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Higher Education Institutions Implementing Changes to Improve Retirement Readiness of Employees

Study highlights the benefits of streamlining retirement plans and partnering with a professional retirement plan advisor

Higher Education institutions are responding to the shifting retirement landscape by adopting practices more commonly seen in the corporate sector, such as working with plan advisors, monitoring the retirement readiness of employees, implementing automatic enrollment features and streamlining retirement plans, according to a research report released today by Transamerica Retirement Solutions. The report, *Retirement Plans for Institutions of Higher Education*, was created from interviews with 117 retirement plan sponsors in the Higher Education sector.

The report, which focuses on plan sponsors that offer a 403(b) or Roth 403(b) plan, indicates that institutions that partner with a plan advisor are more likely to make changes aimed at improving employees' retirement readiness. It found that 55 percent of institutions with an exclusive arrangement with a single retirement plan provider monitor the retirement readiness of their plan participants compared to 23 percent of institutions that work with multiple providers. Further, 60 percent of institutions that partner with an advisor monitor retirement readiness.

The findings also show that advisors are important drivers of the implementation of automatic contribution increases among retirement plan participants. These increases are a key method of steering participants on the proper course to a successful retirement. In 2014, plans using automatic deferral in the Higher Education sector are more than twice as likely to be partnering with an advisor.

"The gradual shift away from defined benefit plans and the high number of pre-retirees have led many Higher Education institutions to pay closer attention to the retirement readiness of their employees," said Brodie Wood, vice president and national practice leader, not-for-profit for Transamerica Retirement Solutions. "The streamlining of retirement plans, advisor partnerships, and the adoption of automatic plan features are a powerful combination that is helping Higher Education institutions guide their participants toward retirement readiness."

Streamlining retirement plans

In the past 12 to 24 months, Higher Education institutions are driving their plans to more closely resemble those of the corporate sector by streamlining them in several ways. The trend is distinctly highlighted in the report by the fact that in 2014, only 28 percent characterized their plan as multi-vendor, compared to 48 percent in 2013. And in 2014, just 13 percent added investment options to their retirement plans versus 27 percent in 2013.

In addition, in 2014 Higher Education institutions:

- Reduced the number of retirement plans offered (13 percent vs. 12 percent in 2013)
- Consolidated investments for multiple plans (11 percent vs. 9 percent in 2013)
- Streamlined recordkeeping for multiple plans (11 percent vs. 6 percent in 2013)

Rise of automatic plan features

Automatic enrollment coupled with automatic deferral increases is considered the preeminent method to help plan participants achieve retirement readiness. In 2014:

- Plans enrolling automatically rose to 44 percent (vs. 41 percent in 2013)
- Plans automatically increasing contributions rose to 23 percent (vs. 8 percent in 2013)

Partnering with financial advisors

Among the institutions that partner with a financial advisor, nearly half estimate that 50 percent or more of their plan participants are on track to achieve a successful retirement. Also of note:

- Institutions not working with an advisor decreased in 2014 (45 percent vs. 48 percent in 2013)
- Fifteen percent plan to hire an advisor within the next 12 months (vs. 10 percent in 2013)

To learn more about *Retirement Plans for Institutions of Higher Education*, visit <http://isrm.transamerica.com/exclusive-free-report-higher-education-institutions>

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About the *Retirement Plans for Institutions of Higher Education* study

The *Retirement Plans for Institutions of Higher Education* study was fielded by Transamerica Retirement Solutions in May 2014. The sample consisted of 117 plan sponsors at institutions of Higher Education. The sample is larger than the 90 institutions that responded in the 2013 edition of the study, allowing the 2014 study to show year-over-year trends and to analyze data by segments.

About Transamerica Retirement Solutions

Transamerica Retirement Solutions (Transamerica) is a leading provider of customized retirement plan solutions for small to large organizations.

Transamerica partners with financial advisors, third party administrators, and consultants to cover the entire spectrum of defined benefit and defined contribution plans, including: 401(k) and 403(b) (Traditional and Roth); 457; profit sharing; money purchase; cash balance; Taft-Hartley; multiple employer plans; nonqualified deferred compensation; and rollover and Roth IRAs.

Transamerica helps more than three million retirement plan participants save and invest wisely to secure their retirement dreams. For more information about Transamerica Retirement Solutions Corporation, please visit trsretire.com.

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