

# Engaging employees through education and outreach

A guide for government retirement plans



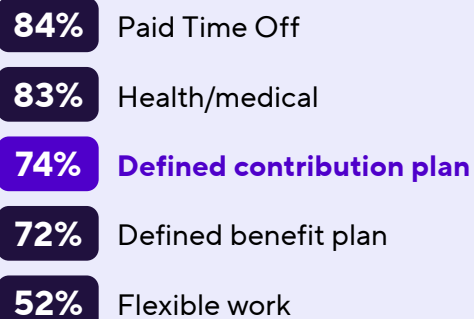
# Benefits that attract employees

People choose careers in the public sector for a number of reasons. Many feel a sense of purpose, and the importance of having a meaningful role in making other people’s lives better. There are opportunities to continually learn and be resourceful, as policies evolve. And there is great diversity in the work and roles available, allowing someone to explore what fits their sense of mission and purpose.

For many years, defined benefit (DB) plans—also known as pension plans—have had a significant part in attracting people to government work. And while pensions still exist, they have changed, largely in response to budget pressures and plan reforms. Many are scaled back, and as such, employees need to understand the important role a defined contribution (DC) plan has in improving their retirement readiness.

With pensions not the selling point they used to be for government jobs, employers can benefit from understanding what matters to employees and responding accordingly. In fact, Corebridge Financial’s 2023 survey of Public Sector Workers finds that the defined benefit plan falls at #4 in order of priority to employees, below paid time off, health benefits, and a defined contribution plan.

## Benefits selected as “very important” by government workers



Corebridge Financial 2023 Survey of Public Sector Workers

# Understanding the shifting pension landscape

There is a funding challenge for many pension systems. This can be attributed to several factors, which include actuarial assumptions, debt, and interest rate and economic volatility that affects investment returns. U.S. state and local public pension funds still have not fully recovered from the global financial crisis, when funded ratios declined from about 92 percent in 2007 to just over 62 percent in 2009. And while the bear market of 2022 did rebound in 2023, interest rate changes and challenges in the banking industry have had an impact. As of 2023, outstanding pension debt was nearly \$1.5 trillion.<sup>1</sup>

Because of this, some states have been forced to fund their pensions by cutting the budget for other services.<sup>2</sup> Other reforms include stress testing for improved risk assessment and more realistic projections of investment returns, along with the policy of passing costs on to institutions and taxpayers.<sup>3</sup>



Plans are also addressing the higher cost of administering Defined Benefit plans, also known as pension plans, by creating hybrid plans that blend defined benefits with employee contributions. And in an effort to contain costs, changes also have been made to Cost of Living Adjustments (COLAs).<sup>4</sup>

## Here's how retirement planning responsibility is being shifted to employees:

- **Defined Benefit plans** – Government employers have reduced benefits due to pension reforms and funding challenges.
- **Hybrid savings** – Employees take on more risk as the balance is tipped toward more non-guaranteed benefits and less guaranteed benefits.
- **Defined Contribution plans** – Although many workers receive an employer contribution, investment return and benefit payment are not guaranteed. The risk and outcome are entirely on the employee.

<sup>1</sup> Unfunded Pension Liabilities: The Growing Cost of Retirement by Grace Harrison, The Council of State Governments, csg.org, May 3, 2023

<sup>2</sup> The State of Pensions 2022, Year End Update, January 2023, equable.org

<sup>3</sup> Steps for Effectively Addressing State and Local Pension Crises, by David Knapp, Beth J. Asch, Philip Armour, Han Okuda-Lim, Rand Corporation Research Briefs, 2023, <https://doi.org/10.7249/RBA2307-1>

<sup>4</sup> How State Pension Reforms Can Affect Employee Retention, by Aleena Oberthur and Mollie Mills, pewtrusts.org, June 1, 2023

# Helping your employees achieve financial security

Getting more employees to enroll in the DC plan and increase contributions over time is key to retirement preparedness. Fully engaging your employees with a holistic education program and removing barriers to understanding can go a long way to improving participation. In this paper we outline five ways that can help you accomplish this.

## 1 Create a straightforward enrollment experience with vendor consolidation

One of the bigger challenges some plans face is offering multiple retirement plan vendors. This means employees must first navigate through all plan provider options before they enroll or decide on contribution amounts and their investment options. Reducing the number of vendors can help remove the “paradox of choice,” which is when having too many options results in no action being taken at all. It can also streamline administrative processes and improve plan sponsor understanding of the program.



### Did you know?



**1 in 4**

At least one in four government employees (28 percent) say they will leave their current job for better retirement benefits elsewhere.

Corebridge Financial 2023 Survey of Public Sector Workers

## 2 Consider adding automatic features to your plan

The time value of money is key when building wealth for retirement. Helping employees take the first step by enrolling them automatically in their retirement plan can initiate a lifelong savings habit. This is particularly effective when paired with auto escalation and a strong engagement program that ensures they are financially well-informed and educated. By coupling automatic features with education, you can help them remain in the plan and grow their contributions over time.

Not all states allow automated options. If your state does and you want to implement it, be sure to work with a plan provider that can help you implement them. If not allowed, consider partnering with a provider that offers a targeted, data-informed communications and education program with a proven track record of success.

### Case study

Plan design has proven to be an effective solution. Corebridge recently partnered with a plan sponsor who had a participation rate that stood at just 26 percent in 2020. Additionally, plan assets were not nearly as high as they should have been for a plan with close to 4,700 participants.

The plan sponsor took a three-step approach to improve their plan: **1)** selected Corebridge as the single provider, **2)** added auto-enrollment for new hires, and **3)** offered one-time open-enrollment for all employees.

#### The results:

- Enrollment jumped from 26 percent to 92.5 percent
- Total contributions increased from \$206,000 to \$969,000
- Total plan assets went from \$557,000 to \$1.8 million<sup>5</sup>



### Are automatic options allowed in your state?<sup>6</sup>

- ▶ **9** States **allowing** auto enrollment  
CO, CT, GA, KS, MI, TN, UT, VA, WV
- ▶ **25** States **allowing some** auto enrollment  
AK, AL, AZ, CA, DE, FL, HI, ID, MD, MA, MN, MS, MO, NE, NJ, NM, NY, NC, ND, OK, OR, PA, RI, SC, VT
- ▶ **16** States **preventing** auto enrollment  
AR, IL, IN, IA, KY, LA, ME, MO, NV, NH, OH, SD, TX, WA, WI, WY

<sup>5</sup> Corebridge Financial. "Increased engagement = improved participant outcomes" December 2022.

<sup>6</sup> NAGDA Automatic Enrollment Map, [nagda.org/data-center/auto-enrollment-map/](https://nagda.org/data-center/auto-enrollment-map/), 2024

### 3 Analyze plan data to create targeted programs

The right plan provider helps develop strategies based on participant data. As you consider what's best for your organization, be sure to select a provider that uses data to customize employee messaging. This includes targeting people at various life stages with tailored messages relevant to their situation. For example, new hires and younger employees could receive messaging centered on topics like starting early, compounding, and paying off student loans. Mid-career individuals could benefit from being reminded to increase contributions to the maximum as their income grows and to meet with a financial professional to review asset allocations. While for those nearing retirement, communications could center on creating lifetime income and lowering investment risk.

In addition to identifying the right messages for the right audience, your retirement plan partner should also manage the plan communications so you can focus on what you do best. Look for a provider with the expertise to analyze data and deliver crucial insights with the goal of increasing plan participation and helping employees take action.



### Case study

Here's how Corebridge helped a plan sponsor overcome communication challenges through a data rich, focused communications plan:

- 1 This plan started with identifying participants with conservative allocations and targeting them with an email that offered insights on diversification, flagged that additional communications were on their way, and encouraged one-to-one meetings with on-site professionals.
- 2 Follow up included email and outbound phone calls centered on key topics like diversification, asset allocation and the differences between stable value options, mutual funds and lifetime income.
- 3 Participants were encouraged to meet with their onsite financial professional while earning credits towards the university's financial well-being program.

The results were impressive. Nearly \$2 million has been converted from stable value options to mutual funds, representing a 25 percent change for the plan sponsor and a campaign that is ongoing.<sup>7</sup>

<sup>7</sup> Corebridge Financial, "Solving Today's Plan Challenges with Tomorrow in Mind." April 2023.

#### 4 Offer a strong financial wellness education program

Financial wellness needs to be top of mind for you, your plan provider, and your employees. Research shows that state and local employees with pension plans will also need to save about 4-6 percent of their salary to ensure adequate retirement income.<sup>8</sup> A robust education program helps them address needs for today and tomorrow, and includes topics such as:

- Knowing the difference between DB and DC plans
- The best way to contribute, including pre-tax, Roth and catch-up contributions for older workers
- Turning retirement savings into retirement income
- Managing student loan payments and forgiveness
- Understanding Social Security, Medicare and more

#### 5 Deliver high-touch program with planning tools and professional guidance

Online planning and educational tools and webinars help employees learn about general financial topics as well as topics of specific interest to them. Combining online and virtual tools with access to a financial professional gives them the crucial human connection when it comes to taking action and making informed decisions.

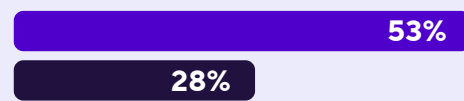
#### 6 Recognize the power of professional guidance

Even though working with a financial professional helps people feel more confident in their financial abilities, many are not doing so. In fact, 80 percent of government workers surveyed by Corebridge have not sought professional help, even though more than half (52 percent) say it would make them feel more confident. Top reasons are concerns about cost (54 percent), difficulty in finding a financial professional (32 percent) and feeling intimidated (27 percent).<sup>9</sup>

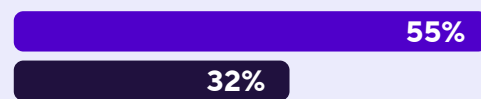
Providing access to financial professionals through your plan provider can remove these barriers and help grow employee confidence in their ability to successfully navigate their financial lives. In fact, those who work with a professional report much higher levels of financial confidence.

##### People who have a financial professional are more likely to be confident in:

My ability to plan for a successful future



My ability to save for retirement



My ability to manage financially day-to-day



- Works with a financial professional
- Does not work with a financial professional

<sup>8</sup> The Real Deal for the Public Sector: Retirement Income Adequacy Study by Dan Doonan, Emily Swickard, Eric Atwater, Tyler Bond National Institute on Retirement Security, Nov. 2022 <https://www.nirsonline.org/reports/realdeal/>

<sup>9</sup> Corebridge Financial Retirement and Longevity Survey, 2023

# Corebridge Financial: Moving financial futures forward.

At Corebridge Financial, we believe action is everything. We are a top-five provider in government retirement plans<sup>10</sup> with \$7.2B in government AUM, more than 1,500 government clients<sup>11</sup>. We proudly partner with NAGDCA to help people take action in their financial lives, for today and tomorrow.

Action today can lead to great things tomorrow. Action is everything.

<sup>10</sup> LIMRA rankings in the U.S. as of December 31, 2022.

<sup>11</sup> Corebridge Financial, As of December 31, 2021.

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