part of the survey was conducted by Harris Interactive on behalf of Transamerica Retirement Services via telephone within the U.S. among 1,402 workers, using a nationally representative random sample. Respondents met the following criteria: work full-time for pay at a company with at least 10 employees, are age 18 or older, and do not work for the government nor a non-profit organization. Interviews averaged 20 minutes in length and were conducted between July 27 and October 7, 2006. Data were weighted to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. With a pure probability sample of 1,402, one could say with a 95 percent probability that the overall results would have a sampling error of +/- 2.6 percentage points. Sampling error for data based on sub-samples would be higher and would vary. However, that does not take other sources of error into account. This online survey is not based on a probability sample and therefore no theoretical sampling error can be calculated.

About Harris Interactive

Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides research-driven insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for *The Harris Poll*, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation. More information about Harris Interactive may be obtained at www.harrisinteractive.com.

To become a member of the Harris Poll Online and be invited to participate in online surveys, register at <http://go.hpolsurveys.com/PR>.