TIAA

The view for 2022: Retirement Plan Trends

2021 was welcomed with high hopes that vaccines would finally get us back to our pre-COVID lives. There has certainly been progress, but the journey continues into 2022 with renewed energy and focus.

A late summer check in with over 100 retirement plan sponsors found some return to normalcy with 67% ranking workforce recruiting, retention and training as a high or essential priority.[1] However, 2 in 3 were extremely or very concerned about the Delta variant at that time.[2] Increasingly clever variants have made us realize that it may be time to stop trying to get back to where we were and instead find ways to move forward as we are.

Many of the issues that have come to the forefront during the pandemic are ones that have been on the radar for a while. In many ways, the events of the past two years have just helped to prioritize them. Online security tops the list for many as a basic need. Then there are key areas of focus around workforce and investments, and a continual look toward what's being prioritized in Washington.

Strong cybersecurity controls: Closing doors to cyber criminals

Unfortunately, this is a basic need that has to be addressed for institutions to keep moving forward, and defenses need to keep up with ever-evolving criminal tactics. Institutions will continue to:

- Work on following DOL Cybersecurity Best Practices and preparing for ongoing compliance checks
- Educate employees on cyber safety
- Implement permanent plans that allow for easy transition to remote work with equal online security
- Connect with information-sharing organizations like The Research and Education Networks Information Sharing and Analysis Center (REN-ISAC), which serves institutions within the higher education and research community by sharing information and promoting cybersecurity operational protections and response

$2.73M

2021 average total bill to rectify a ransomware attack in the education sector[3]

Workforce Considerations

Inclusion, Diversity & Equity: Moving beyond commitment

Institutions are struggling to attract and retain faculty and staff—and specifically talent that is representative of the people they serve and can be flexible in an increasingly—and sometimes exclusively digital environment. To attract them is one thing, but to keep them institutions need to go beyond a stated commitment and create a true culture of inclusion. A 2020 study by McKinsey conducted an analysis of inclusion-related indicators that showed that hiring diverse talent isn't enough—it's the workplace experience that shapes whether people remain and thrive.[4]

As institutions become increasingly aware of the importance of a truly inclusive culture, we'll see more willingness to state clear views on social issues[5] and more work to ensure employees feel that their ideas, presence or contributions are truly valued or taken seriously.

68%

would consider quitting their current job to work for organizations with a stronger viewpoint on social issues.[4]

Wellness: Integrating financial and emotional needs

In a Spring 2021 American Council on Education survey of 244 college and university presidents, mental health of faculty and staff remained the third most commonly selected pressing issue, with student mental health and enrollment numbers in the top two spots. There is broad recognition that mental health is impacted by a variety of factors, including financial wellness. Institutions are increasingly looking to expand wellness programs to incorporate financial support for diverse workforce needs including:

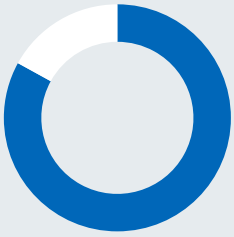
- Managing daily finances with a focus on budgeting, debt management and emergency savings
- Saving, planning and investing for retirement and other key long-term goals
- Protecting against key financial risks and using investments that include an option to receive a guaranteed income stream in retirement.

Investment Trends

Economic recovery: Keeping an eye on changing conditions

The dramatic economic recovery seen in 2021 is not over. As reported in Nuveen's 2022 Outlook: Slower. But still pretty fast, "we think 2022 should look quite a bit like 2021 — with some key differences. The positives: Economic reopening should continue and global economic and corporate earnings growth should be above trend. The negatives: Inflationary pressures have grown, interest rates are rising and fiscal and monetary support are waning. The economic cycle isn't ending, but conditions are getting more difficult and gains are going to be tougher to come by."

This outlook continues to highlight market risks and opportunities. It emphasizes the importance of plan sponsors helping ensure their participants have well-diversified portfolios and access to appropriate asset allocation advice to ensure they're on track to meet retirement goals.



83%

of employees view their financial and investing knowledge as only average or below average.[6]

Retirement plan defaults: Structuring to maximize retirement outcomes for all

Many employees continue to be overwhelmed with making decisions on how to invest for retirement or are hesitant to put a portion of their paycheck away now that federal relief is ending.

Employees who don't make, or delay making an investment decision typically end up in a default option that is unlikely to have a lifetime income component that is becoming the new measure of retirement readiness. Plan sponsors are increasingly thinking of their fiduciary responsibility in relation to the default investment. As a result many are considering custom defaults that can provide more control and the opportunity to include a guaranteed income component in one of the most important investment options used within the plan.

Responsible investing: Meeting financial goals and employee expectations

Interest in responsible investing—an investment discipline and process that takes environmental, social and governance (ESG) factors into consideration—continues to grow year by year. In Nuveen's Sixth Annual Responsible Investing Survey, 66% of respondents overall and 85% of millennials, stated that recent climate-related natural disasters have made them more interested in responsible investing. And interest goes beyond feeling that it's the right thing to do. Speaking about the DOL's revised ESG rule proposed in October 2021, Acting Assistant Secretary for the Employee Benefits Security Administration, Ali Khawar said that "a principal idea underlying the proposal is that climate change and other ESG factors can be financially material and when they are, considering them will inevitably lead to better long-term risk-adjusted returns, protecting the retirement savings of America's workers."

Plan sponsors are keeping an eye out for the DOL's final decision. If passed as written, it would give them confidence that including investments that take ESG factors into account is in keeping with their fiduciary responsibility of prudence. This would allow them to satisfy increasing participant demand, which is particularly high with the millennial and Gen Z employees they are trying to attract and retain.

Washington Watch

Regulatory changes: Understanding what, when and how

Congress will continue to take actions to increase retirement security with a focus on improving access to employer-sponsored retirement plans and easing administration, facilitating increased savings rates, and promoting the value of in-plan lifetime income solutions.

In 2022 plan sponsors will look to their retirement plan providers, consultants and legal counsel for updates on:

- The status of the Build Back Better Act including guidance on any potential retirement provisions
- Continued movement to pass SECURE Act 2.0, a new wave of provisions aimed at boosting retirement security and helping to improve America's retirement readiness by making Collective Investment Trusts available in 403(b) plans, preserving income via additional RMD changes and simplifying administration among other things
- Potential regulatory actions impacting plan administration (e.g. final rules on 5500s and proposed regulations on missing participants and the early distribution penalty)
- Potential regulatory actions related to retirement plan investments including (e.g. final rules on ESG investments, and proposed rules on investment advice and SEC ESG fund disclosures.)
- Improvements related to student debt

Please reach out to your TIAA contact to talk about these or other priorities you have for 2022.

1. TIAA/C Space COVID-19 & Market Volatility Sentiment Tracker (survey of 106 plan sponsors), 8/2021
2. TIAA/C Space COVID-19 & Market Volatility Sentiment Tracker (survey of 106 plan sponsors), 8/2021
3. Source: The State of Ransomware in Education 2021, Sophos, July 2021
4. Diversity wins: How inclusion matters, May 19, 2020 Report, https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters.
5. Source: Gartner. "How to Address Politics and Drive Engagement in the Modern Workplace." A 2021 survey of 3,000 employees regarding social issues in the workplace.
6. 2020 TIAA Retirement Insights Survey.

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