

Rethinking the default fund has a big impact

What does it mean when you see a high rate of employees flowing to the default retirement option? It's often a bellwether of less-than-optimal plan engagement.

A small private college with 800 participants and \$100 million in retirement plan assets operates the plan in partnership with a consultant and a small but dedicated team and investment committee. When they saw this dynamic unfolding, they raised a few urgent questions: How do we best serve unengaged employees to ensure they achieve their retirement goals? How do we help them fully understand their investment options? How do we address the problems innate in being partially allocated to target date funds? And, how do we serve the overarching goal of helping employees retire with lifetime income outside of Social Security?

These were not easy questions for the plan sponsor to answer, so they partnered with their consultant and TIAA for a better default solution with TIAA RetirePlus[®], leading to great results. Here's how the partnership came together.

Approach

The overall approach focused on income replacement and downside hedging by embedding TIAA Traditional in the RetirePlus custom default model in the place of bonds. The plan sponsor's consultant worked closely with them to choose options already selected for the core investment menu within the predefined models.

RetirePlus provides the opportunity for:

- Less risk
- Better asset allocation
- More fiduciary control
- Potentially lower costs
- Lifetime income

Making the change

Pillars of the partnership during the implementation process included regular milestone tracking and straightforward communication.

A few key factors ensured a smooth implementation process, including:



A dedicated TIAA transition manager who clearly outlined milestones and responsibilities



Weekly touch-base sessions to ensure the process stayed on track



Robust and intentional employee communications



Reporting conducted every step of the way

Results

In the wake of a purposeful implementation process, the plan sponsor enjoyed immediate positive outcomes that aligned to their goals. Best of all, employees/retirees who remained in RetirePlus models saw strong income replacement rates.



99%

current income replacement ratio for employees within model portfolios.



100%

of active employees who went through personalization process stayed in existing model.



8.65%

average payout rate for employees aged 67 and above.

TIAA Actuarial as of 3/31/2023

Ultimately, the partnership between TIAA, the plan sponsor and their consultant showcases how a simple evolution can achieve outstanding results—from improving employee engagement and increasing access to lifetime income, to decreasing costs and lowering volatility.

To learn more about TIAA RetirePlus, contact your TIAA representative.

Results experienced by this plan may not be typical of all plans. Individual plan results will vary.

Information of each underlying investment carefully before directing an investment based on the model. For a free copy of the program description and the prospectus or other offering documents for each of the underlying investments (containing this and other information), call TIAA at 877-518-9161. Please read the program description and the prospectuses or other offering documents for the underlying investments carefully before investing.

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