Survey of the Retirement Landscape | Third Edition

Plan Sponsor Perceptions

INVESTMENT MANAGEMENT

VOYA®

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Key Findings

- Impacts of the Covid-19 pandemic affected responses to the 2021 survey. Some plan participants said they got off track with their retirement plans. Nonetheless, plan sponsors see participants as more retirement ready than in 2018
- The most common Covid-related impact on retirement plans was an increase in hardship withdrawals. Four-in-five sponsors cited impacts, and many noted a need for "post-Covid realignment" to drive better participant and plan outcomes. Covid amplified trends that already were underway: increased attention to plan design, review/rebidding of service contracts and an emphasis on digital experience
- More plan sponsors recognize the need to enhance financial wellness and retirement readiness among participants, and to improve the potential for better retirement outcomes
- Survey respondents displayed mixed sentiments on environmental, social and governance (ESG) investing, with low levels of understanding of the issues; many plan sponsors said they are looking to their DC specialists for education on ESG investing
- Awareness of caregiving status has increased for plan sponsors, with fewer indicating low levels of caregiver status among their participant populations. In a difference from 2018, the 2021 survey suggests greater awareness of the pressures on special needs caregivers
- In light of Americans' heightened attention to social justice concerns in 2021, the survey found plan sponsors were likely to say they could do more to help minority participants take better advantage of their retirement plans

Introduction

Welcome to the third edition of Voya Investment Management's (Voya IM) survey of retirement plan sponsors. From mid-February to early March 2021, Voya IM repeated its online survey of retirement plan sponsors to "take the temperature" of the retirement landscape. The survey sought feedback on a range of concerns such as plan support, investments, participant support, regulatory and compliance issues and plan costs and fees; in addition, it asked respondents about issues such as impacts from Covid-19, financial wellness programs and help for special needs caregivers. The findings offer perspective on the challenges plan sponsors face and the services needed, and may be helpful in putting your own plan challenges and needs into context.

Certain exhibits distinguish plan sponsor segments by size of plan. The study divided sponsors into three segments: smaller plans with $1 million to less than $5 million, mid-size plans with $5 million to less than $25 million and larger plans with more than $25 million. Please see the Appendix for details on the definitions.

A period of turbulence and disruption

Over the last two years, the world has experienced profound changes, some of which are reflected in the survey findings. During 2019, then prevailing late-cycle economic conditions defined the investing framework for retirement plans and others — prospects of either a soft economic landing or a recession, and the likelihood that future returns on most financial assets would fall below average. These overarching challenges made it difficult to imagine solutions to increase support for financial wellness, retirement income and special needs planning, despite growing recognition of the importance of those issues.

The outlook was brightening by January 2020; but then in February came the Covid-19 pandemic, which as of mid-year 2021 had killed nearly four million people worldwide.[1] Restrictive measures taken to contain the spread of the virus pulled the emergency brake on the global economy; whole industries, such as entertainment, hospitality and travel, came to screeching halts. For many people, that meant lost jobs and struggles to obtain food, housing and other essential needs. It also raised issues of social equity — who had to risk Covid infection by going to work and who didn't. By March, the financial markets had fallen into a tailspin. Massive government support, in the form of direct payments to individuals, programs to help companies keep people employed and other forms of indirect support helped many people stave off financial ruin. Ultimately, aggressive fiscal stimulus and monetary policy pulled the economy out of its tailspin and propelled the financial markets to a stunning recovery. In autumn, the development of vaccines began to turn the tables on the pandemic, at least in those regions of the world with access to the vaccines.

Economic progress has closely paralleled progress in getting populations vaccinated. At the same time, the uneven effects of the downturn and recovery put social justice issues into the forefront of national awareness. Attention to social justice concerns, we believe, has appeared in the survey findings, which reflect greater sensitivity among plan sponsors to issues of diversity and equal access to plan benefits.

[1] Source: World Health Organization, WHO Coronavirus (COVID-19) Dashboard, June 30, 2021.

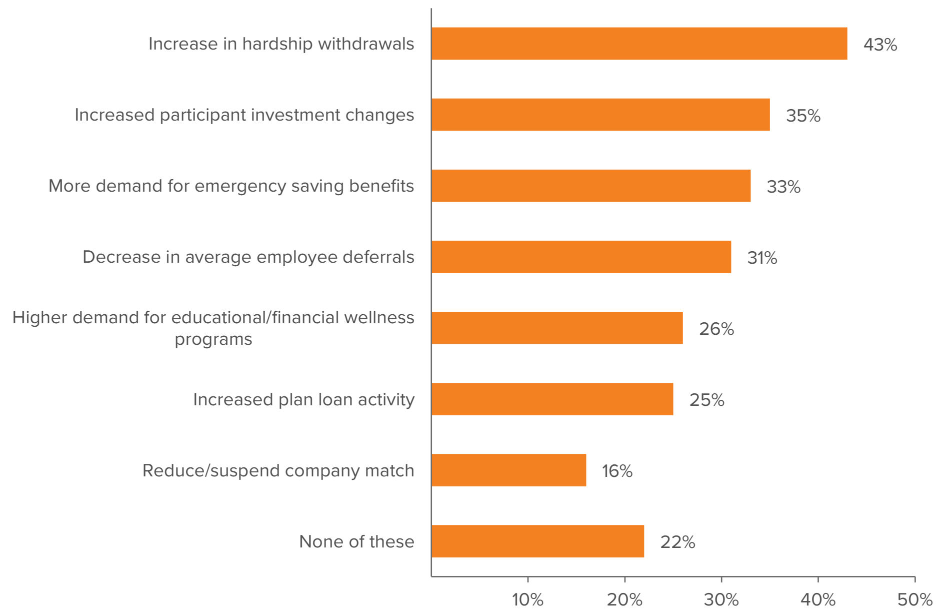
Priorities and concerns

Covid-19 impacts on plans

The latest survey update was conducted in February and March of 2021, as the United States appeared to be gaining the upper hand on the Covid-19 pandemic, though not yet completely able to resume normal activities. A concern for many respondents was the need to financially "get back on track," which usually meant some kind of "post-Covid realignment." Also, Covid-19 amplified trends that already were underway, e.g., a heightened focus on plan design and competitive review of plan service contracts.

Though most plan participants reported staying the course with their investments, four out of five plan sponsors cited a range of pandemic-related impacts on their plans. Sponsors and DC specialists agreed that an increase in hardship withdrawals was the most common Covid-19 impact on plans (Figure 1). By contrast, DC specialists rated several factors — reducing or suspending the company match, increased hardship withdrawals and increased plan loan activity — as more impactful than did plan sponsors. Covid-19 impacts were generally consistent across plan-size segments, though smaller plans were somewhat more likely to report having seen none of the listed impacts.

Figure 1. Covid-19 impacts on plan and benefits



Source: Voya Investment Management

Priorities for the next two years

As in 2016 and 2018, sponsors' top concern remains "ensure plan complies with new regulations/compliance requirements." Also, "reduce plan fees and expenses" has been a recurrent focus. Compared to 2016 and 2018, sponsors indicated significant increases in perceived importance across all areas of focus; notably, the need for a retirement income option was seen as much more important (Figure 2). These findings underscore the perceived need to "get back on track" after the detours imposed by the Covid-19 pandemic. Also notable are the significant shifts among concerns such as "ensure participants are appropriately invested," "help participants with financial wellness" and "change number/types of investment options."

Figure 2. Percentage of sponsors citing priorities as area of focus over next two years

Focus issue	Smaller Plans	Mid-Sized Plans	Larger Plans	All Plans
Ensure plan consistent with new regulations/ compliance requirements	60%	63%	59%	61%
Reduce plan fees and expenses	43%	45%	43%	44%
Ensure participants have appropriate asset allocations	42%	42%	48%	42%
Increase employee contributions/savings	40%	39%	52%	40%
Increase plan participation	39%	44%	49%	40%
Help participants get retirement ready	34%	34%	49%	35%
Help participants with financial wellness	25%	29%	43%	27%
Consider or add a retirement income solution	25%	26%	41%	26%
Add or change plan features/benefits	23%	21%	34%	23%
Change number/types of investment options	19%	25%	34%	22%

Source: Voya Investment Management

Areas of concern

Figure 3 illustrates sponsor's retirement plan concerns, sorted by all plans. Concern with plan fees is inversely related to plan size. Across plan sizes, sponsors show similar levels of concern for helping plan participants get ready for retirement and for managing the complexity of plan oversight. Several changes for all plans since the 2019 survey are worth noting: monitoring investment performance decreased from 48% agreed in 2019 to 39% agreed in 2021. Manage complexity of oversight increased from 32% agreed in 2019 to 41% agreed in 2021. Even after recent revelations of Russian ransomware attacks, cybersecurity remains a lower priority.

Figure 3. Most concerning retirement plan issues

Focus Issue	Smaller Plans	Mid-Sized Plans	Larger Plans	All Plans
Ensure plan fees are reasonable	56%	50%	42%	54%
Help participants get retirement ready	46%	35%	37%	43%
Manage complexity of overseeing retirement plans	42%	36%	43%	41%
Monitor performance of plan investment options	38%	41%	48%	39%
Educate/communicate with plan participants	38%	42%	34%	39%
Respond to regulatory changes/compliance requirements	33%	33%	37%	33%
Cybersecurity threats/data breach	24%	35%	32%	26%
Reducing plan asset leakage from loans or hardship withdrawals	23%	28%	26%	24%

Source: Voya Investment Management

Significant challenges

The most frequently mentioned "top of mind" significant challenges for plan sponsors are getting participants to think long term, increasing participation/contribution levels and giving participants sufficient investment education (Figure 4).

Figure 4. Most significant sponsor challenges

Challenge	Smaller Plans	Mid-Sized Plans	Larger Plans	All Plans
Increase participation/contributon levels	33%	25%	38%	32%
Educate employees about retirement saving	33%	25%	38%	32%
Plan details, e.g., fees, match, options, performance	13%	10%	12%	12%
Fiduciary/regulatory/compliance issues	8%	11%	8%	9%
Market volatility/participant uncertainty	4%	5%	4%	4%
Engage employees with plan	7%	4%	4%	6%
Covid-19 challenges	5%	5%	5%	5%

Source: Voya Investment Management

Plan investments

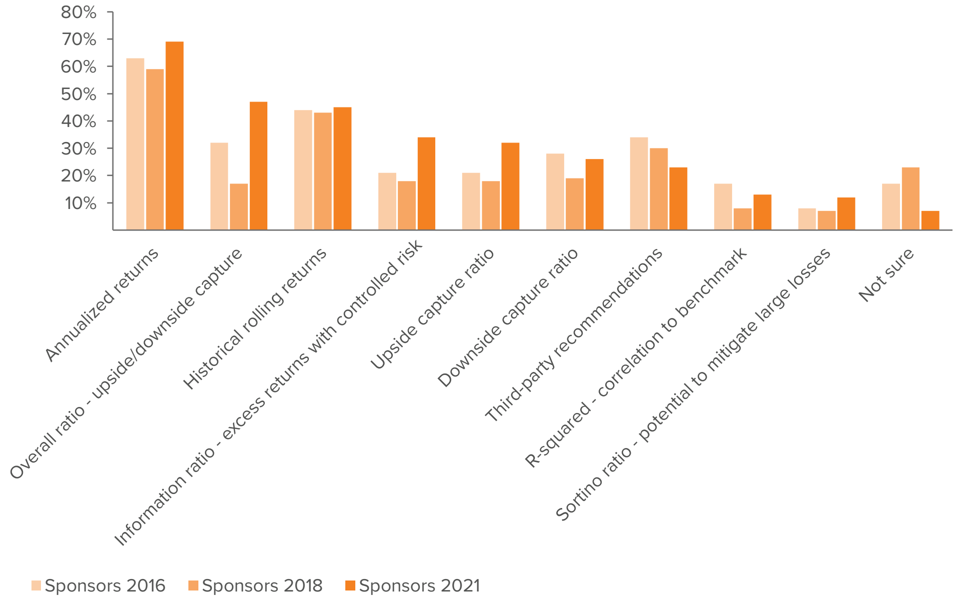
Investment selection

As in previous iterations of the survey, sponsors chose assistance with investment selection and monitoring as their most desired service from advisers in 2021. Also, sponsors again told us they look to specialists for a broad spectrum of guidance, and want higher levels of expertise — which is of particular importance in supporting selecting and monitoring investments. Also, similar to prior years, the majority of plan sponsors indicate they have high to moderate involvement in the investment selection process — 43% say they have high involvement, about 45% say moderate involvement, 11% say low involvement and only 1% indicate no involvement.

Fund selection criteria

When asked which investment selection factors their specialist had discussed with them, the majority of plan sponsors cited annualized return (Figure 5). Sponsors also cited other investment selection factors, but significantly less frequently. The generally low recall of discussion about the more technical metrics suggests that sponsors may see these factors as the purview of DC specialists. Most sponsors say that specialists have discussed annualized performance with them but fewer mention historical returns; even fewer say the specialist has discussed third-party recommendations.

Figure 5. Sponsor acknowledgment that DC specialist has recommended or discussed investment factor

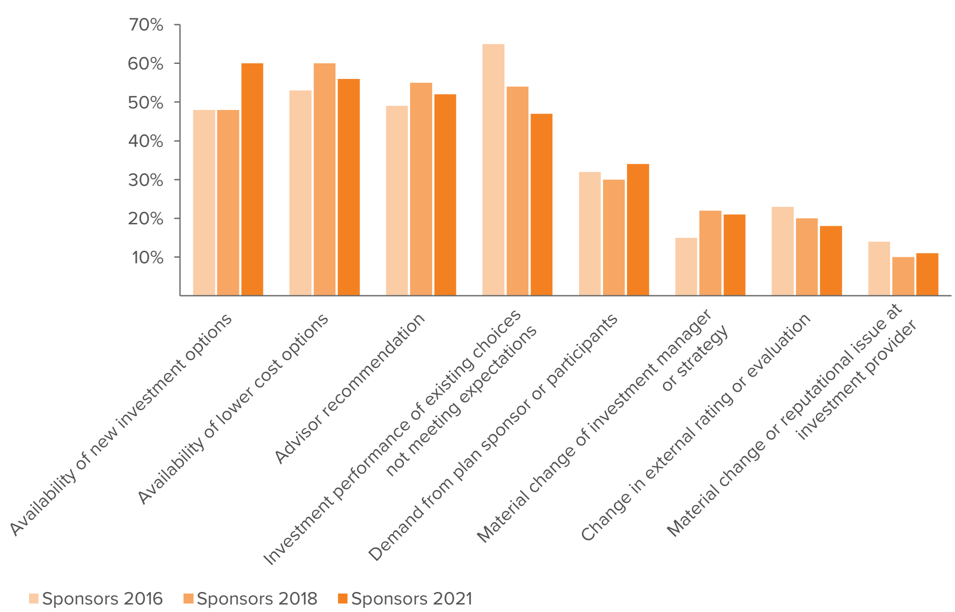


Source: Voya Investment Management, factors sorted by 2021 data.

Reasons to change investment options

About 26% of plan sponsors indicated they're likely to change the number or types of investment options available in their plan, up from 14% in 2018. The drivers of decisions to change plan investments have shifted slightly over time but tend to be grouped consistently (Figure 6).

Figure 6. Factors that drive changes to plan investment options, 2016–2021



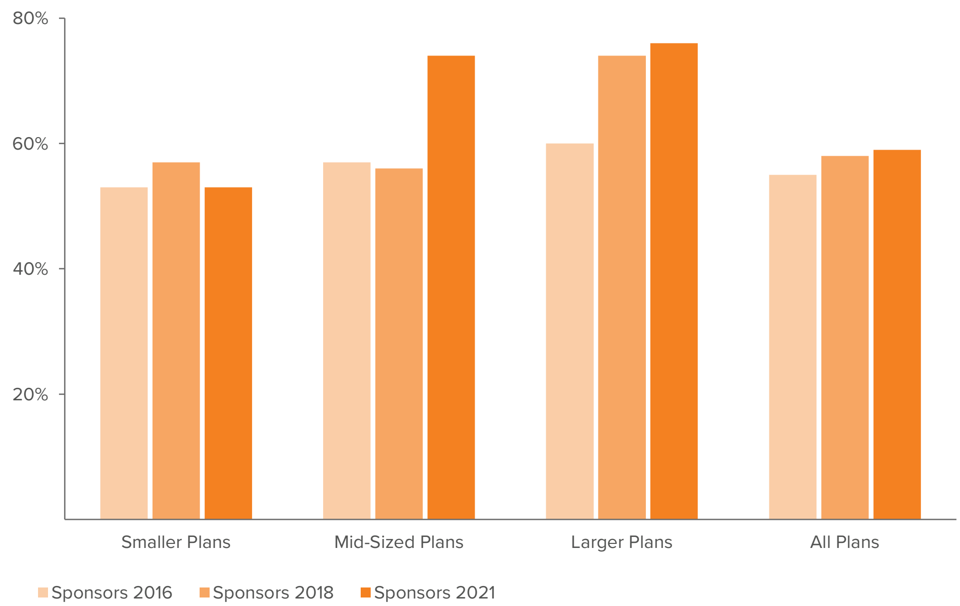
Source: Voya Investment Management, factors sorted by 2021 data.

For sponsors, the leading catalysts for changing the plan's investment options are the availability of new investments, lower cost and DC specialist recommendations; these factors slightly outrank performance. It's interesting to note that investment performance was the top priority for plan sponsors only in 2016; since then, they have given greater weight to new or lower cost investment options. Smaller and mid-sized plans focus more heavily on the availability of new investment options; further, smaller plans are more likely to look for lower cost options. Larger plans are most concerned with the performance of their existing investment choices.

Use of target date funds (TDFs)

Many industry professionals now see TDFs as "foundational" components of a retirement plan, and less of a forefront concern. 71% of plans sponsor agree or strongly agree that participants are best serves by investing in target date funds rather than selecting individual funds. Mid-sized plans have significantly increased their use of TDFs since 2018, from 56% to 74%, in line with larger plans (Figure 7). Smaller plans now stand alone with lower usage levels at about 53%. In aggregate, nearly six in ten sponsors include TDFs in their plans, unchanged from 2018. Does this level represent market saturation? Not quite, perhaps: four in ten sponsors do not currently offer TDFs in their plans ,among those, two of five say they'd prefer to include them, up from one of three in 2019 and one of four in 2016.

Figure 7. Percent of retirement plans that include TDFs

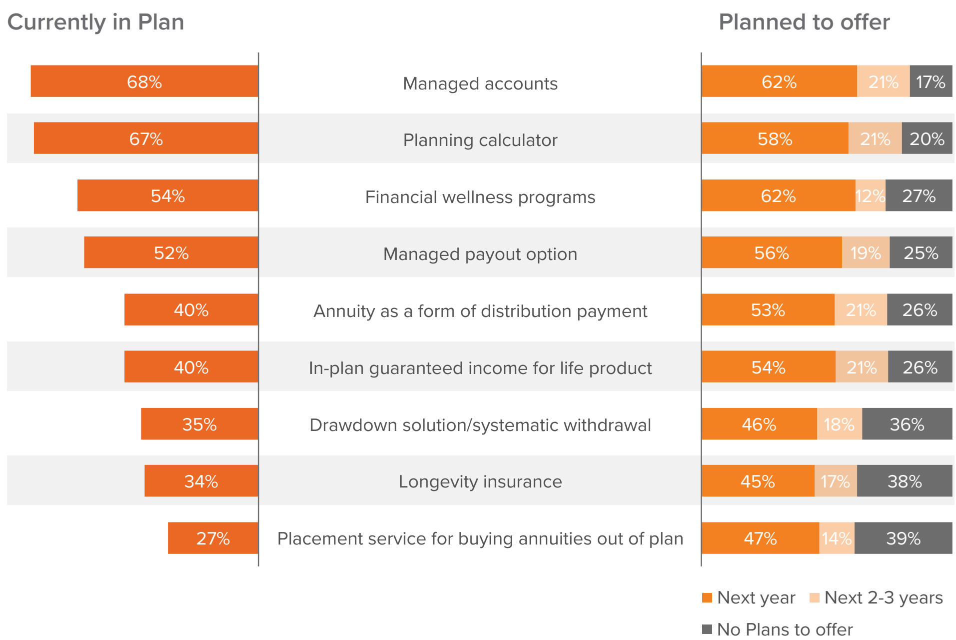


Source: Voya Investment Management

Retirement income options

A majority of sponsors agree the SECURE Act has encouraged plans to adopt a focus on retirement income. Offering a retirement income solution can complement financial wellness program features/options such as online tools and calculators, education on retirement income planning and education on investing. While plans to offer retirement income options are on the table, these options are not yet widely available (Figure 8). About half of sponsors say they currently offer a managed payout option; other options are less widely offered, though many sponsors intend to offer them within the next few years. In a separate survey, Voya found that 91% of Americans considered a guaranteed source of income in retirement to be important, in order to avoid outliving their savings (see Figure 11 below).

Figure 8. Sponsors currently offering or planning to offer a retirement income option



Source: Voya Investment Management

DOL Proposes to Rescind Constraints on ESG Investing

In mid-October 2021, the U.S. Department of Labor (DOL) announced a proposed rule that would remove barriers to ERISA fiduciaries' ability to consider environmental, social and governance (ESG) factors when selecting retirement plan investments and managing shareholder rights. The proposed rule, "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights," would amend the so-called ESG Rule and Proxy Voting Rule. These rules, which were adopted under the Trump administration, require fiduciaries to consider only pecuniary factors when making investment decisions.

According to a DOL spokesperson, the idea underlying the new proposal is that climate change and other ESG factors can be financially material. When they are, considering these factors potentially can lead to better long-term risk-adjusted returns, helping to protect plan participants' retirement savings. A key change is the replacement of the "pecuniary factors" concept in the current rules with traditional risk-return analysis — clarifying that a prudent fiduciary may consider any factor in the evaluation of an investment which, depending on the facts and circumstances, is material to the risk-return analysis. The proposed rule specifies that ESG factors, and other "collateral benefits" such as social good, can serve as tiebreakers when fiduciaries are evaluating competing investments that "equally serve the financial interests of the [retirement] plan."

While the proposed new rule would remove the artificial impediments and chilling effect on ESG investments of the Trump administration rules, it would not alter retirement plan fiduciaries' underlying responsibilities to serve their investors prudently and loyally. It will take some time to gain perspective on the full scope and potential impact of the proposed 109-page rule. Comments on the proposal are due to the DOL by December 13, 2021. Vetting of comments, any adoption of changes to the rule and final implementation are likely to unfold through 2022.

Stay tuned.

ESG investing

While the performance of environmental, social and governance (ESG) investment strategies has long been under scrutiny, the Covid-19 market dislocation provided the ESG category with its first real test — one it passed with flying colors. According to Morningstar, in 2020, three out of four sustainable equity funds beat their Morningstar Category average, and 25 of 26 ESG equity index funds beat index funds tracking the most common traditional benchmarks in their categories.[2] Survey respondents registered mixed sentiments on ESG investing, with low levels of strong feeling on the issue (Figure 9).

Figure 9. Plan sponsor agreement that participants are asking for ESG investment options

Source: Voya Investment Management

Plan sponsors claimed to have a good understanding of ESG investing but said they would value additional education. Smaller plans were less likely to indicate that ESG capabilities are important to evaluating investment managers, that they currently have or are considering adding ESG investments to the plan, or that they have a good understanding of ESG investing. Survey results notwithstanding, demand for ESG strategies is expected to soar as younger employees come to represent a larger percentage of plan participants.

Participant outcomes

Retirement readiness

The survey was expanded in 2021 to include Covid-19 related experiences; attitudes towards and usage of environmental, social and governance (ESG) investment options; as well as the importance and usage of retirement income options, features and tools. Even though many people have managed to weather the storm, they say they have gotten off track with their retirement plans.

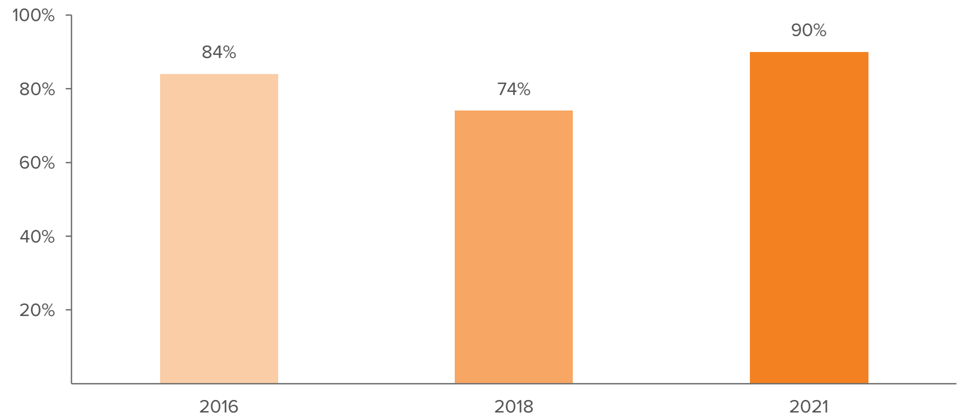
Covid-19 impact on participants

In a separate Voya Financial survey conducted in March 2021, almost half of Americans (46%) reported that the Covid-19 pandemic had negatively impacted their overall financial situation – most notably, those ages 18–34 (57%), those with annual household income below $50,000 (57%), women (50%), those without a college degree (50%) and those not working with a financial advisor (48%).[3] On par with findings in May 2020, 38% of respondents reported an impact on household employment status; importantly, the number of Americans who had lost their jobs, been laid off or had their salary reduced was significantly higher in March 2021 than in May 2020. These impacts were most drastic among African Americans and caregivers (both 51%), younger Americans (49%) and those with children (44%). Despite these setbacks, sponsors see plan participants as more retirement ready than they did in 2018 (Figure 10).

2 Source: Morningstar, "Sustainable Funds Weather the First Quarter Better Than Conventional Funds," April 3, 2020.

3 Source: Based on the findings of "Consumer Sentiment during COVID-19," a Voya Financial survey conducted March 12–15, 2021, on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the United States.

Figure 10. Percent of plan sponsors who say plan participants are very/somewhat prepared for retirement



Source: Voya Investment Management

Views on plan participants' levels of retirement readiness have fluctuated over the years since the first survey; in the 2018 survey, we hypothesized that these fluctuations broadly corresponded with the ups and downs of the financial markets. That observation still seems to hold – in the 2021 survey, following a year of extraordinary gains in the financial markets, 24% of sponsors said that participants are "very" prepared for retirement versus 13% in 2018; by contrast, only 10% indicated that participants are not prepared, versus 26% in 2018.

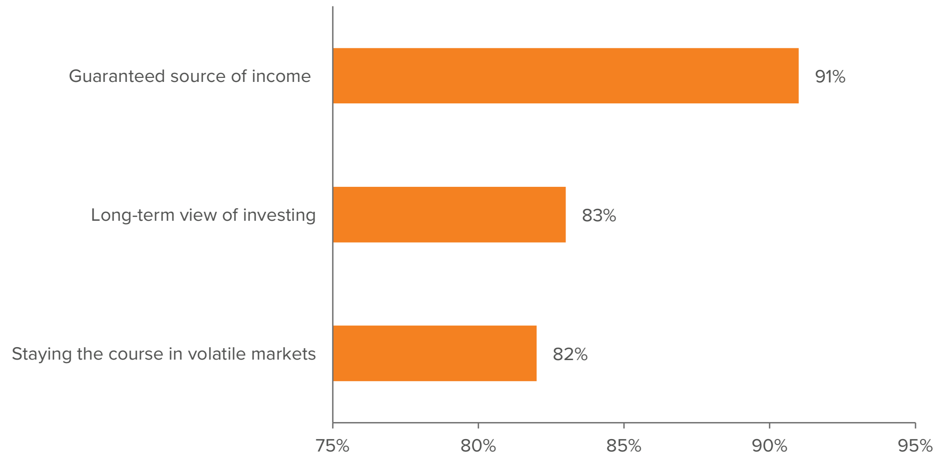
A recent survey conducted by the Insured Retirement Institute found that 51% of workers aged 40 and over have less than $50,000 saved for retirement, 57% are saving less than 10% of their income and only 44% think they'll have income to last throughout their retirement.[4] How does one square sponsor views with the findings that many participants are off track? Our hypothesis is that respondents tend to assess retirement readiness more positively during periods of strong financial market performance, such as we have seen in 2021.

Challenges to retirement readiness

During the Covid-19 pandemic, a majority of Americans said they found it important to have a guaranteed source of retirement income, to maintain a long-term view of their investments and stay the course through volatile market environments (Figure 11).

[4] Source: "Retirement Readiness Among Older Workers 2021," pg. 3, IRI Retirement Readiness Research Series.

Figure 11. Top retirement savings priorities for Americans



Source: Based on the findings of "Consumer Sentiment during COVID-19," a Voya Financial survey conducted March 12–15, 2021, on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the United States.

Most successful in this effort were those with household incomes greater than $100,000, those receiving investment guidance and those with an employer-sponsored retirement plan. Only 3% of Americans reported taking a Covid-19 related distribution from their employer-sponsored retirement plan, but Voya's research showed higher utilization among healthcare workers (14%), caregivers (8%), those aged 18–49 (6%) and those with children in the household (6%), most of whom also were significantly impacted by job loss or left their jobs due to external responsibilities.[5]

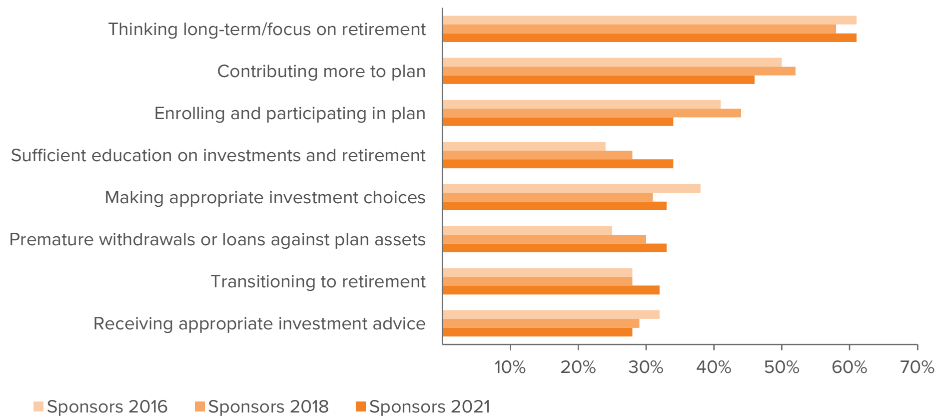
In aggregate, 16% of Americans have taken a loan or withdrawal as a result of Covid-19. About half of those who did so regret their decision and wish they had consulted a financial professional; more than half feel they will not be able to "pay back" what they borrowed. Almost two-thirds believe they are now behind in saving for retirement. To get back on track financially after Covid-19, more than a third of Americans are reducing overall expenses; more than a quarter are re-evaluating monthly budgets and paying off credit cards, but findings also indicate the need for continued financial education and support. Only about one in ten is repaying loans or withdrawals taken, opening emergency savings accounts, writing financial plans or increasing retirement plan contributions; about two in ten don't feel they will ever get back on track.[6]

In light of the impacts of Covid-19 on plan participants, we saw retirement readiness as an important issue for this survey. It's also important to note that, as in 2018, sponsors have similar views on the most challenging barriers to participant retirement readiness. They see the top challenges as getting participants to think long term, getting participants to contribute more and encouraging employees to participate in the plan. Other challenges that sponsors rank nearly equally include getting participants to make appropriate investment choices, participants taking premature withdrawals or taking loans against plan assets and helping participants transition to retirement (Figure 12).

[5] Source: Based on the findings of "Consumer Sentiment during COVID-19," a Voya Financial survey conducted March 12–15, 2021, on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the United States.

[6] Source: Based on the findings of "Consumer Sentiment during COVID-19," a Voya Financial survey conducted March 12–15, 2021, on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the United States.

Figure 12. Plan sponsor perceptions of top challenges to participant retirement readiness



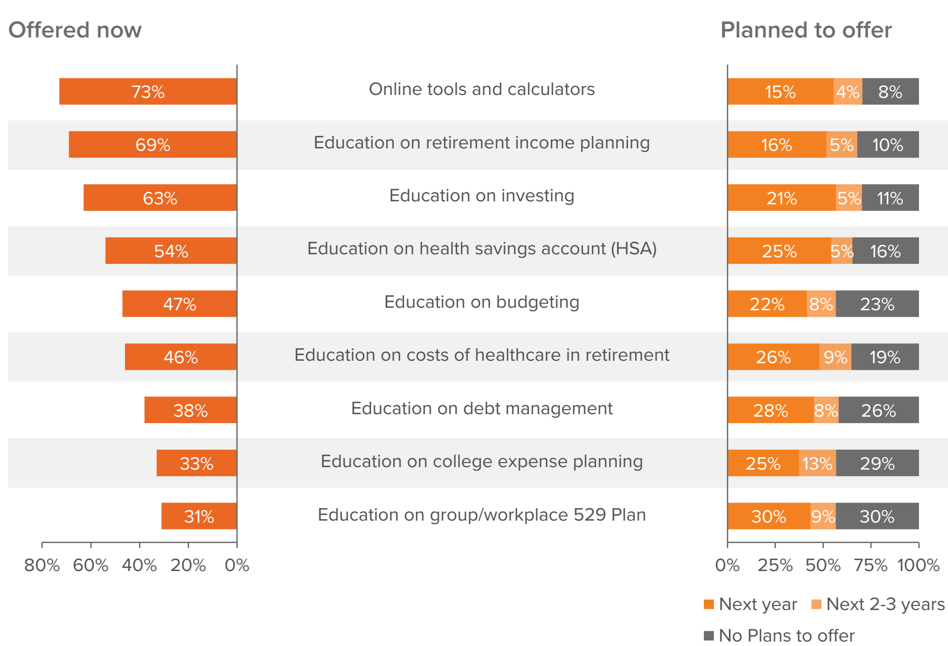
Source: Voya Investment Management

Financial wellness

Since 2018, plan sponsors have significantly increased their adoption of financial wellness programs and tools; in addition, they have higher goals for their programs. The number of sponsors who say they have no plans to offer financial wellness programs has diminished by almost half. Across plan sponsor segments, sponsors align in describing the importance of financial wellness goals. The top goals are similar: helping employees reach their financial goals, helping participants improve their financial futures and helping them understand the impact of saving and withdrawal decisions.

Sponsors typically offer online tools and calculators, education on retirement income planning and education on investing (Figure 13). Smaller plans have been adding all elements of financial wellness, bringing their offerings in line with mid-size plans. Larger plans maintain a slight edge over smaller and mid-size plans in terms of program offerings.

Figure 13. Financial wellness programs sponsors offer or plan to offer employees



Source: Voya Investment Management

According to plan sponsors, the greatest challenges to offering financial wellness programs are too much complexity for the average participant, prohibitive costs and the difficulty in measuring outcomes.

Participant decision-making

Plan sponsors are increasingly likely to agree with sentiments related to participant decision-making (Figure 14). The table shows that, over the years the survey has spanned, the points of closest agreement have been better monitoring of participant investment goals, the advantages of tiered investment menus and the value of digital planning tools. Points of lesser, but still strong agreement have included staying invested in the plan after retirement and too many choices inhibiting effective investment decisions. Sponsors of large and mid-size plans are more likely than those of smaller plans to strongly agree that improved monitoring and benchmarking improve participant outcomes. Large plan sponsors are most likely to strongly agree that participants are best served by investing in TDFs.

Figure 14. Evolution of sponsor sentiments on practices to improve participant investment decisions

Practices that lead to better participant investment decisions	2016	2018	2021
Better monitoring of participant investment goals	93%	91%	97%
Tiered investment menu (TDFs, core funds, brokerage)	82%	87%	95%
More detailed information on investment options	93%	92%	95%
Digital planning and advice tools	84%	81%	94%
Staying invested in the plan after retirement	67%	77%	85%
Too many choices inhibit effective investment decisions	78%	74%	79%
Investing in target-date funds	56%	64%	71%

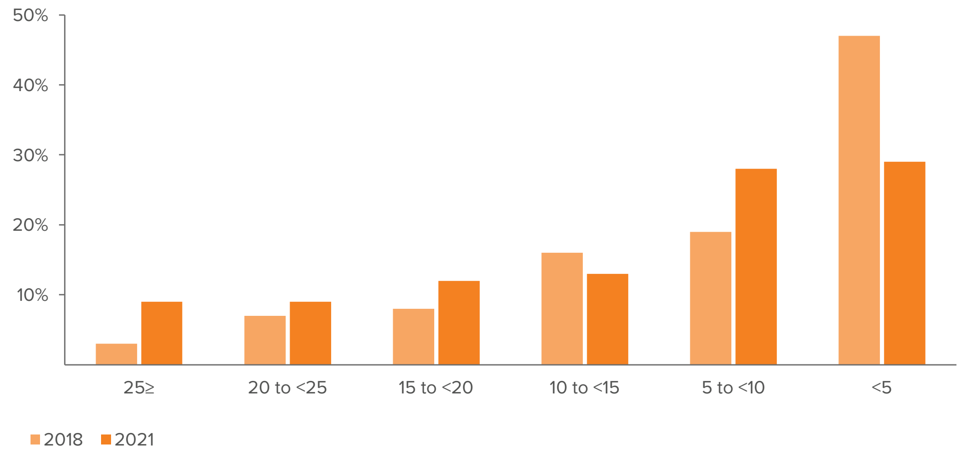
Source: Voya Investment Management

Special needs/caregiving

Awareness of caregiving status has increased among plan sponsors, with significantly fewer indicating very low levels of caregiver status in their participant populations (Figure 15). In a difference from 2018, the 2021 survey suggests greater awareness of the pressures on special needs caregivers.[7] Sponsors of larger plans are more likely to recognize that caregivers comprise a higher percentage of participants, and are somewhat more likely than other sponsors to consider it important to focus on the unique financial needs of these employees.

[7] Examples of special needs include congenital disorders such as Down syndrome or autism, debilitating diseases such as multiple sclerosis or mental health issues, catastrophic events such strokes and heart attacks and afflictions among aging populations such as Alzheimer's disease or Parkinson's disease.

Figure 15. Sponsor estimates of employees/participants work with who are caregivers for disabled/special needs individuals



Source: Voya Investment Management

While these answers come closer to reality than the responses in 2018, they are still off the mark and largely underestimate actual incidence: about 21% of Americans, or one in five, are unpaid caregivers,[8] providing care to parents, spouses, children, friends and neighbors and assisting with routine, day-to-day activities. (Figure 16).

Figure 16. Relationship to caregiver/special needs community

Relationship with the caregiver/special needs community	Affirm %
Individual with a disability or special need	13%
Parent or caregiver of a person with a disability, special need or critical illness	8%
Caregiver for an aging parent or loved one who requires specialized care	8%
Do not have a connection to individuals with a disability or other special need	74%

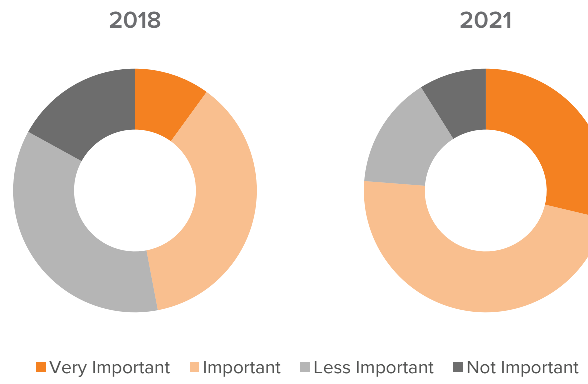
Source: Based on the results of a Voya Financial survey conducted March 12-15, 2021 on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the United States.

If about 20% of the U.S. population is affected by a special need or disability, that figure likely includes plan participants. Helping employees better protect their families builds engagement and supports recruiting and retention — factors that should prompt sponsors to embrace special needs planning. A Voya study finds that 79% of caregivers think their employer could do more to help them.[9] There is evidence that sponsors are taking these issues more seriously (Figure 17).

[8] Caregiving in the U.S., The National Alliance for Caregiving (NAC) and AARP, May 2020.

[9] Source: “For the Benefit of All: How Organizations Win When they Recognize and Support Caregivers and Employees with Disabilities,” p.3, Voya Financial, 2019.

Figure 17. Sponsor views on importance of focusing on unique financial needs of caregivers over next two years

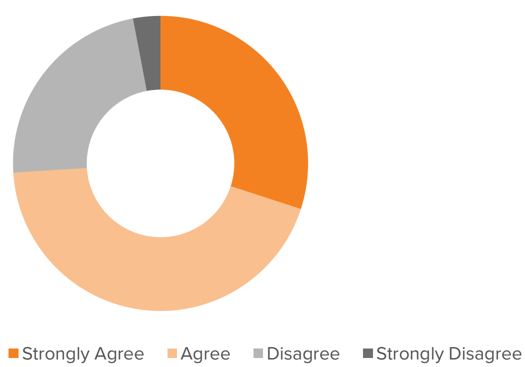


Source: Voya Investment Management

Focus on minority participants

In light of Americans' heightened attention to social justice concerns in 2021, we added a survey question that sought to gauge whether such concerns had led to greater sensitivity among plan sponsors regarding issues of diversity and equal access to plan benefits. The responses to the new question suggest that sponsors do care about diversity and equal access (Figure 18), and agree strongly that they could do more to help minority populations take advantage of the retirement plan.

Figure 18. Sponsors think they could do more to help minority participants take advantage of their retirement plans



Source: Voya Investment Management

Participant support

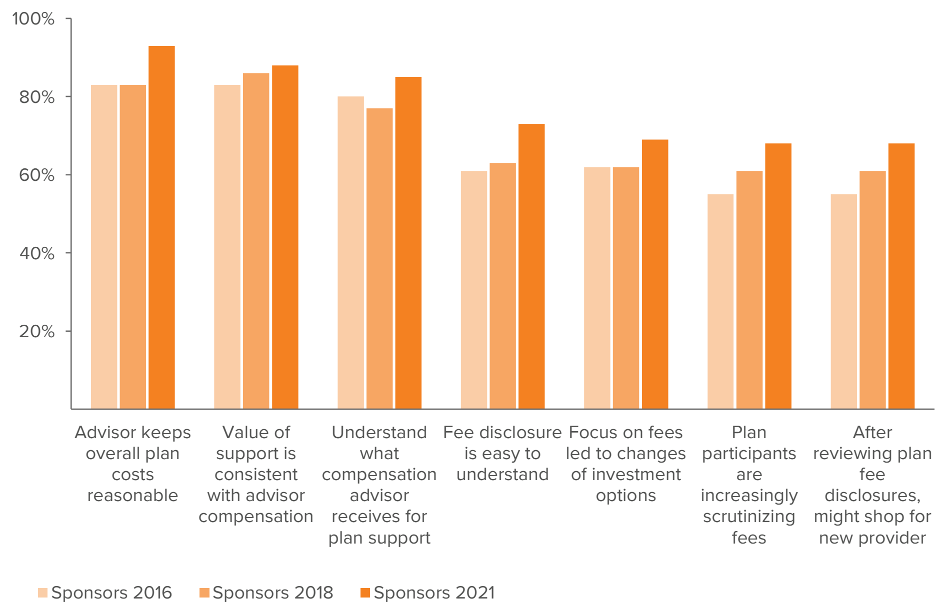
Since 2018, the survey has found increasing agreement among plan sponsors that their specialists provide effective participant education and support. Plan sponsors now are more likely to strongly agree that a range of plan options and tools can help participants achieve better outcomes. Perhaps even more significant, sponsors today offer more financial wellness programs, more frequently say such programs are important. The survey results highlighted several new findings, as noted below.

Advisor support

Costs and fees

With sponsors paying increasing attention to plan design issues since 2018, it stands to reason plan costs and DC specialists' compensation would get more focus as well. Unsurprisingly, the 2021 survey found even greater fee sensitivity than in 2018. At the same time, plan sponsors are taking a broader perspective: the 2021 survey found upticks in sponsor recognition that DC specialists help keep plan costs reasonable, and that specialist compensation is commensurate with the support provided (Figure 19).

Figure 19. Agreement with pricing and fee sentiments

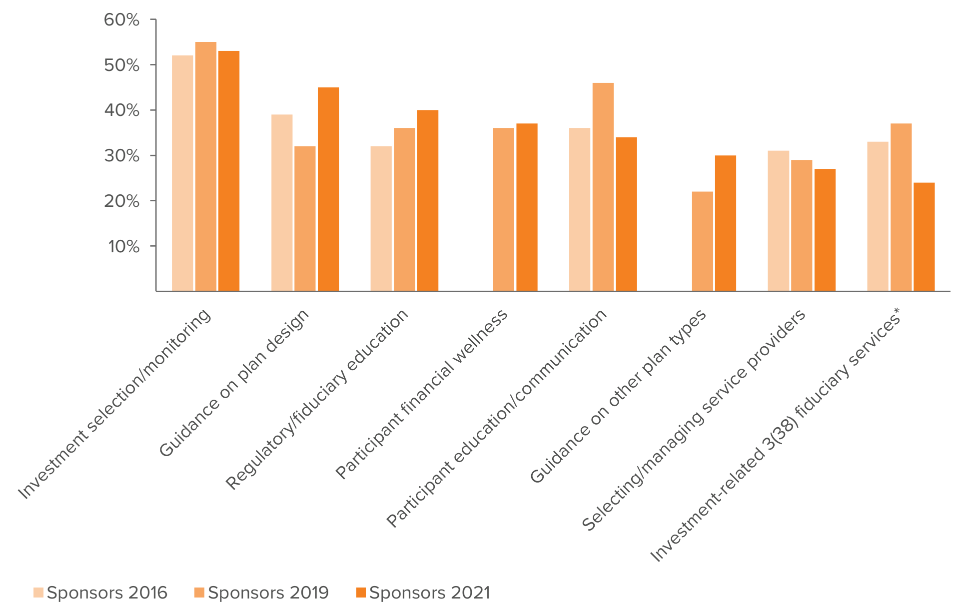


Source: Voya Investment Management, sorted by 2021 data.

Desired attributes of DC specialists

A change noted in this year's survey is that sponsors are paying more attention to plan design issues; since 2018, guidance on plan design and features is the second most frequently cited DC specialist support area (Figure 20). As in 2018, sponsors told us they are looking to specialists for a broad spectrum of guidance and support, and want higher levels of expertise.

Figure 20. Specialist support/benefit attributes most frequently cited by plan sponsors



Source: Voya Investment Management.

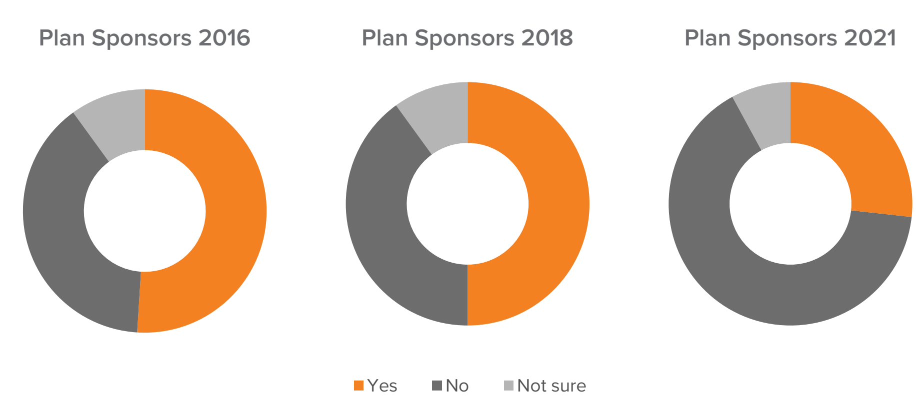
* Slight rewording: in 2018, attribute read "Investment-related fiduciary services."

Since 2016, sponsor's desire for regulatory/fiduciary education has become more important even as investment-related 3(38) fiduciary services has declined. Guidance on plan design and other plan types has risen; on the other hand, selecting/managing service providers has declined. Support of participant financial wellness has become established as a desired service. By contrast, the desire for participant education/communication has declined.

Investment fiduciaries

The 2021 survey found elevated fiduciary concerns among plan sponsors, a consequence of increased ERISA lawsuits in 2020. Also, the 2021 survey clarified a question from earlier surveys, about whether specialists provide fiduciary services, by asking if they serve as section 3(38) fiduciaries. With this added specification, sponsors and DC specialists alike less frequently indicated that this key role is performed by specialists; most often they indicated that sponsors maintained fiduciary responsibility with respect to investment selection. (Figure 21).

Figure 21. Does your DC specialist serve as an investment fiduciary?



Source: Voya Investment Management. The survey question was asked more generally before 2021.

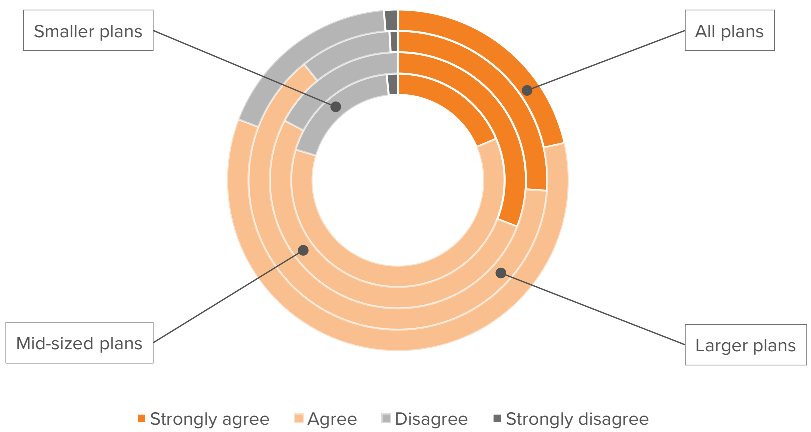
About a quarter of plan sponsors say their DC specialists have 3(38) fiduciary responsibilities, followed by third parties. Fewer than one-in-ten sponsors are not sure who has fiduciary responsibility, a fairly stable metric across surveys. Though not illustrated in Figure 21, the survey found no differences by plan size in perception of who provides 3(38) fiduciary services. Perhaps in recognition of their fiduciary responsibilities, sponsors of larger plans are more likely than sponsors of mid-size or smaller plans to say they are increasingly focused on plan participant outcomes. Yet they also say they believe passive investments relieve them of fiduciary responsibility, which is an erroneous belief.

Conclusion

Managing a retirement plan demands attention to numerous, complex issues ranging from compliance with ERISA regulations to monitoring investment options and engaging participants to help them prepare for retirement. With so many challenges and so many areas of concern, sponsors are looking more frequently to their DC plan specialists for expert assistance and guidance. More than two-thirds of plan sponsors say they have a growing need for support from their retirement plan specialist (Figure 22).

Figure 22. Plan sponsors increasingly look to DC specialists for support

Growing need for DC specialist support



Source: Voya Investment Management

The good news is plan specialists are there to help. If you wish to explore any of these issues further, please contact your specialist. A great way to help frame your conversation is to complete the *Survey of the Retirement Landscape: Plan Sponsor Benchmarking Worksheet*. It can help define your priorities and communicate them to your advisors. The worksheet can be found by visiting voyainvestments.com/sponsorperceptions.

Appendix: objectives and methodology

Brookmark Research (BM) assisted Voya IM with the development, execution, and analysis of the plan sponsor and DC specialist surveys. An Internet methodology was used to conduct the study, similar to 2018 and 2016. Plan sponsor and DC specialist surveys were very similar with only minor differences in the language used. Interviews took approximately 17 minutes to complete and were collected from mid-February to early March 2021.

The 2021 plan sponsor findings include 339 plan sponsors, targeted as follows:

Plan Assets	2016 Completes	2018 Completes	2021 Completes
$1M to < $5M	103	103	118
$5M to < $25M	100	101	110
$25M +	101	103	111

The 2021 DC specialist findings include 200 DC specialists, targeted as follows:

Retirement Focus	2016 Completes	2018 Completes	2021 Completes
Heavy (> 50% of practice revenues from employer-sponsored retirement plans)	100	101	100
Emerging (15% to 50% of practice revenues from employer-sponsored retirement plans AND at least some interest in growing that portion of business)	112	103	100

Similar to prior years, results shown for total plan sponsors were weighted to DOL plan counts provided by Voya, modified using ICI data to accommodate survey size categories ($1M to < $5M: (2016)74%/(2018)75%/(2021) 75%, $5M to < $25M: 21%/19%/20%, $25M+: 5%/5%/6%). Total DC specialist data were weighted to the natural distribution of DC specialist focus (heavy vs. emerging) as determined by survey screening (heavy focus: 27%/27%/27%, emerging focus: 73%/73%/73%).

Disclosures

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