



Retirement & Investment Webinar Series

The Shifting Retirement Benefits Landscape

June 28, 2016

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Speakers



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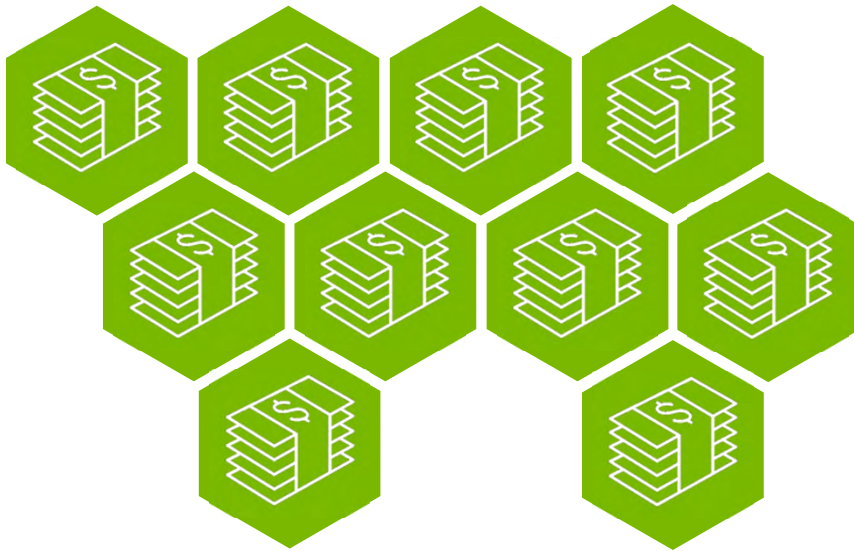


Barb Hogg

Partner
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The Benefit Package

Paycheck

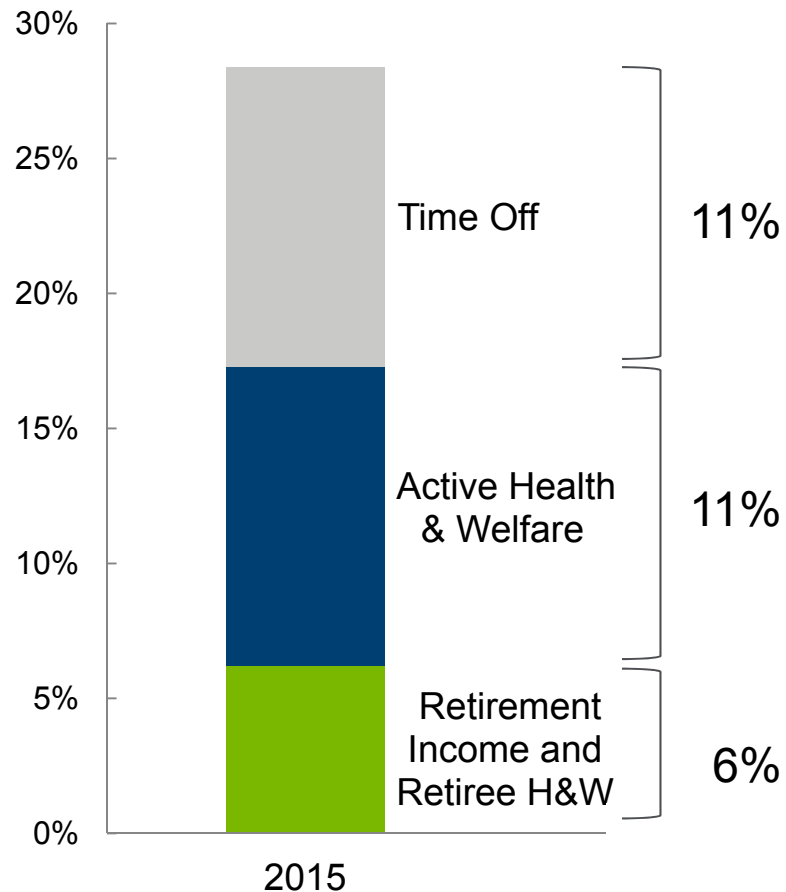


Employee Benefits



The Benefits Breakdown

Benefit Value as a Percent of Pay

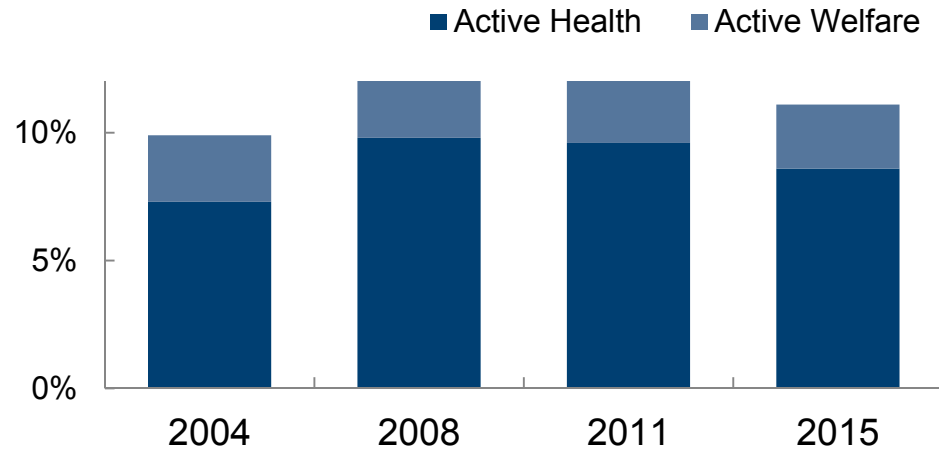


Methodology

- Based on Aon Hewitt's Benefit Index[®] methodology and benefit programs of the Fortune 500
 - Program available to new hires
 - Standard population and assumptions
- Benefit Index used to provide competitive comparisons for hundreds of organizations each year

The Past Decade—Active Health & Welfare

Active H&W Value as a Percent of Pay



Observations

- Overall increases of 12% (or 1.2% of pay)
- Initially rose by 25% due to health costs increases
- Offset by adjustments in health plans and subsidy strategy

The Past Decade—Retirement Income and Retiree Health & Welfare

Retirement Benefit Value as a Percent of Pay

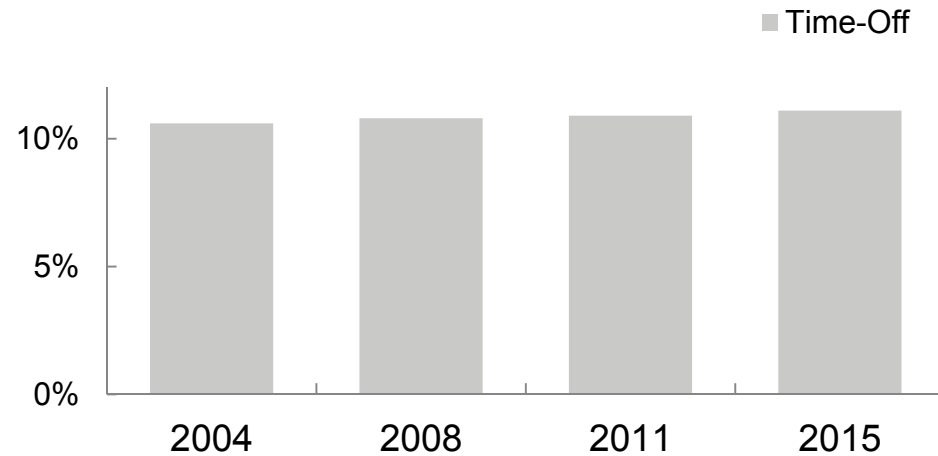


Observations

- Steady decline over the years
- Overall decline of 20% (or about 1.6% of pay)
- Employer-subsidized retiree H&W virtually non-existent by 2015

The Past Decade—Time Off With Pay

Time Off with Pay Value as a Percent of Pay

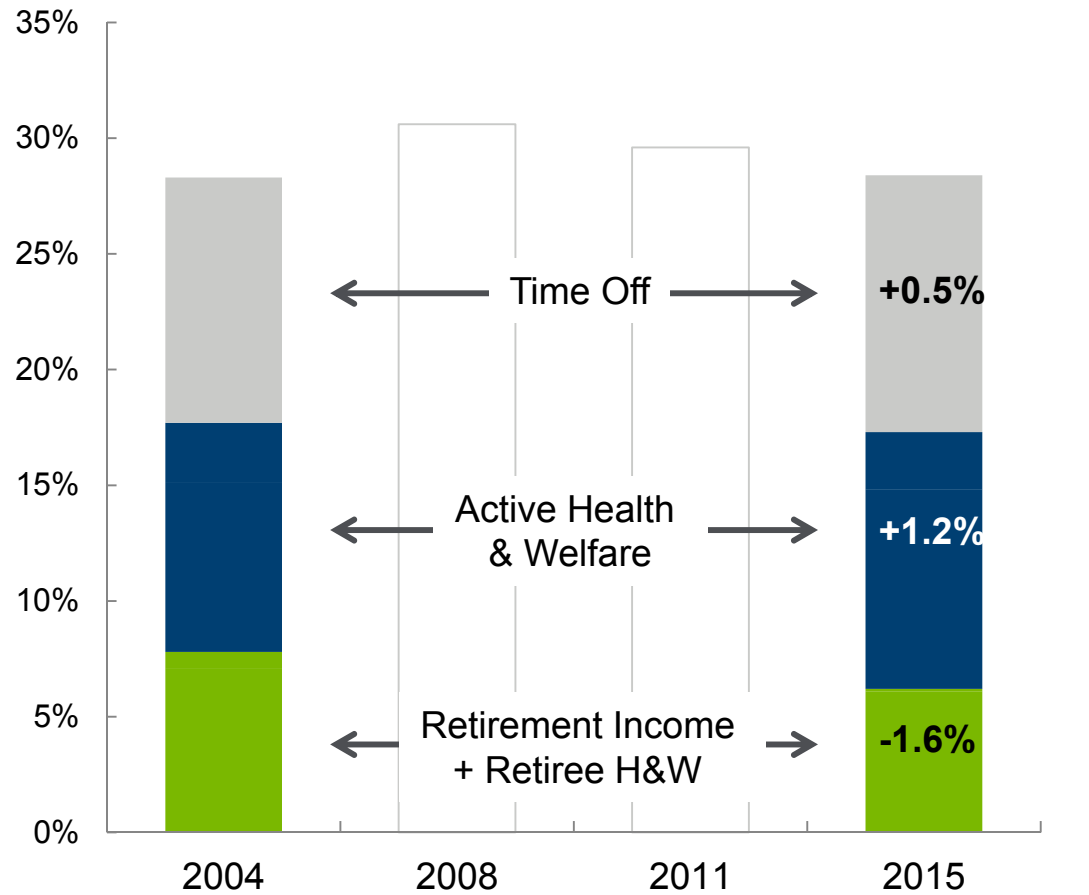


Observations

- Gradual incline over last 10 years
- Overall increase of less than 5% (about 0.5% of pay)

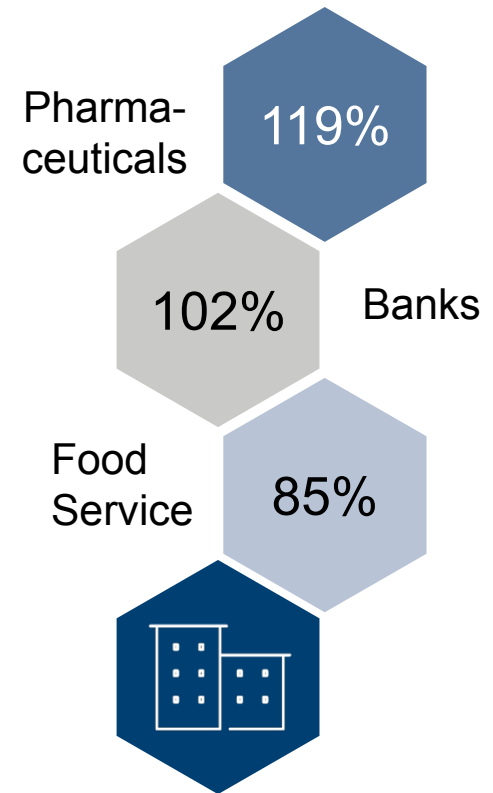
Overall Value Steady Over Time

Benefit Value as a Percent of Pay



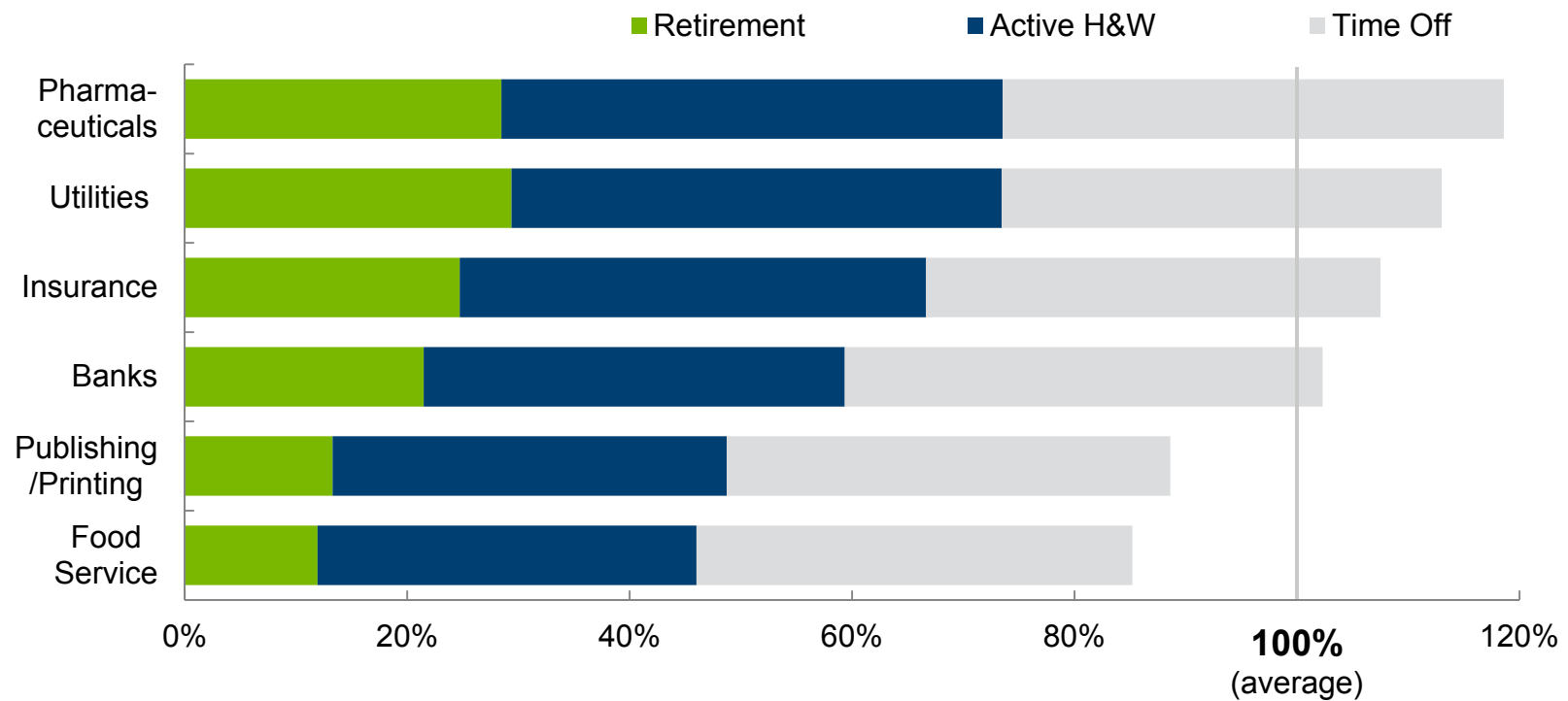
Variation by Industry

(compared to average value across database)



Differences by Industry

Portion of benefits budget going toward retirement can vary by industry

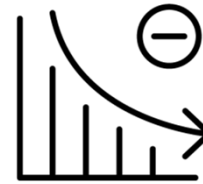


What's Driving the Change in Retirement Benefits

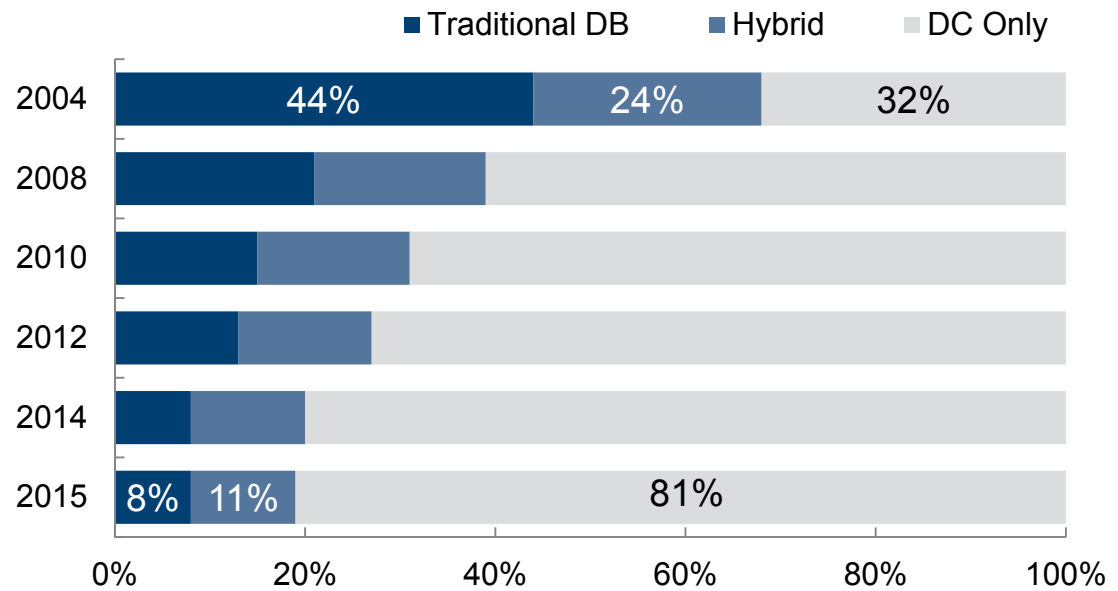


Decade shows a dramatic shift in types of retirement programs

7 of 10
offer DB plan



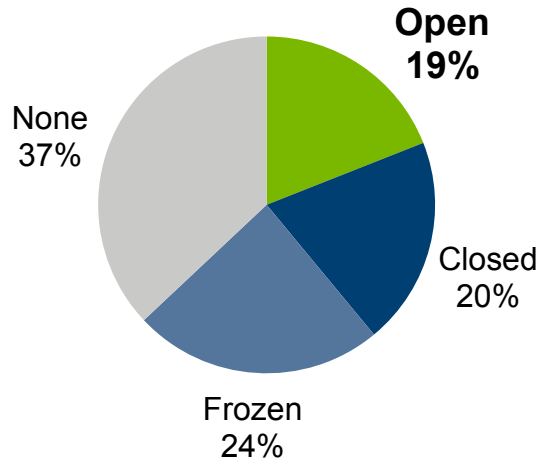
8 of 10
offer DC only



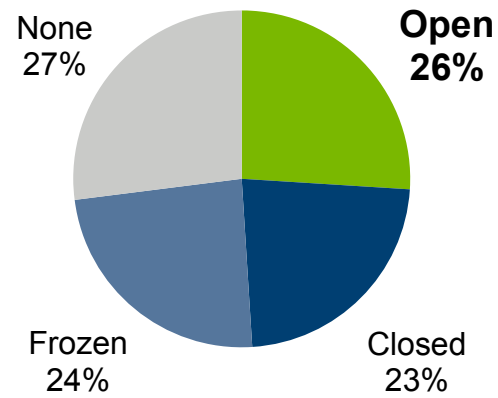
More on Today's Defined Benefit Plans

Status of DB Plans

Salaried Plans
1,123 employers



Fortune 500
278 employers



Industry Variation (% with open plans)



100%
Public Service



53%
Utilities



39%
Insurance

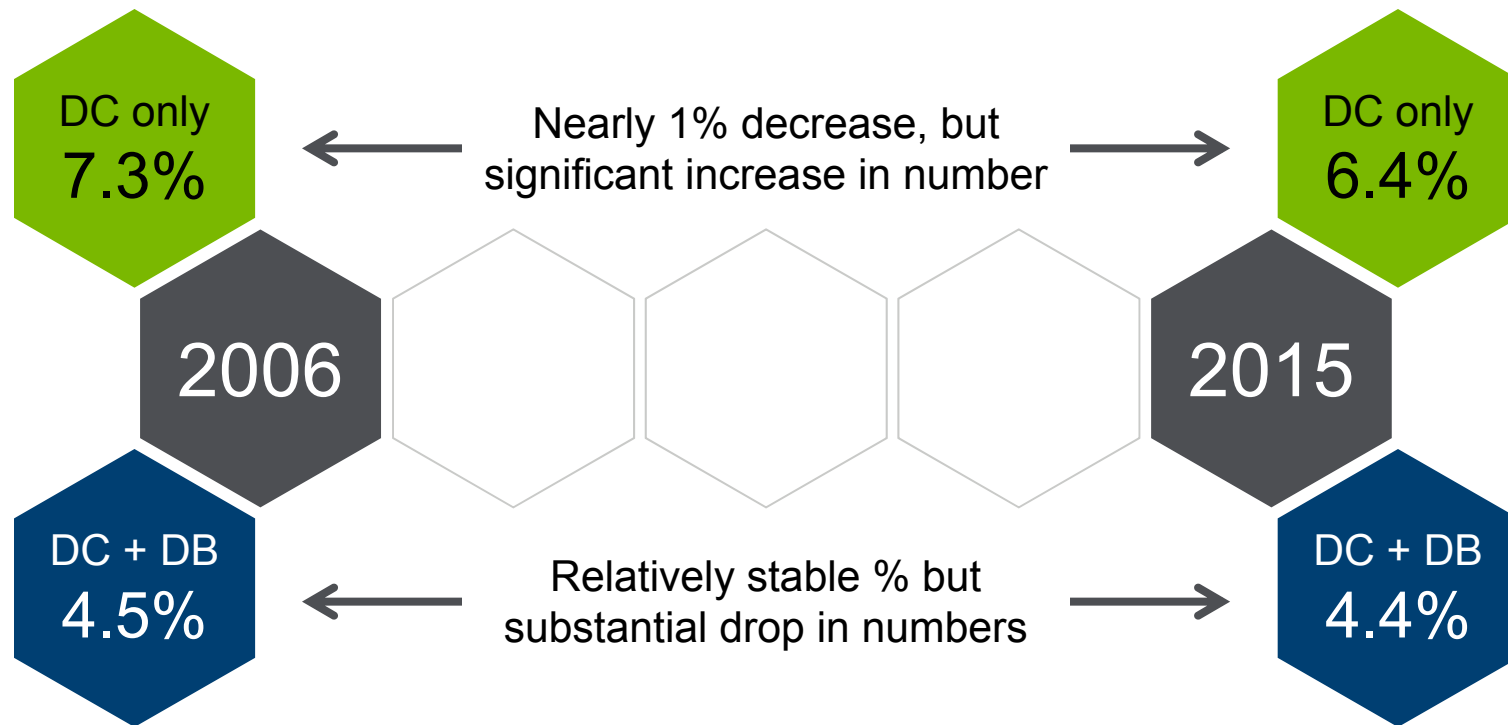


31%
Energy/Oil

Source: Aon Hewitt's Benefit SpecSelect™

The Changing DC Commitment

Amount of employer contribution to DC plans has changed over time



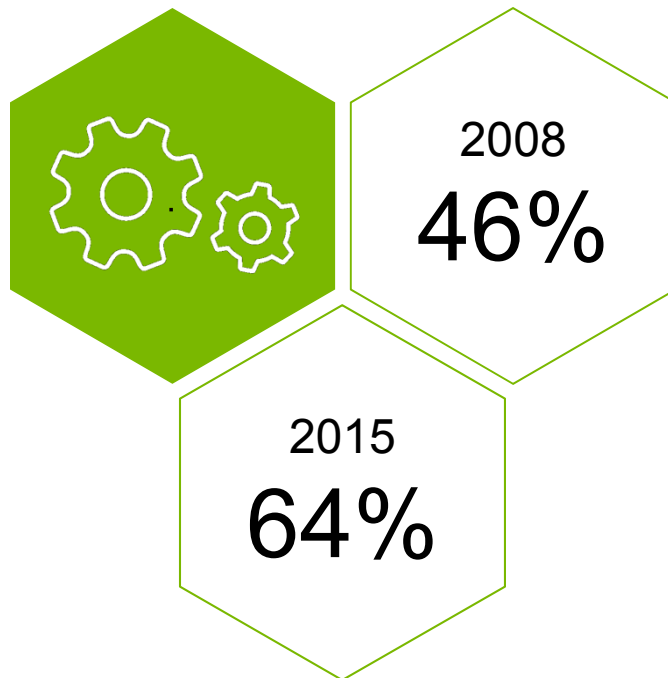
Dissecting DC Changes—A Reminder

In 2006, the Pension Protection Act provided significant new direction for DC plan sponsors, influencing the design of plans over the last decade

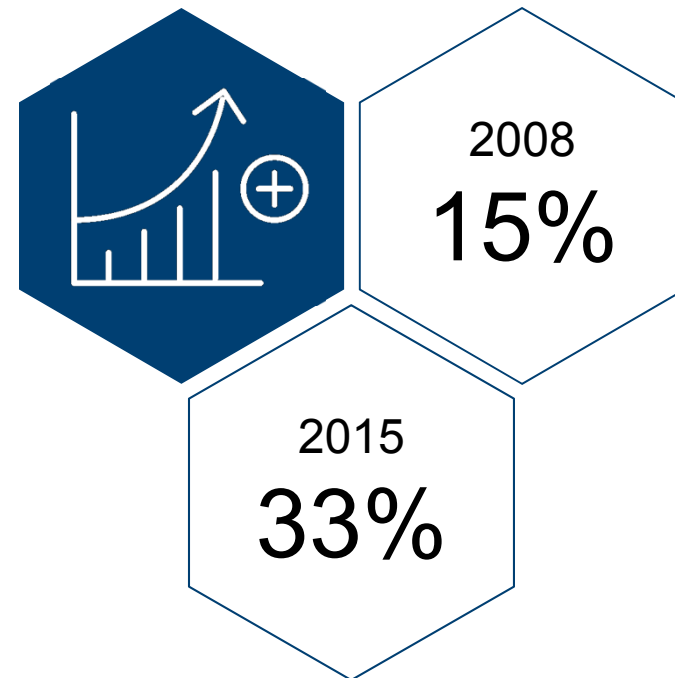


Changes in Automation

Automatic Enrollment



Automatic Escalation



Automation Variations by Industry

Automatic Enrollment



91% Industrial Equip.



88% Paper/Forest Products



40% Supermarkets



31% Hotels



13% Food Service

Automatic Escalation



73% Metals/Steel



56% Telecom Services



50% Paper/Forest Products

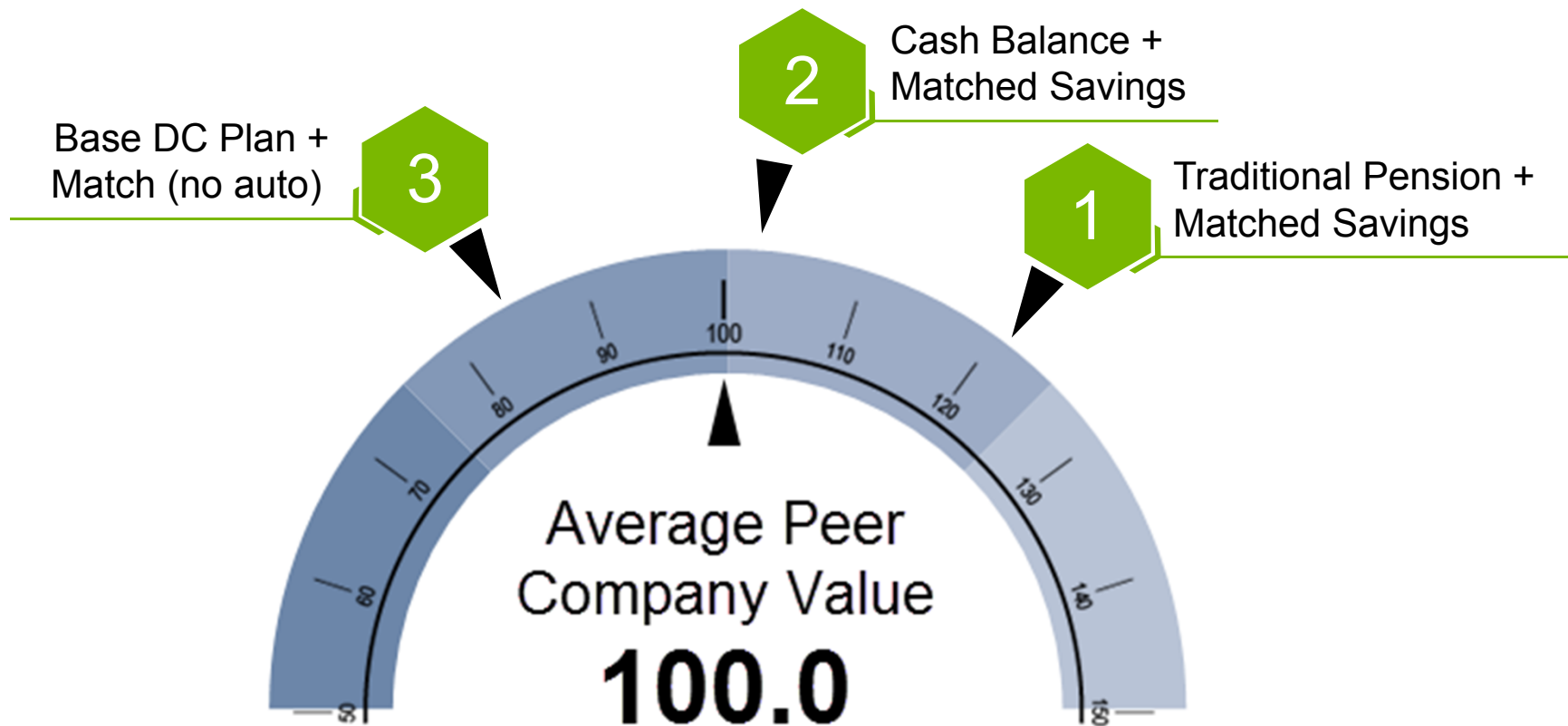


16% Retail

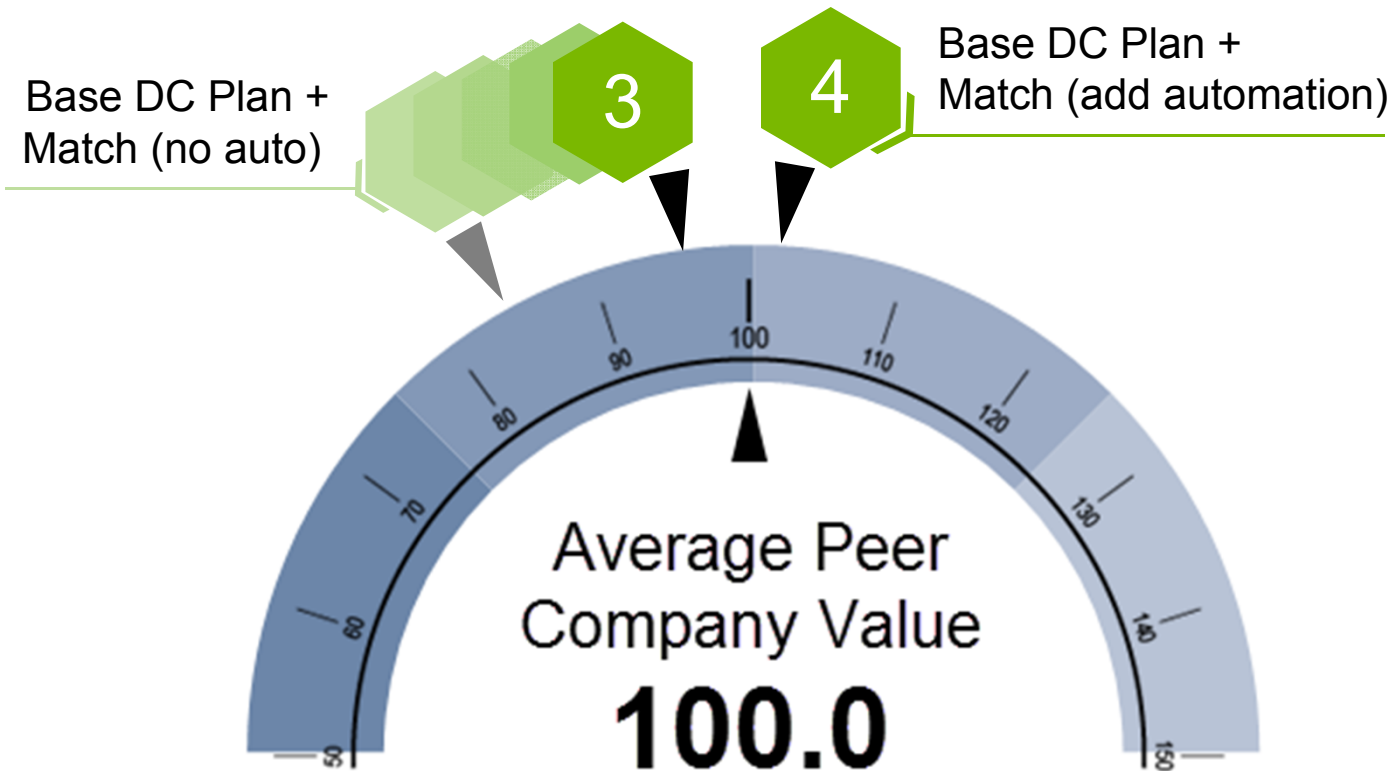


5% Food Service

An Example: One Organization's Journey to DC



An Example: Tiers of Benefits for An Employer





2016 Universe Benchmarks

Background on Universe Benchmarks



Examines the savings and investing behavior of 3.5 million eligible employees in 125+ plans

- Participation
- Savings Rates
- Investments
- Loans
- Plan Balances



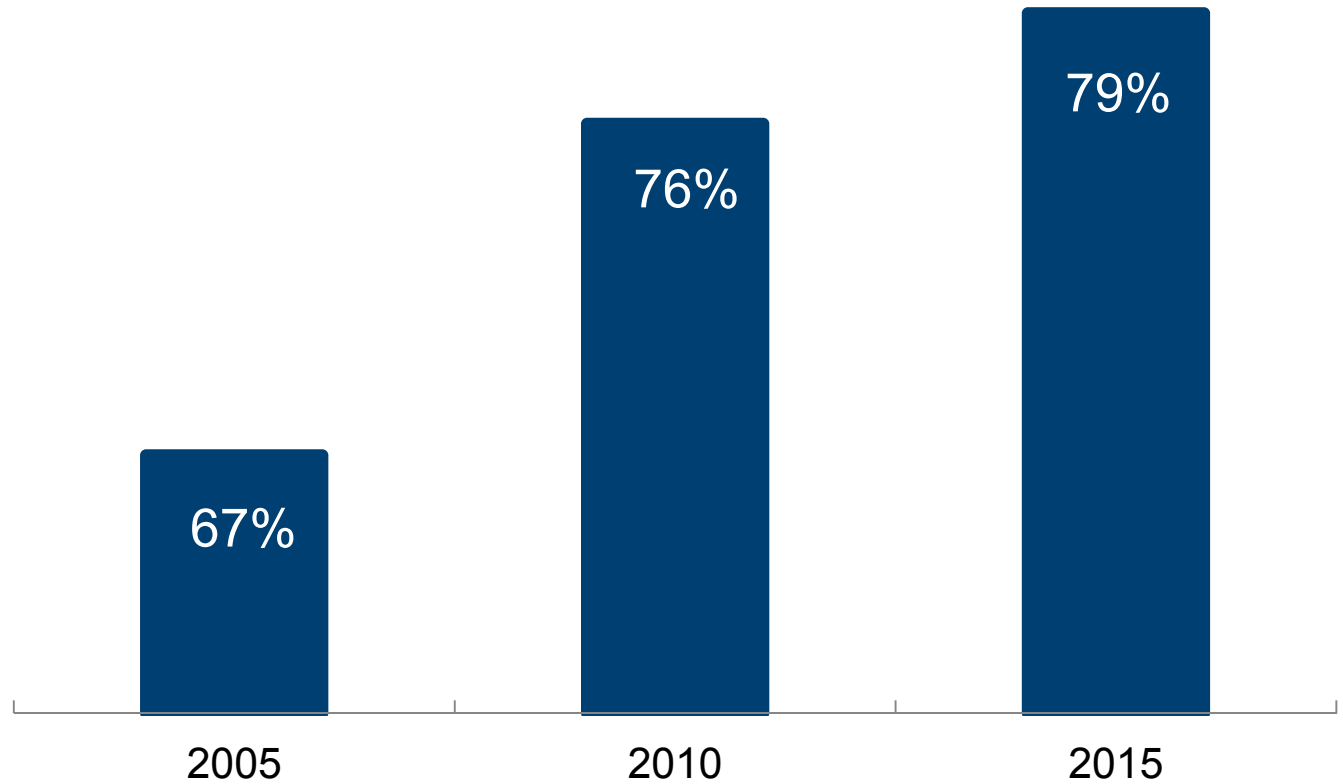
Insights and case studies

More People Than Ever Are Participating in DC Plans

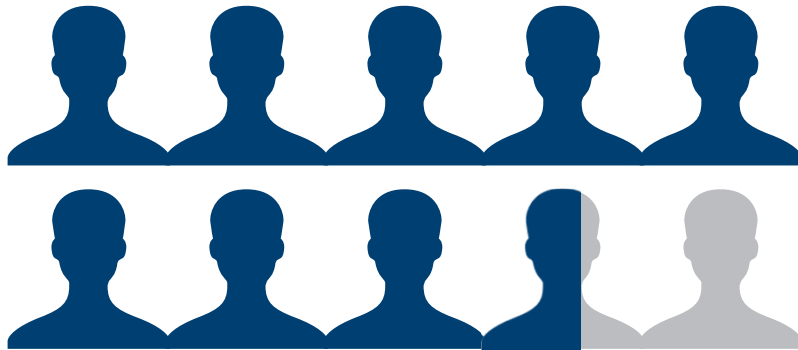
Average Participation Rate Among Plans



Participation rates have been steadily increasing



Participation: A Deeper Dive



The average participation rate for plans *without* automatic enrollment is

63%



The average participation rate for plans *with* automatic enrollment is

86%



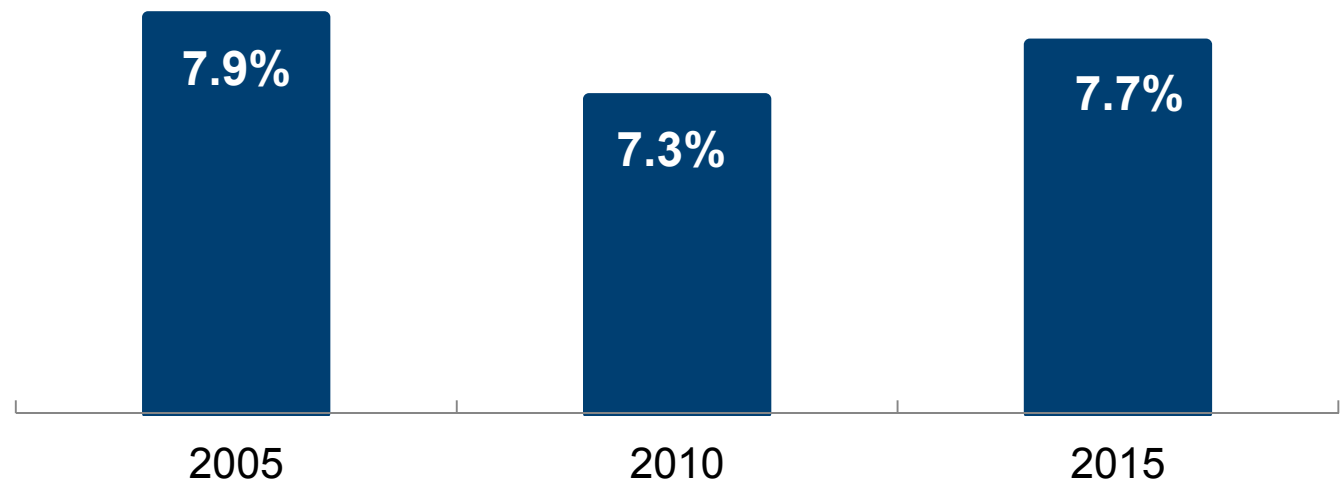
Automatic enrollment is a proven way to increase participation in defined contribution plans across all demographic groups.

Average Savings Rates in DC Plans Have Moved in the Last 10 Years

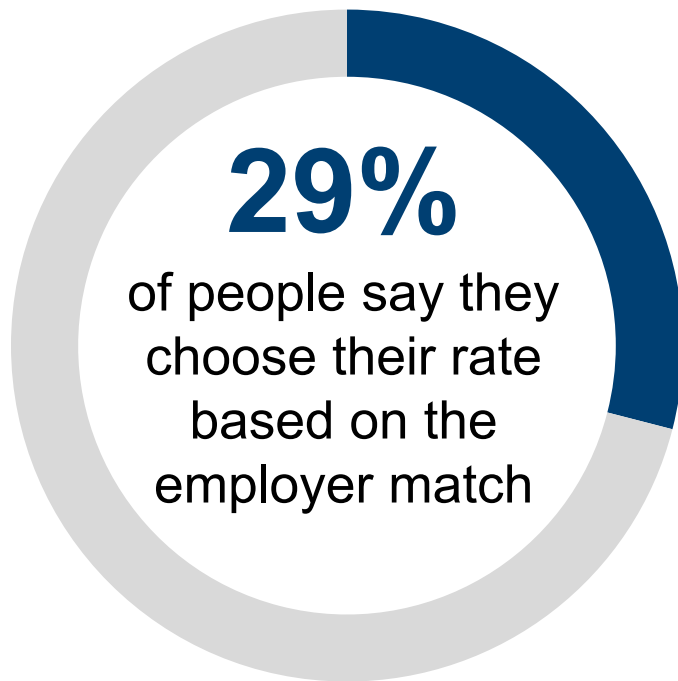
Average Savings Rate Among Participants



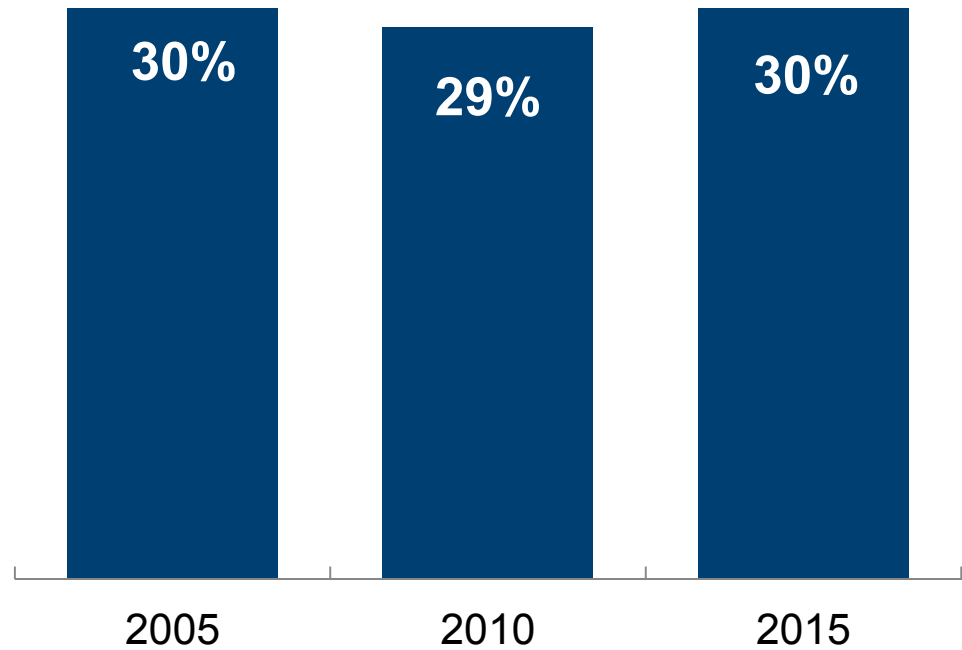
Dip due to recession and more new entrants with lower savings rates



Savings Rates: A Deeper Dive




Percent Saving At Employer Match



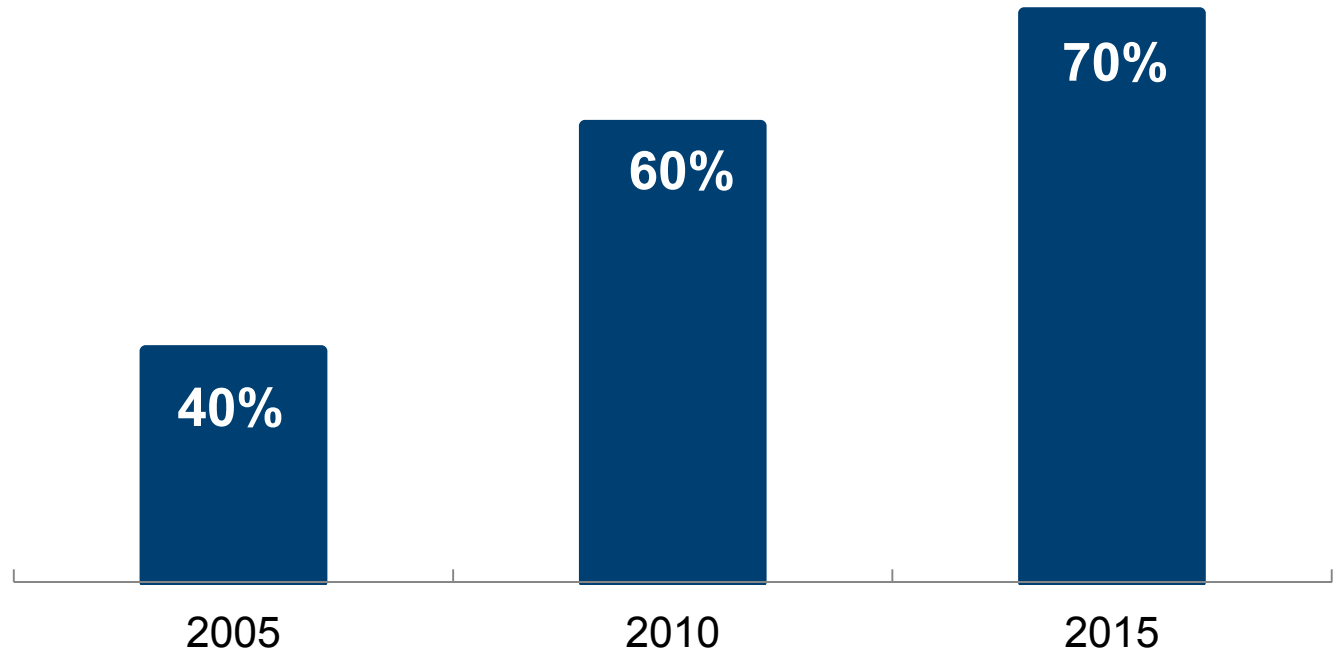
Changing the plan matching formula will incent about 30% of your participants to save more.

Target-Date Funds Have Changed the Way People Invest

Percent Using Target-Date Funds



Much of the growth driven by automatic enrollment and the fact TDFs are often the QDIA



Target-Date Funds: A Deeper Dive

On a Headcount Basis



39% use TDFs exclusively



31% use TDFs partially



30% do not use TDFs

Target-Date Funds: A Deeper Dive

On a Asset-Weighted Basis

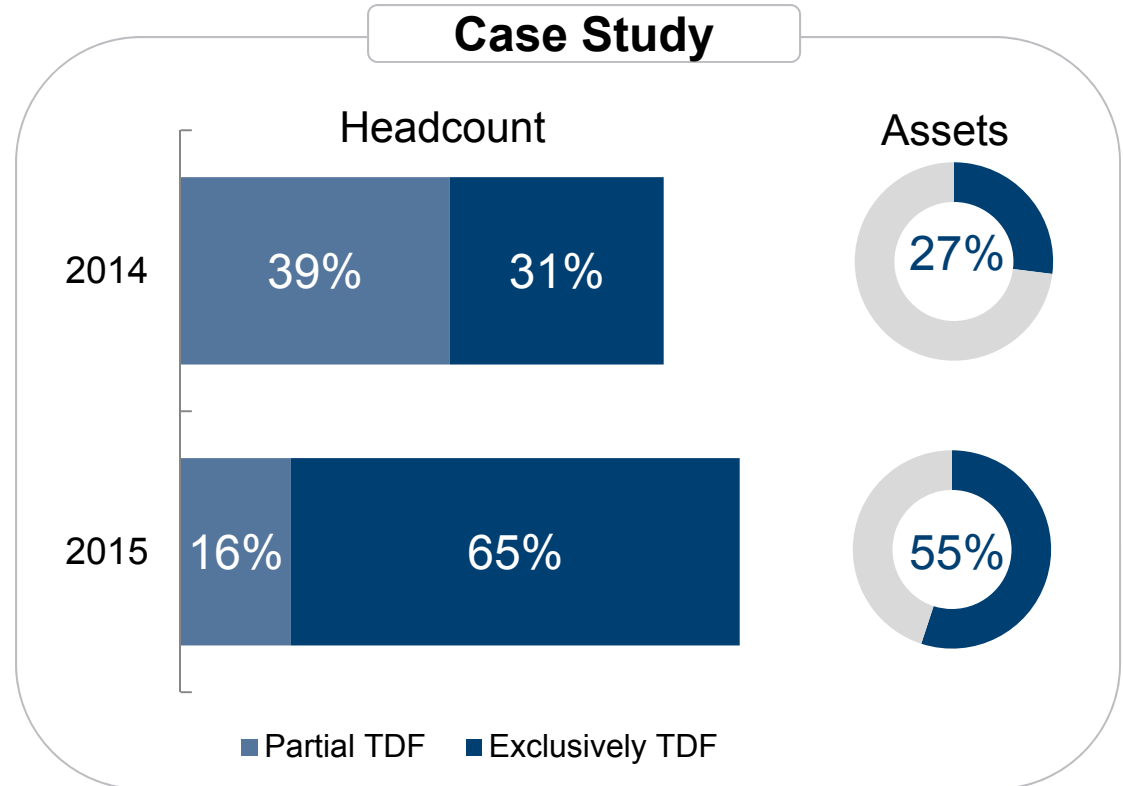
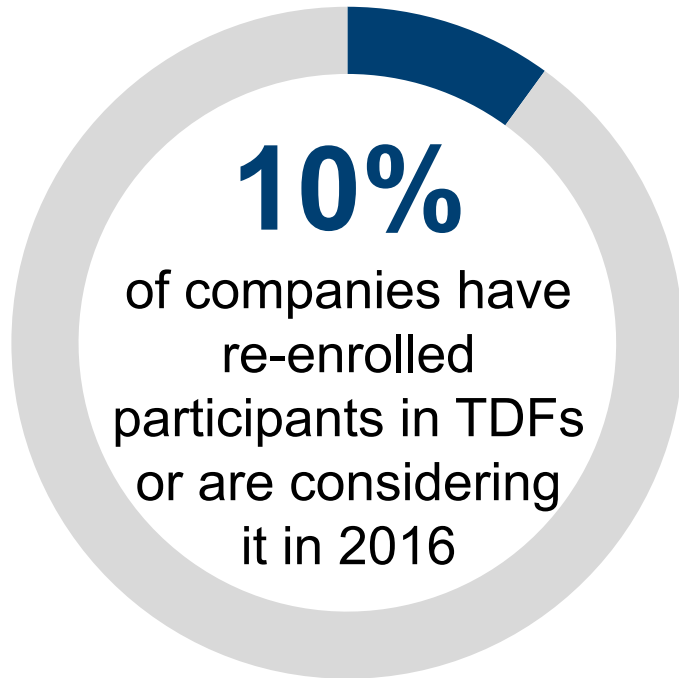


4% from exclusive TDFs users

19% from partial TDF users

77% outside of TDFs

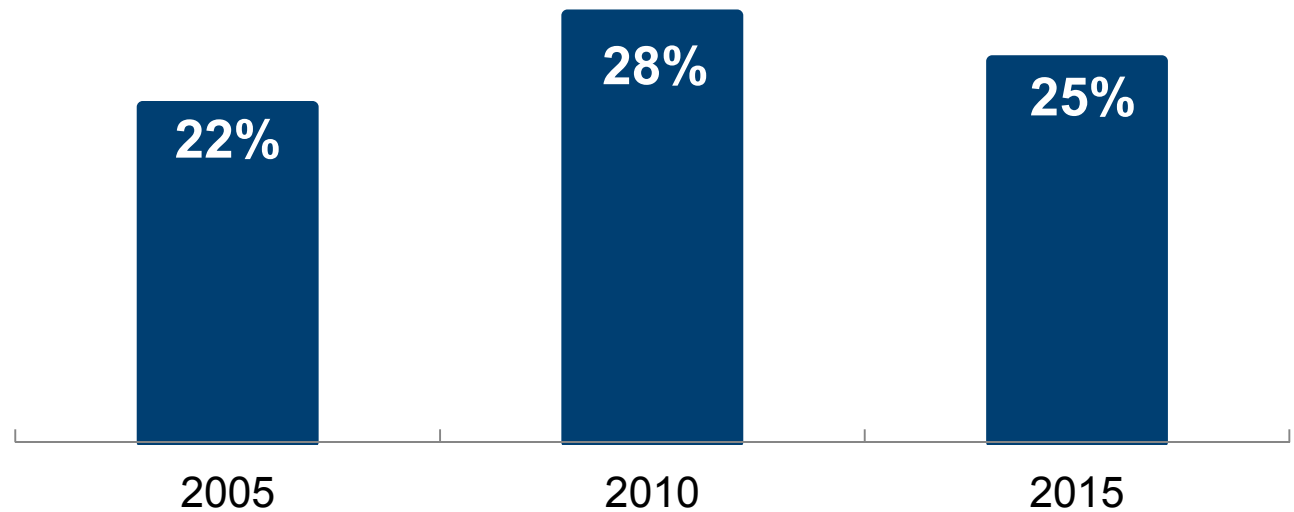
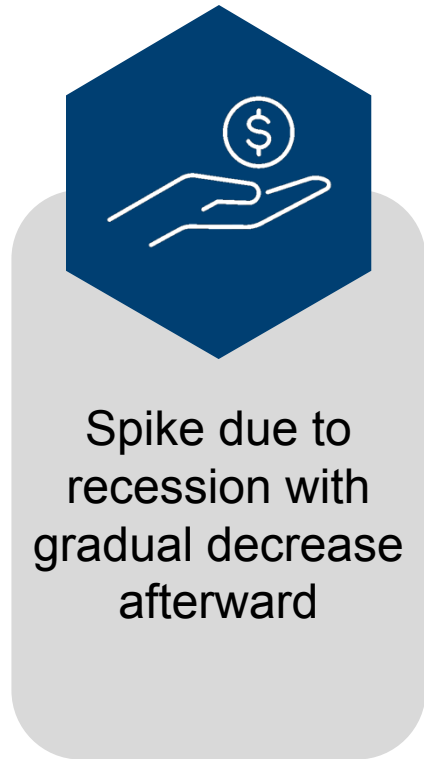
Target-Date Funds: Re-enrollment



Re-enrolling participants into TDFs can be effective at driving more participants and more dollars into the funds

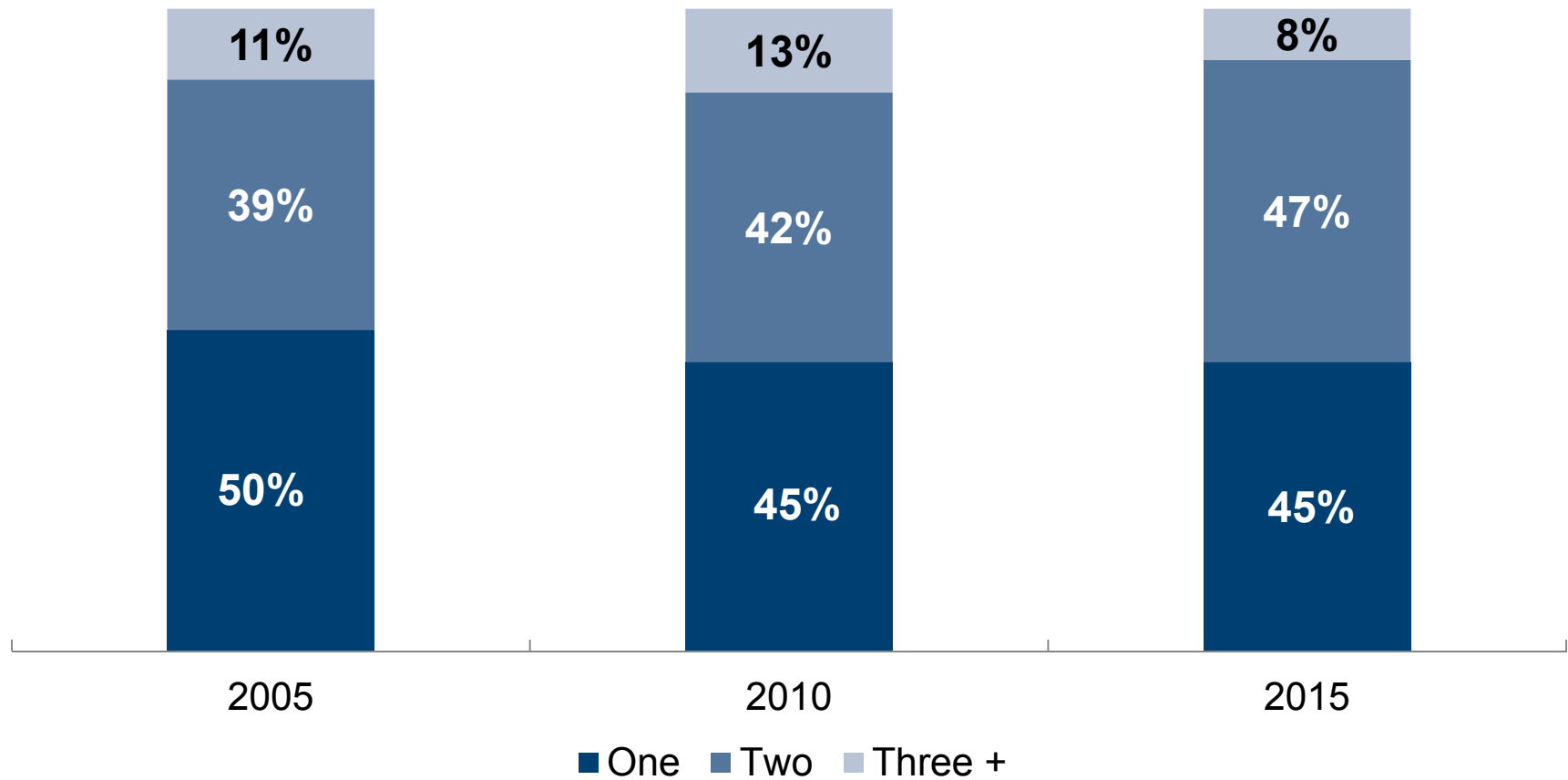
Loan Usage Has Ebbed and Flowed A Little Over Last 10 Years

Participants with an Outstanding Loan



Loan Provisions Have Not Changed Much Over Time

Number of Loans Permitted at One Time



Loan Usage: A Deeper Dive

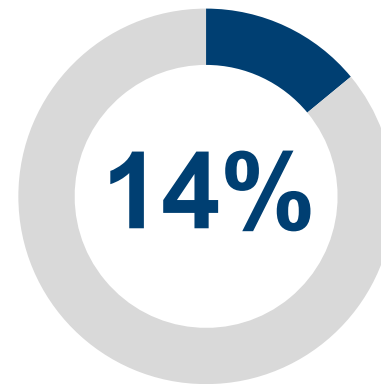


Among plans that permit multiple loans,

44%

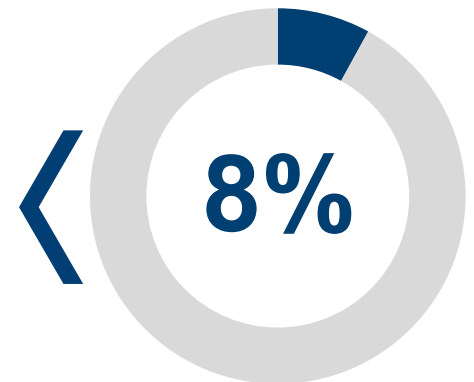
of people with loans have more than one outstanding

Participants initiating new loans in 2015:



When multiple loans are allowed


When only one loan is allowed



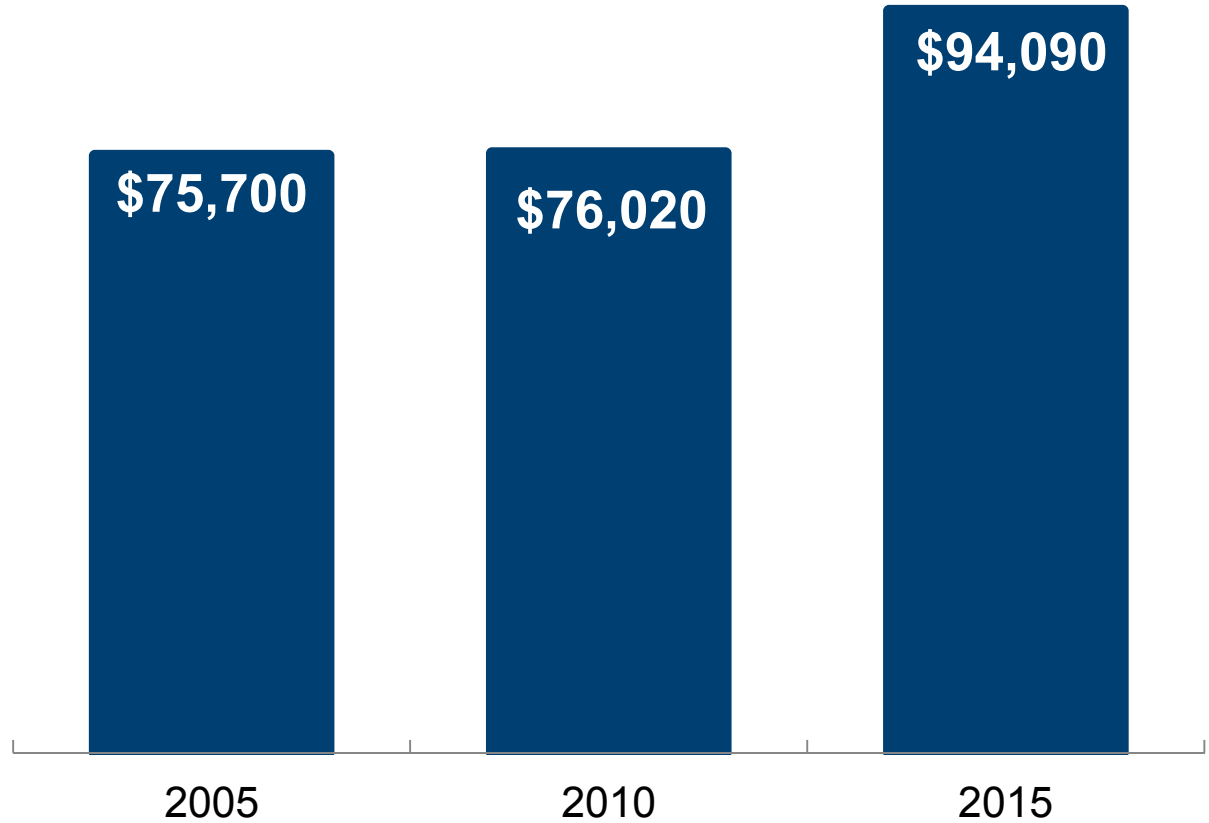
Plan sponsors can curb loan usage by limiting the number of loans available to participants at one time.

Plan Balances Have Grown

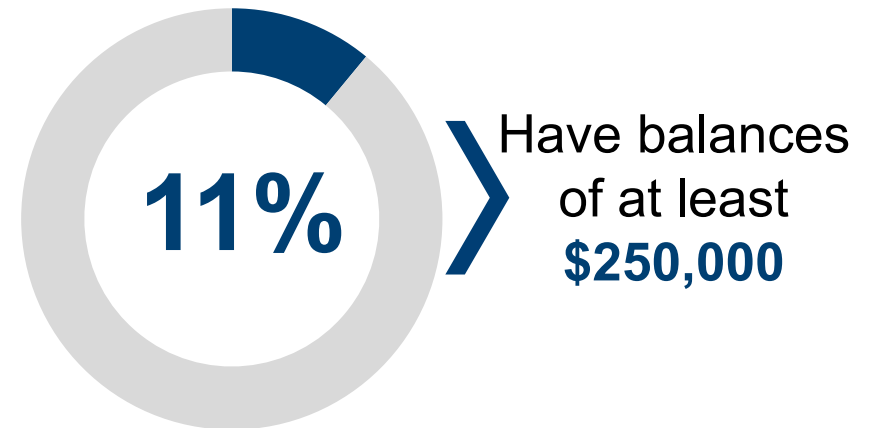
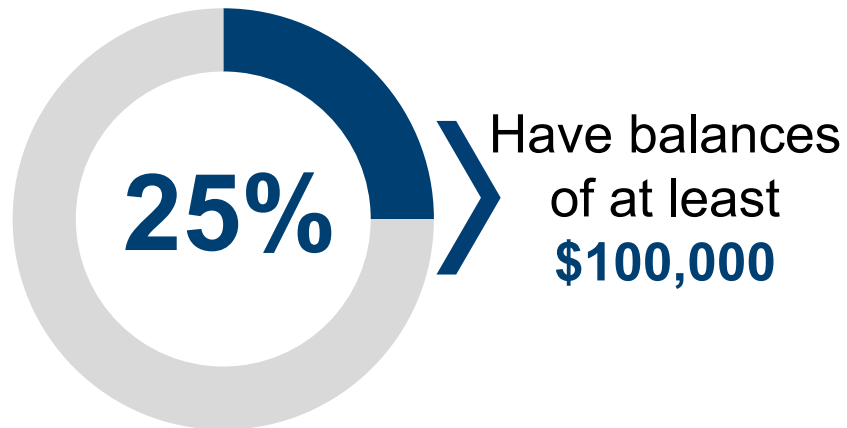
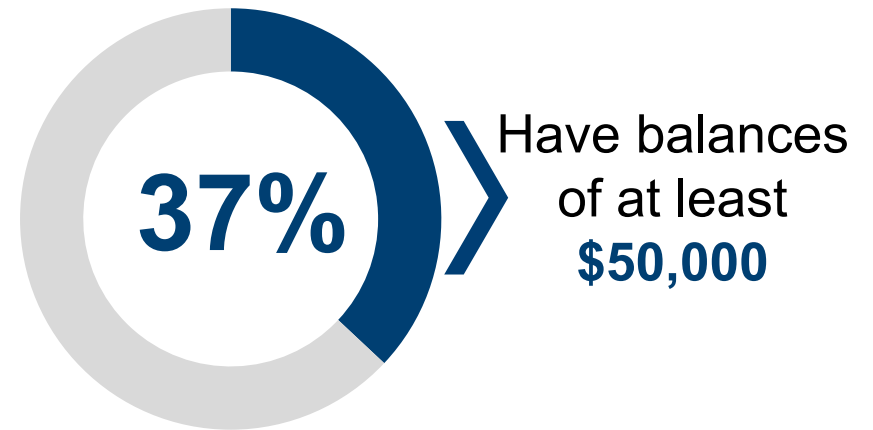
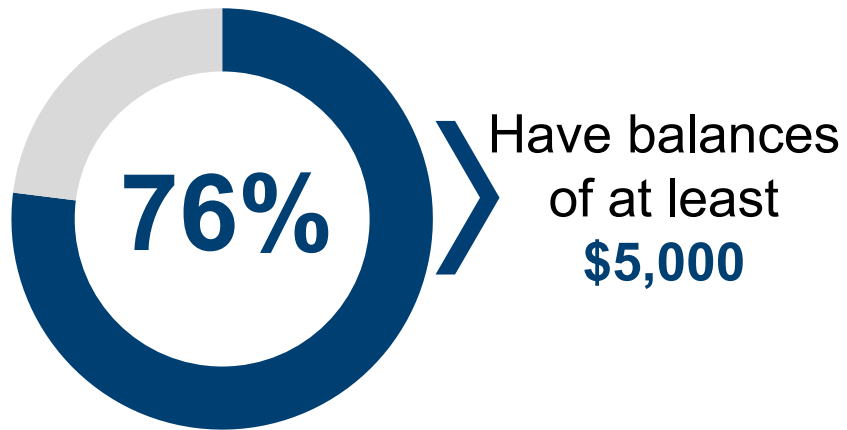
Average Plan Balance Among Participants



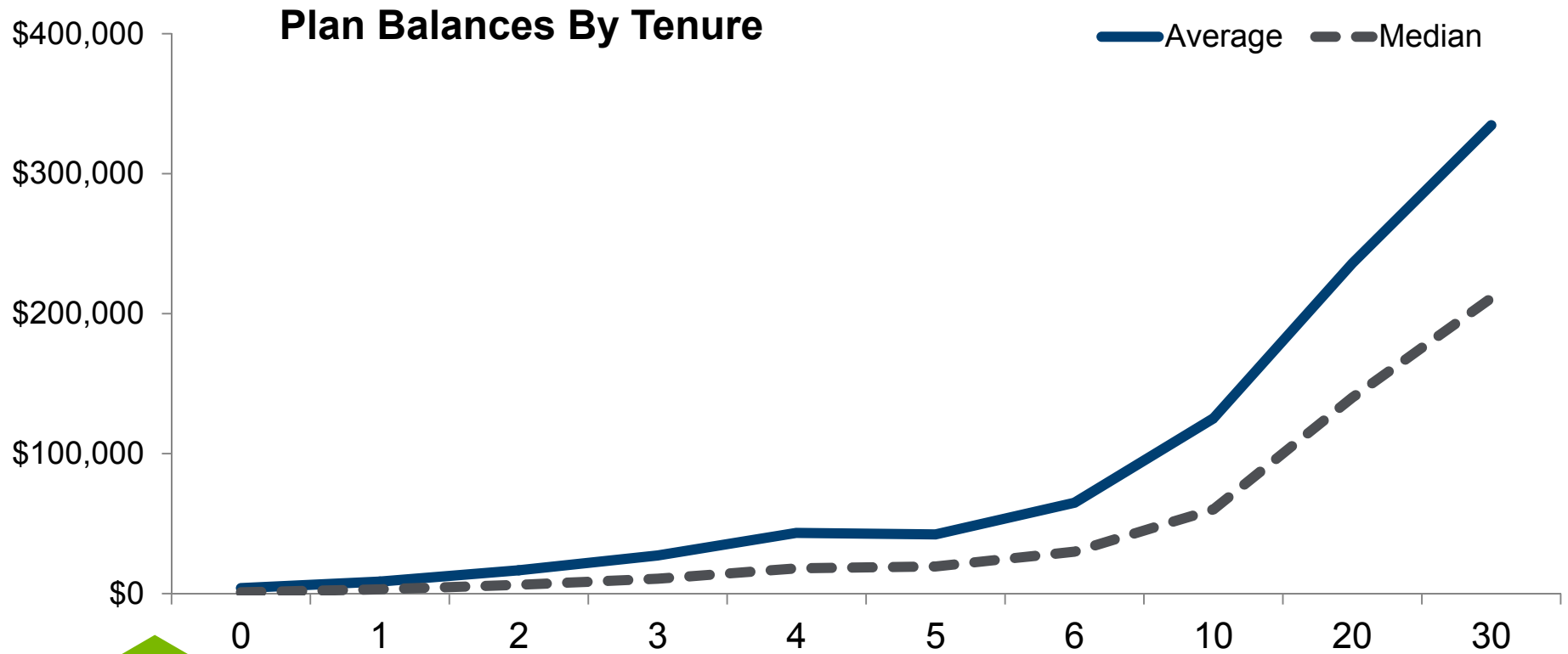
Recession had major impact, but recovery over last few years



Plan Balances: A Deeper Dive



Plan Balances: A Deeper Dive



Plan sponsors can help increase short tenure balances by encouraging employees to roll other DC balances into the plan.

Key Takeaways



Employer-provided retirement has lost value and changed dramatically over last decade



Competitive benefit practices indicate significant variation between industries



Participant behavior is influenced by plan changes—both large and small

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