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Modernize your K-12 retirement plan with vendor consolidation

Offering a focused program can improve employee participation and outcomes and help school districts recruit and retain top educators.

Attracting and retaining top educators is crucial to student success. At a time when many K-12 districts are facing what may be the largest teacher shortage in recent history, building and sustaining a quality work force has become a top priority. Yet, with fewer new graduates in the education field—and recruiting efforts costly and time-consuming—this is a challenge.

Offering a comprehensive benefits program can help, a cornerstone of which is a straightforward, easy-to-navigate retirement plan program that encourages strong employee participation and helps set them up for financial success today and tomorrow. Moving from a multi-vendor program to a limited or single-vendor program is an important step to achieving this goal.

Understanding the Paradox of Choice

How much is too much?

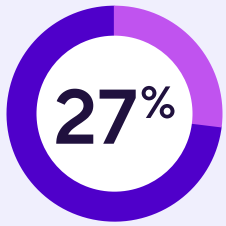
Getting employees to enroll in their defined contribution retirement plan is an important step in achieving a successful financial future. The more straightforward the enrollment process, the greater likelihood of participation.

The traditional multi-vendor retirement plan model for K-12 retirement plans, however, can be a barrier. In this model, before an employee can even enroll in their plan and decide their contribution amount and investments, they must select a plan provider from what could be 10, 15 or even 20 or more vendors. For many, this massive initial decision, which is unique to the K-12 market, can create confusion that causes fewer employees to take action.

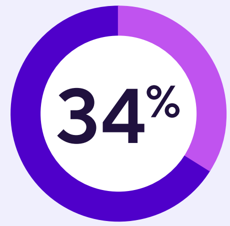
K-12 plan participants have an extra step when enrolling in their retirement plan and it's a big one – having to wade through a multitude of plan provider options before they even consider their contribution amounts and investment options.

Choice overload

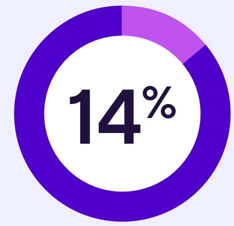
Too many options can cause choice overload, which unintentionally places a psychological burden on the individual to not make the wrong decision. This concept is called the Paradox of Choice, which suggests that when a person is faced with many options—too many to fully understand each—worry about making the wrong choice increases to the point that no decision is made at all.



Less than 1 in 3 (27%) enroll in their 403(b) plan



More than 1 in 3 (34%) find multiple providers confusing



Only 14% are confident navigating multiple providers

Only 27% of public education employees enroll in their 403(b) plan[1]. To improve this number, change is needed – moving to a single or limited-provider model can help. Our research shows that more than one in three (34%)[2] employees find multiple plan providers confusing and only 14%[2] are confident they can navigate their provider options with ease.

It's worth noting that in other retirement plan programs, such as 401(k)s—where having just one vendor is standard practice—there is no need for discussion regarding vendor reduction. Not surprisingly, participation rates in those plans are significantly higher than in the 403(b)s offered in the K-12 market. Of course, moving to a single provider may be a gradual process – school districts may consider first reducing to two or three providers. Then, as time goes by, they evaluate those with an eye toward who would fit best as the single provider.

Six reasons vendor consolidation makes sense

Pension systems are changing. Many are underfunded and the funding gap in state pensions has increased in recent years to $1.3 trillion[3]. Even if pensions were fully funded, newer employees in K-12 districts aren't matching the tenure of older employees. This all points to the need to help more employees enroll in their DC plan and make the process as straightforward as possible – which is the goal of vendor consolidation. Here are some key reasons why consolidation makes sense.

1. Important shift from a sales to an education focus

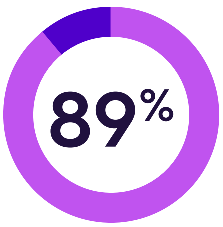
In a multi-vendor environment, plan providers and advisors focus on sales and acquisition in a highly competitive environment, versus focusing on plan participant education. And while evaluating plan sponsor options in a competitive environment is important, it should take place during the Request for Proposal (RFP) process, outside of the plan implementation, and should not be directed at participants.

The participant focus should be on improving outcomes through education, helping employees understand the benefits of their 403(b) plan and how it differs from a pension, discussing retirement goals and investment options, and developing a plan that can withstand times of uncertainty.

Consider Colquitt County School District. In May 2022, the district moved to a single provider, added a 6% dollar-for-dollar matching contribution, required mandatory employee education on the retirement plan, and automatically enrolled new employees at 3%, using target-date funds. The result? Enrollment increased from 38% to 84% within five months of implementation.

2. Improve financial well-being and retirement readiness for all employees

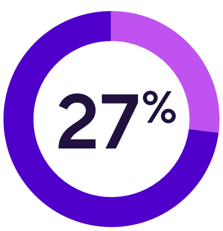
People have different financial priorities and each journey is unique. Eliminating the complexity of multiple plan providers can clear the path for a robust and targeted financial wellness program that focuses on specific employee needs. For example, a new hire right out of college may be more concerned with student loan debt. Someone mid-career may be balancing many competing financial priorities, while an employee closer to retirement wants to understand distribution rules and lifetime income options.



Saving for retirement has become a priority.

This focus on personalized journeys can help each employee prepare successfully for their financial future. Which is what people want – in a new survey[4] by Corebridge Financial, 89% of Americans say saving for retirement has become a priority, with 58% saying it is now a high priority. Still, only about one in four (27%) have been able to increase how much they save for retirement over the past three years.

3. Consistent communications and equal access



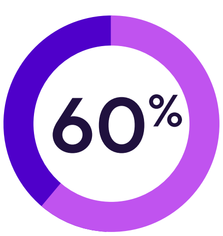
Only 27% increased how much they save in the past 3 years.

One of the biggest challenges in a multi-vendor program is all of the different communications and messages participants receive and the investment options they must navigate. This can be especially true in larger districts, where plan participants may not all have access to the same options. Onboarding experiences, educational tools and resources, and access to professional advice can vary from school to school.

Districts would be wise to ask, “Can shifting to fewer vendors make it easier to reach employees with important retirement planning messages?” Or, taking it one step further, “Can having just one vendor deliver improved retirement plan communications that drive financial wellness forward?”

By consolidating, plan sponsors can help ensure a consistent experience for all employees and have direct insight into the educational tools and resources being provided.

4. Deliver investment options to meet all needs



are stressed about their finances.

Having fewer vendors does not mean sacrificing investment choices. With the availability of open architecture mutual fund platforms, the investment options are vast. With the help of a consultant monitoring the investment performance, under-performing investments can be replaced. This investment accountability is a critical factor in driving toward improved participant outcomes for retirement.

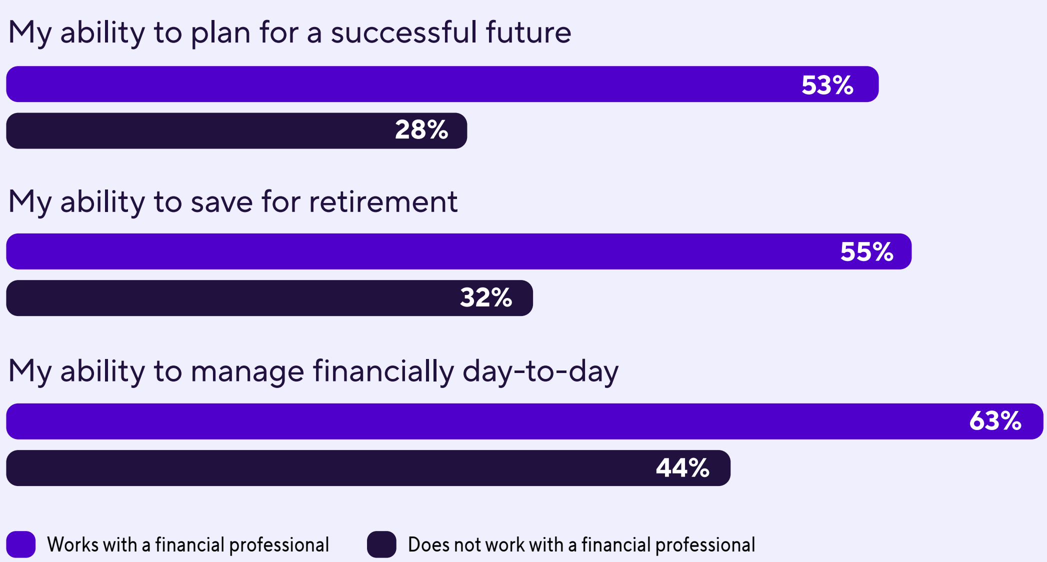
5. Help mitigate employee financial stress

A 2023 survey found that 60% of full-time employees are stressed about their finances. What’s more, financial stress impacts a wide range of employee health and well-being areas from mental health to sleep to self-esteem[5]. They pointed toward planning for retirement, paying down credit card debt, and managing daily expenses and emergency needs as their top sources of stress. Selecting a plan provider who offers a well-rounded financial wellbeing program can go a long way toward helping employees achieve positive outcomes, for today and tomorrow, and can impact employee satisfaction.

6. Financial guidance from trusted partners

There is a clear need to help more people take action toward achieving their financial goals. In a recent Corebridge survey,[6] only 28% of people say they've made progress toward retirement readiness in the past three years – a number that drops to only 21% for women. Additionally, only 37% of adults feel confident in their ability to plan for a successful financial future – for women, it's only 27%.

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



A financial professional can help participants improve financial literacy and better understand their options, such as their investments and product mix, how much they can contribute each year (including catch-up contributions for older workers), the difference between pre-tax and Roth (after tax) plan contributions, and how they can create a strategy for lifetime income in retirement. Overall, this can grow employee confidence in their ability to successfully navigate their financial lives and improve retirement readiness.

How a streamlined program helps plan sponsors

A committed and reliable partnership

Just as it is challenging for employees to fully understand all provider options, it is difficult for plan sponsors to know the specifics of each vendor in a multi-vendor program. Reducing providers can improve plan sponsor understanding of their program, streamline administrative processes, and improve financial wellness programs being offered to employees.

It can also help plan sponsors be confident they are working with a partner that is accountable and has a deep understanding of their employees. Some plan sponsors who have consolidated describe a shift from working with many independent contractors who operate with their own agenda in mind to having a vested partner who operates with the plan's best interests in mind.

Reduction in benefit team workload

Managing a smaller number of vendors means fewer processes, systems, and operational functions to understand, which lends itself to greater efficiencies for the benefits team. Legacy program management can be outsourced, reducing paperwork and approval processes. Simply, this allows a plan sponsor to shift from managing many sets of plan records to just one or two. Still, vendor reduction should be seen as a 12- to 24-month interview process—an audition of sorts—where providers show whether or not they have what it takes to become the district's sole provider.

Lower expenses and fee transparency

When vendors are consolidated, a single investment menu is made possible. This can make a significant difference in the purchasing power of a single block of investments versus different one investment blocks with each vendor. This larger scale that results from few vendors can reduce administrative costs and investment expenses.

Clear learnings on plan participation

Using detailed analytics can help highlight employees and groups that may be at risk financially and allow for more focused efforts to help them improve their financial wellbeing and retirement readiness. This can be a more straightforward proposition when working with a single plan provider or only two or three.

Advantages of a Master Recordkeeper

Plan sponsors who may not be ready to move to a single-provider plan but want to consolidate and improve plan outcomes should consider selecting a Master Recordkeeper.

In this model, one plan provider serves as the single resource for enrollment, accounting and plan management. The result is a more integrated and streamlined experience for plan administrators and employees. There are multiple benefits:

One vendor manages and maintains the entire enrollment process for all vendors.

Better understanding of plan data, used to **improve employee engagement and retention.**

The Master Recordkeeper delivers communications through **a single program**, from initial enrollment to retirement readiness.

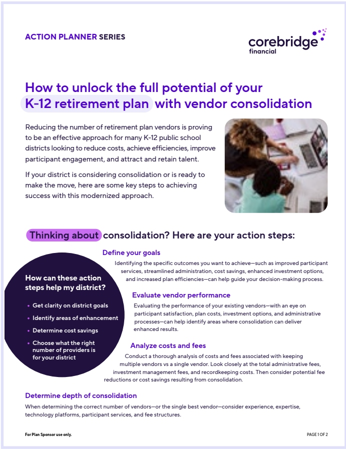
A **targeted education** program that addresses goals of employees in specific life stages and with different needs.

Employees still have **access to several providers** without having to navigate separate enrollment and communications programs.

Alleviate the burden on human resources and generally streamline all retirement plan processes across the board.

Corebridge Financial can help modernize and optimize your retirement program

Exploring and moving to a limited or single-provider retirement program requires research, preparation and engaging key stakeholders. Our "How-To" guide shares best practices to make this happen as seamlessly as possible. This includes identifying who to engage at the outset to ensure the greatest likelihood of success, creating an estimated timeline for implementation—which can vary based on size of school districts—and helping clearly communicate the "why" of vendor consolidation, which includes reviewing successful case studies.


ACTION PLANNER SERIES

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How to unlock the full potential of your K-12 retirement plan with vendor consolidation

Reducing the number of retirement plan vendors is proving to be an effective approach for many K-12 public school districts looking to reduce costs, achieve efficiencies, improve participant engagement, and attract and retain talent.

If your district is considering consolidation or is ready to make the move, here are some key steps to achieving success with this modernized approach.

Thinking about consolidation? Here are your action steps:

How can these action steps help my district?

- Get clarity on district goals
- Identify areas of enhancement
- Determine cost savings
- Choose what the right number of providers is for your district

Define your goals

Identifying the specific outcomes you want to achieve—such as improved participant services, streamlined administration, cost savings, enhanced investment options, and increased plan efficiencies—can help guide your decision-making process.

Evaluate vendor performance

Evaluating the performance of your existing vendors—with an eye on participant satisfaction, plan costs, investment options, and administrative processes—can help identify areas where consolidation can deliver enhanced results.

Analyze costs and fees

Conduct a thorough analysis of costs and fees associated with keeping multiple vendors vs a single vendor. Look closely at the total administrative fees, investment management fees, and recordkeeping costs. Then consider potential fee reductions or cost savings resulting from consolidation.

Determine depth of consolidation

When determining the correct number of vendors—or the single best vendor—consider experience, expertise, technology platforms, participant services, and fee structures.

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At Corebridge, we are committed to helping you maximize your retirement plan's potential.

We believe every educator can achieve a secure retirement. Vendor consolidation can help modernize your retirement plan and help your employees take action.

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

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[1] National Tax Deferred Savings Association data.
[2] Meeting The Retirement Needs of K-12 Employees by Greenwald Research for AIG Life & Retirement, 2021.
[3] Underfunded Pension Liabilities: The Growing Cost of Retirement: by Council of State Governments, 2023.
[4] 2023 Corebridge Financial Survey of 2,202 respondents ages 22-75 on Retirement and Longevity, by Morning Consult.
[5] PwC's 2023 Employee Financial Wellness Survey.
[6] Corebridge survey on retirement and longevity, 2023.

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