

**SHRM RESEARCH:
RETIREMENT SAVINGS AND PLANNING BENEFITS**

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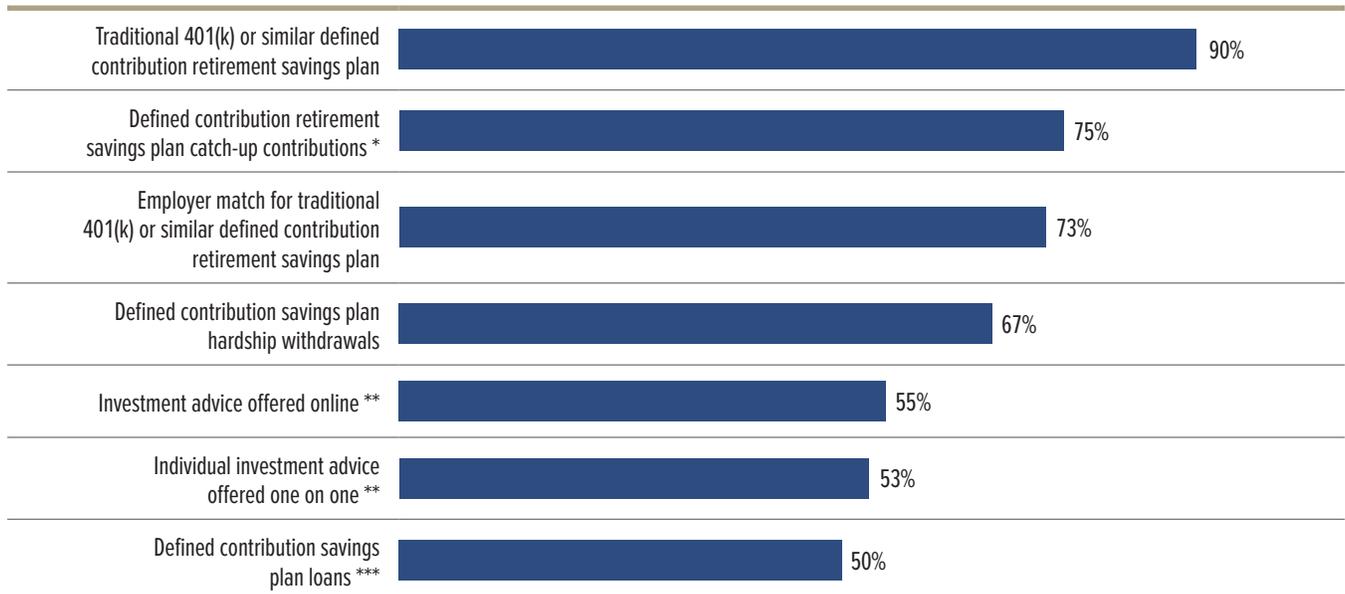
Aside from health care coverage, it can be argued that retirement and financial planning offerings are the most valuable benefits offered by organizations today. There is mounting evidence that the majority of workers are not financially prepared for retirement, a scenario that will have damaging implications for the economy in the future. Employers have recognized this and are, in fact, increasing their level of retirement and financial planning benefits, according to recent SHRM research. Surveys have also shown that employers are more frequently using these benefits for retention and recruitment strategies at all levels of their organizations.

Retirement Benefits Are More Varied, More Prevalent and Valued by Employees

As organizations have moved away from traditional defined benefit pension plans, more have offered defined contribution, or 401(k), plans as their primary vehicle for retirement benefits. However, other types of financial planning benefits have become more common to help employees prepare for their retirements.

- At least half of organizations surveyed offered a wide variety of retirement savings and planning benefits in 2015, according to SHRM's *2015 Employee Benefits* survey report.¹ Nearly three out of four (73%) organizations, for example, provided an employer match for employees' contributions to 401(k) plans or similar savings plans (see Figure 1).

Figure 1: Retirement Savings and Planning Benefits Offered by Employers in 2015



*Permits participants who are age 50 or older to make additional elective deferral contributions at the end of the calendar year.

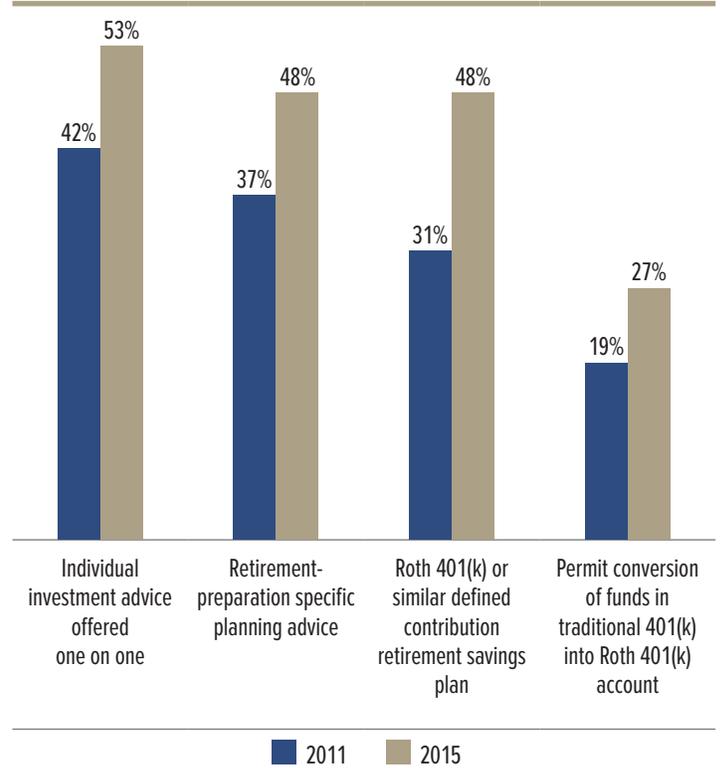
**Any recommendation from a financial advisor that tries to educate, advise or guide an investor regarding a particular investment product or series of products.

***Allows participants to borrow from their retirement savings.

Source: 2015 Employee Benefits (SHRM, 2015)

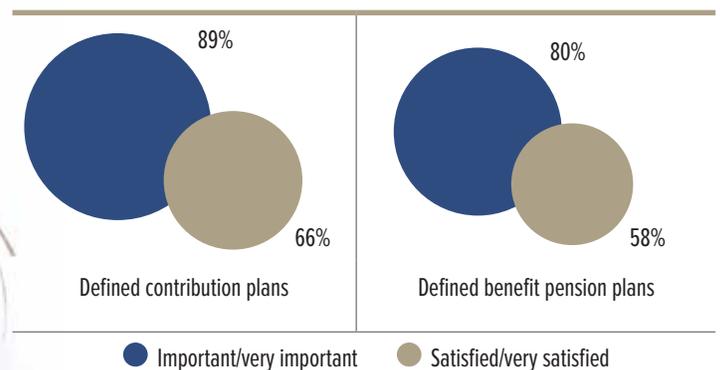
- According to that same survey, more employers offered a wider variety of retirement savings and planning benefits in 2015 compared with 2011. Various forms of counseling and advice, for example, have become more popular among employers during the past five years, as shown in Figure 2.
- No matter what type of retirement savings plan was offered—whether it was a defined benefit pension or a defined contribution package, such as a 401(k)—the vast majority of employees found it important or very important to their overall job satisfaction, according to SHRM’s 2015 *Employee Job Satisfaction and Engagement* survey report² (see Figure 3).

Figure 2: Trends in Retirement Savings and Planning Benefits Offered by Employers



Source: 2015 Employee Benefits (SHRM, 2015)

Figure 3: Importance of and Satisfaction with Retirement Benefits



Source: Employee Job Satisfaction and Engagement (SHRM, 2015)





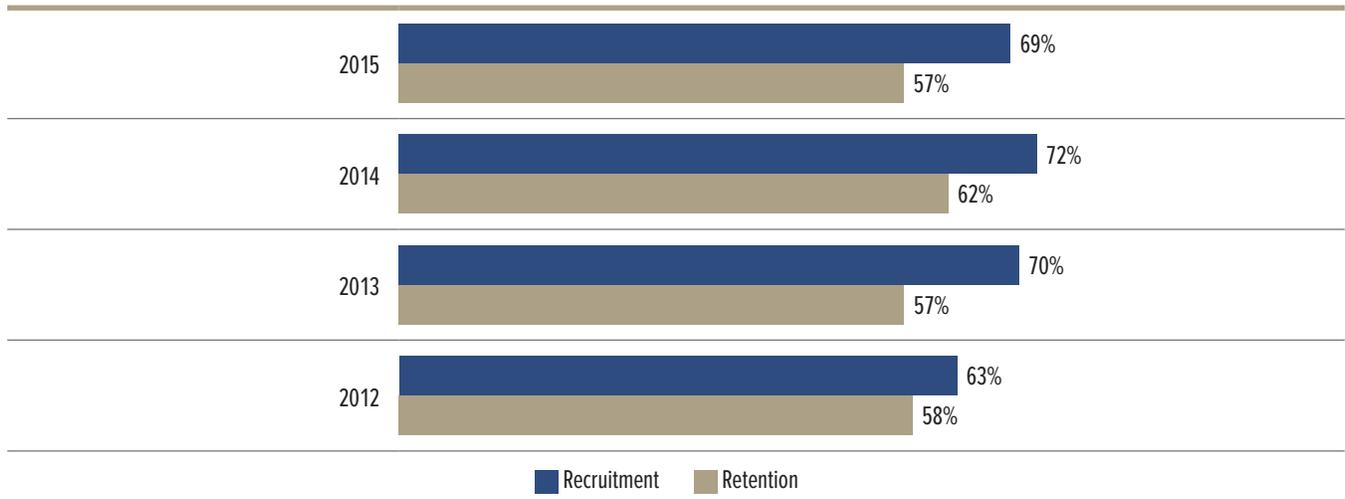
The Role of Retirement Savings and Planning Benefits in Staffing Management

Perhaps knowing that employees and job seekers are in need of these benefits, a growing proportion of employers are using retirement planning and savings offerings as a means to retain workers as well as to attract top talent.

- According to SHRM's *Strategic Benefits Series*,³ more than one-half of employers leverage retirement savings and planning benefits to either retain or recruit employees at all levels of their organizations. This has been a trend in staffing management for the past several years, as shown in Figure 4.
- When asked how these benefits would change in importance for retention strategies in the next three to five years, most HR professionals said retirement savings and planning benefits will remain or become even more important, according to the *Strategic Benefits Series* (see Figure 5).
- Similarly, most HR professionals said these benefits would be as important or increase in importance for recruiting in the next three to five years (see Figure 6). In 2015, for example, nearly three out of five (59%) HR professionals said retirement savings and planning benefits would increase in importance for their recruiting efforts.

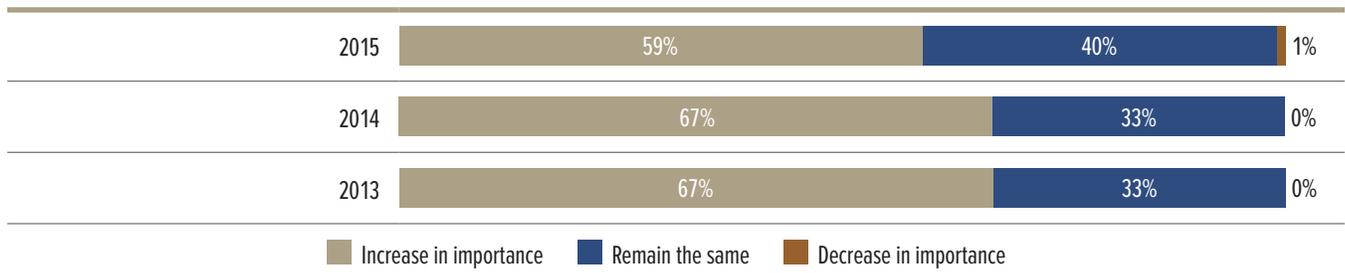


Figure 4: Leveraging Retirement Savings and Planning Benefits for Recruitment and Retention



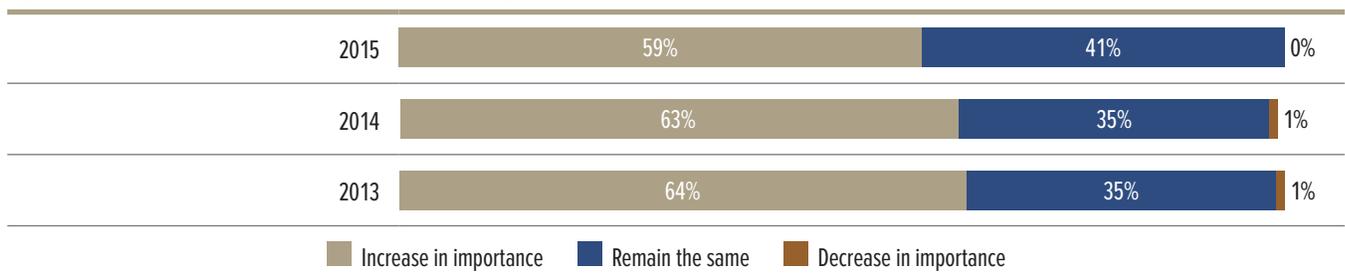
Source: Strategic Benefits Series (SHRM, 2015)

Figure 5: Change in Importance of Retirement Savings and Planning Benefits for Retention in the Next Three to Five Years



Source: Strategic Benefits Series (SHRM, 2015)

Figure 6: Change in Importance of Retirement Savings and Planning Benefits for Recruitment in the Next Three to Five Years



Note: Percentages may not equal 100% due to rounding.

Source: Strategic Benefits Series (SHRM, 2015)



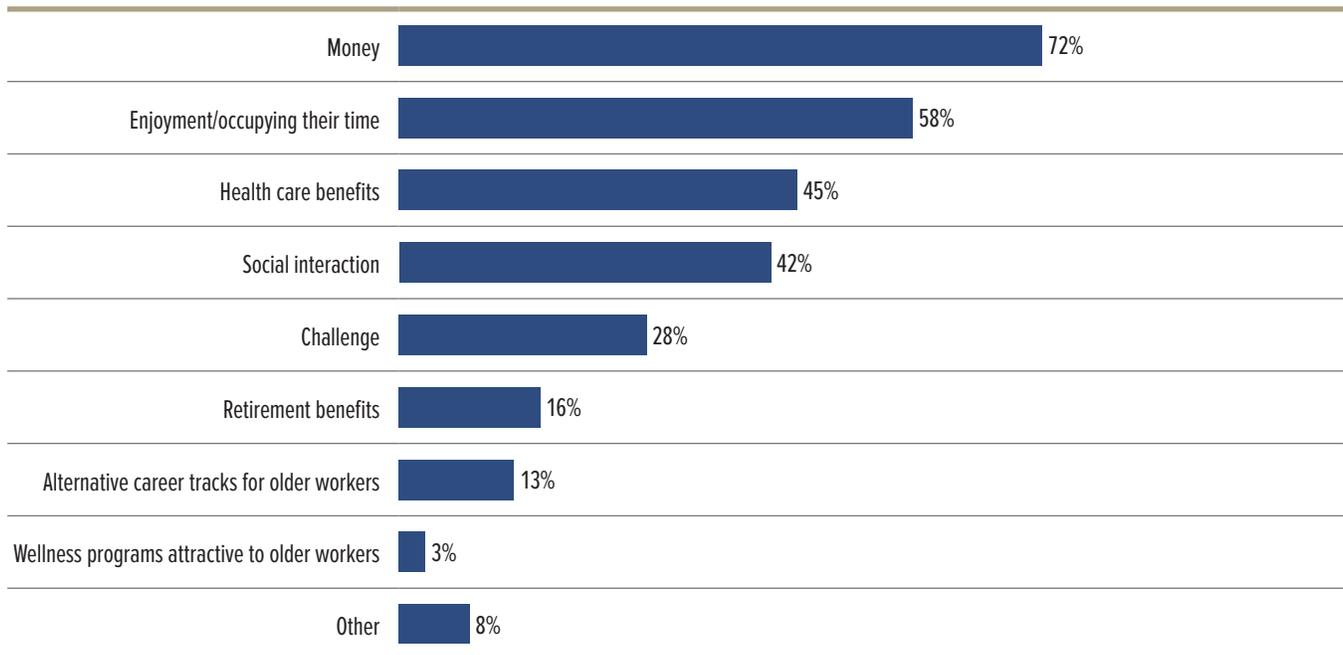
Gauging the Importance of Retirement Savings and Planning Benefits

Demographic trends show that the U.S. labor force is aging overall. The U.S. Bureau of Labor Statistics forecasts that by 2022, more than one-quarter of the U.S. workforce will be in the 55-plus age category, compared with roughly one-fifth in 2012. Recent SHRM research on the aging of the workforce shows that this trend has started to affect staffing management strategies. It has also highlighted the importance of preparing workers for retirement while they are still on the job, considering that many workers are not financially ready to leave the labor force.

- Despite the aging population, improvements in health care have allowed many people to remain productive on the job and extend their careers. However, SHRM research reveals that many retirees who return to the labor force are doing so for financial reasons or to receive benefits, according to SHRM’s Aging Workforce Research Initiative⁴ (see Figure 7). More than two out of five (45%) HR professionals said retirees are returning to work for health care benefits, for example, and another 16% said they come back for retirement benefits.

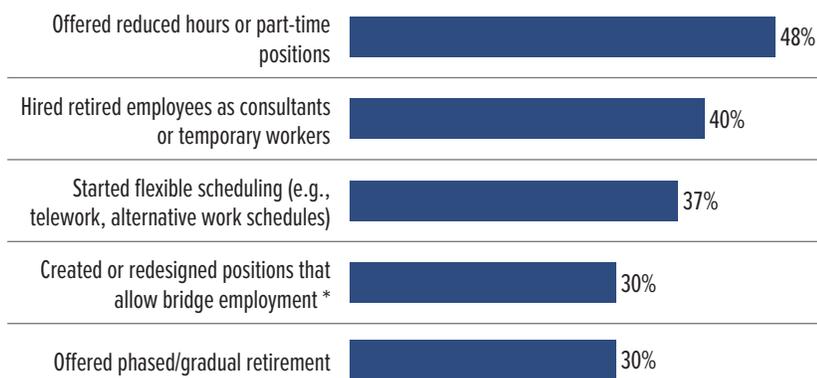
- HR professionals are actively recruiting older workers as part of their staffing management plans, and that includes offering retirement-related benefits as a means of attracting and keeping those workers, as shown in Figure 8. Three out of 10 (30%) HR professionals, for example, said they offered phased/gradual retirement as a perk when engaged in the recruitment and retention of older workers.
- Saving for retirement was one of the most frequently cited personal financial challenges by employees, according to a 2014 SHRM survey⁵ (see Figure 9). More than nine out of 10 (96%) HR professionals said their employees’ financial challenges in general have had some type of impact on their work performance, as shown in Figure 10. The case can be made that preparing employees for their retirement will also result in improved productivity and better business conditions while those workers are still on the payroll, according to other recent SHRM research.

Figure 7: Reasons Retirees Return to Work



Source: The Aging Workforce—Recruitment and Retention (SHRM, 2015)

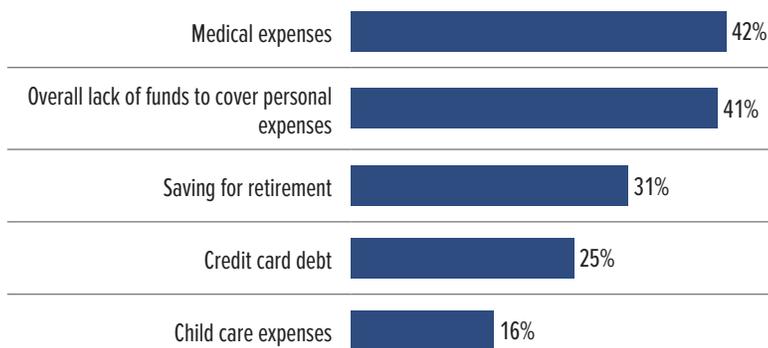
Figure 8: Steps Taken to Recruit or Retain Older Workers



*Opportunities that allow near retirees to ease into retirement while allowing the organization to retain good employees.

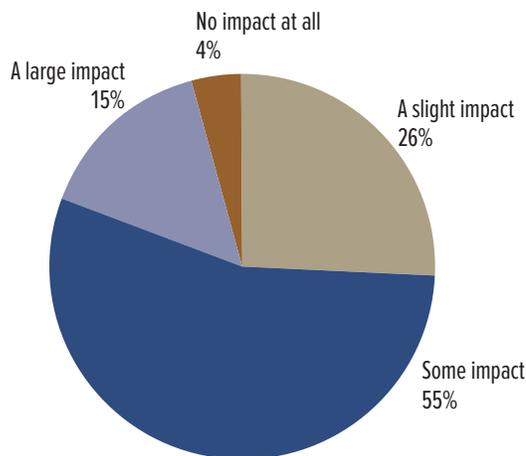
Source: The Aging Workforce—Recruitment and Retention (SHRM, 2015)

Figure 9: Personal Financial Challenges that Affected Employees the Most in the Past Year

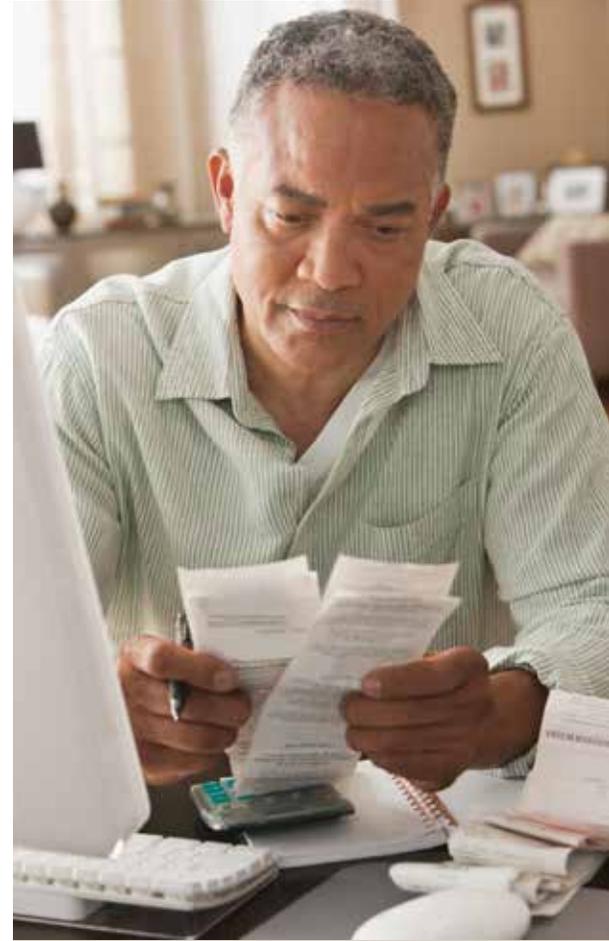


Source: Financial Wellness in the Workplace (SHRM, 2014)

Figure 10: Impact of Employees' Personal Financial Challenges on Their Work Performance



Source: Financial Wellness in the Workplace (SHRM, 2014)



- ¹ Society for Human Resource Management. (2015). *2015 employee benefits: An overview of employee benefits offerings in the U.S.* Retrieved from <http://www.shrm.org/research/surveyfindings/articles/pages/2015-employee-benefits.aspx>
- ² Society for Human Resource Management. (2015). *Employee job satisfaction and engagement: Optimizing organizational culture for success.* Retrieved from <http://www.shrm.org/Research/SurveyFindings/pages/job-satisfaction-and-engagement-report-optimizing-organizational-culture-for-success.aspx>
- ³ Society for Human Resource Management. (2015). *Strategic benefits series.* Retrieved from <http://www.shrm.org/Research/SurveyFindings/pages/strategic-benefits-series.aspx>
- ⁴ Society for Human Resource Management. (2015). *The aging workforce—recruitment and retention.* Retrieved from <http://www.shrm.org/research/surveyfindings/articles/pages/shrm-older-workers-recruitment-and-retention.aspx>
- ⁵ Society for Human Resource Management. (2014). *Financial wellness in the workplace.* Retrieved from <http://www.shrm.org/research/surveyfindings/articles/pages/2014-financial-wellness.aspx>
- ⁶ Society for Human Resource Management. (2015). *SHRM's 2015 guide to public policy issues.* Retrieved from <https://www.shrm.org/Advocacy/Issues/Documents/FINAL%20Low%20Res%20Issues%20Booklet%203.19.2015.pdf>

RETIREMENT SECURITY AND PUBLIC POLICY

A financially secure retirement is something that every American worker should be afforded. Employer-sponsored retirement benefits are a key component to accomplishing this goal. More than 150 million Americans have health, retirement and other valuable benefits provided by employers. These benefits are established by the Employee Retirement Income Security Act, which creates a national, uniform framework for employers to maintain benefits plans. Together with Social Security and individual savings, employer-sponsored retirement plans play a central role in the retirement security for America's working families. Employer-sponsored retirement plans are the main conduit for employees to save for a financially sustainable retirement. Between 2001 and 2010, private retirement plans distributed more than \$3.96 trillion in benefits, as compared with the \$2.82 trillion distributed in public-sector plans. In 2012, there were approximately 633,000 private-sector defined contribution plans covering more than 75.4 million active participants and approximately 43,600 private-sector defined benefit plans covering more than 15.7 million active participants.⁶

SHRM's Guide to Public Policy Issues outlines the following retirement public policy issues as of particular concern to senior human resource executives and the organizations they serve:

Implications of Tax Reform on Employer-Sponsored Benefits: Despite the importance of employer-sponsored benefits to the retirement security of millions of Americans, reforms to the tax code that would eliminate the incentives for employer-sponsored benefits could dramatically affect employers' ability to offer comprehensive benefits packages, including retirement plans. Such a change could create a barrier to employees saving for retirement. Further, limiting employers' ability to offer an attractive benefits package could negatively affect the ability to recruit and retain a talented workforce. Because employee benefits enjoy a tax-free status and account for the largest annual loss in revenue to the federal Treasury, it is likely that tax reform discussions will involve an examination of employer-sponsored fringe benefits, including retirement plans, health care benefits and educational assistance programs, among others.

Insolvency in the Social Security System: Solvency of the Social Security program is a shared responsibility between the government and employers that contribute in the form of a payroll tax. Although it is imperative that the government maintain the Social Security Trust Fund on a financially sound basis without unduly shifting the funding burden to employers through increased taxes, current projections show that the fund will become insolvent by 2030. In the near future, Congress will need to take steps that reform the Social Security program. Ensuring these benefits are secure not only provides a minimum guaranteed source of income for retired workers but facilitates the affordability of employer-sponsored retirement plans, many of which assume retirees also receive federally sponsored retirement benefits.

Because of employer-sponsored benefits' tax-deferred status, it is anticipated that public policy efforts to reform the tax code will involve a close examination of such benefits, including retirement and health care plans.

About SHRM

Founded in 1948, SHRM is the world's largest HR membership organization devoted to human resource management. Representing more than 275,000 members in over 160 countries, the Society is the leading provider of resources to serve the needs of HR professionals and advance the professional practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates. Visit us at shrm.org.

SHRM Research, as part of the Knowledge Development division supporting SHRM and its members, produces high-quality, leading-edge research on human resource management issues and trends, the economy and the workplace for the purpose of advancing the HR profession. SHRM Research acts as an advisor to SHRM and generates and publishes research used by human resource professionals and other business leaders to develop their knowledge and to provide strategic direction to their organizations.

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