



Is your retirement plan driving the right outcomes?

See if your plan design, lifetime income strategies, and financial wellness offerings are delivering the outcomes your plan needs.

Saving for retirement today is vastly different than it was a few decades ago. People still want to step into retirement securely, not worried about running out of money, but the path to achieving that goal is very different than it was before. A smart approach now considers the modern barriers workers face when saving for retirement, including student loans, credit card debt, caregiving, and more.

Plan sponsors have a significant interest in helping workers achieve financial wellness today and ultimately a retirement they can count on. And many offer robust benefit plans. But, plan sponsors want to know how their benefits plan is performing, and whether it compares favorably with their peer groups' programs.

Is it meeting organizational goals, such as recruiting and retaining top talent? Is the plan designed efficiently, ensuring its benefits are a strategic advantage? Prudential Retirement® offers clients an easy and free way to obtain the answers to these questions.

Prudential's Plan Health 360 tool uses data analytics and actuarial science to quantify a plan's health and efficiency, and offers suggestions on how to improve outcomes.

The challenge: a changing landscape, new stressors on the American worker

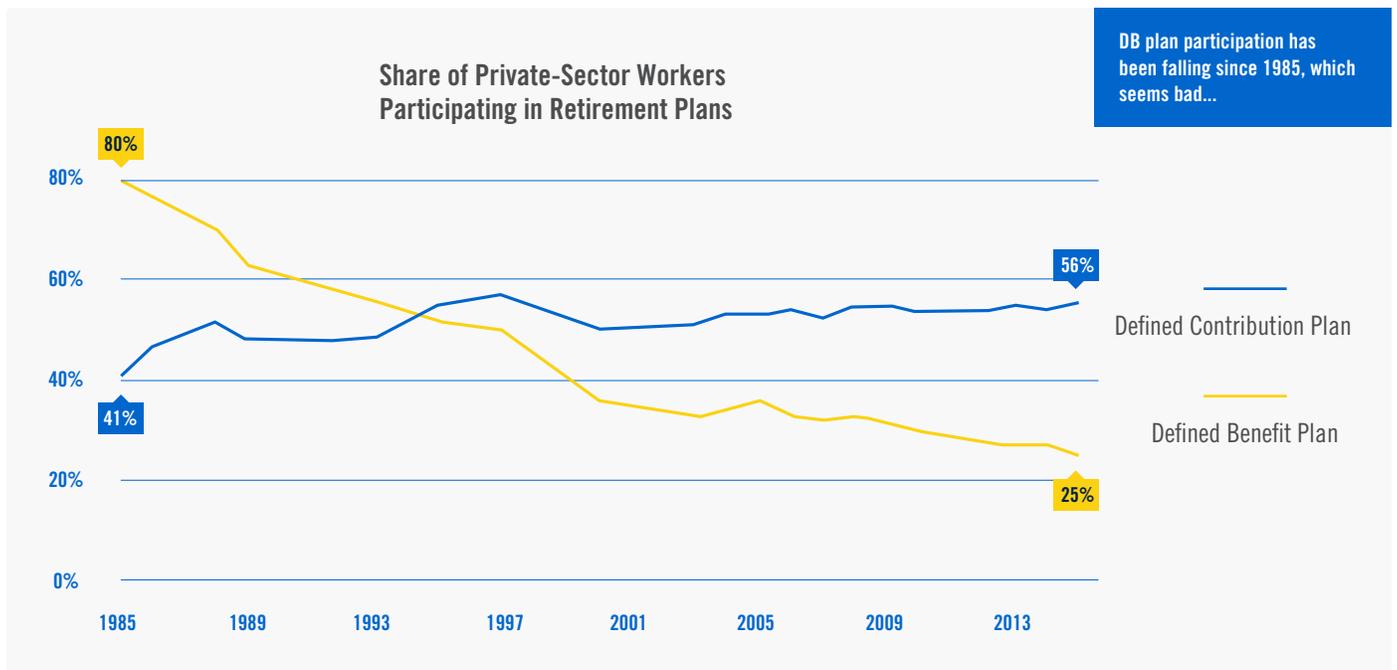
There has been a sustained shift away from traditional defined benefit (DB) pensions and toward defined contribution (DC) retirement programs. In fact, up until the 1980s, DB pensions were the most popular retirement plan offered by plan sponsors. Today, only 17% of private-sector workers have access to a pension plan.¹

Many workers used to expect they would earn a pension benefit based on their salary and years of service. And, when the time was right to retire, the pension plan would provide a guaranteed monthly check for life as a reward for years of loyal work. There was no need for workers to save part of their pay for their retirement—they had their pension and Social Security payments. They also didn't have to worry about investing their savings or how to make it last throughout their retirement years.

This is no longer the reality for the vast majority of American workers. As life expectancies improved and workers became less likely to spend their career with one employer, DB pension plans became less attractive to plan sponsors, because of the cost, and to workers, because it limited their career mobility. Therefore, DC plans have become a prevalent benefit offering, and have eclipsed DB plans in usage.

The majority (64%) of private-sector employees have access to a DC plan.² In this landscape, the burden of earning safe and secure retirement benefits has dramatically shifted to the American worker.

Many plan sponsors have DC plans, often in the form of 401(k) programs. These plans require workers to save and, in turn, sponsors often “match” some of those contributions as an incentive to participate. The powerful drivers of saving, investing, and compound interest are key for workers to retire on time with dignity and without fear of outliving their savings.



¹Bureau of Labor Statistics' 2018 National Compensation Survey

²Bureau of Labor Statistics' 2018

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Greater risk and the need for retirement savings infrastructures

As the average American worker assumes more of the financial responsibility for securing their future, there is greater risk to both them and the plan sponsor.

Worker risk is related to:	For sponsors, that risk relates to:
<ul style="list-style-type: none"> • The timing of when they start saving • Trade-offs and investment decisions made throughout their careers, such as paying off student debt or spending on caregiving at the expense of saving for retirement • Making complex choices as to when they can comfortably retire 	<ul style="list-style-type: none"> • Fiduciary liability • Providing the necessary tools for workers to save • The costs associated with delayed retirements and other workforce disruptions

A thoughtful and systematic approach

The success of retirement savings programs are dependent on how they are designed, and how well workers are positioned to participate and save in these plans. That includes an emerging focus on removing barriers to participation.

Providing tools for workers to do more with less of their money outside the retirement plan directly impacts their ability to set aside savings inside the plan.

From a plan sponsor’s standpoint, plans that are purposefully designed to stimulate employee savings, provide thoughtful default investment and income options, and offer access to managed advice are the most successful. They serve to reduce the risk of workers making investment decisions that are not fully informed and may jeopardize their retirement income. Well-designed plans also set the stage for workers to retire on time with a sufficient retirement cash flow that lasts throughout retirement.

Building a “Rock Solid” retirement plan

Retirement plan sponsors need to consider how their programs will impact workers’ behavior, and whether their program will help workers save and prepare adequately for sufficient retirement income. That’s why Prudential helps plan sponsors understand if their retirement plan is “Rock Solid.”

What makes a plan “Rock Solid?” It is the likelihood the plan will deliver on the promise of helping workers achieve successful retirements—including reducing the risk of outliving income. This can be achieved through smart plan design, financial wellness solutions for workers, and an income-for-life strategy. The saving and investing responsibilities may have moved to the worker, but the risk of failure is still shared by all. Plan sponsors have as much skin in the game as workers.

Reducing worker financial stress

Plan designs that run on “**auto pilot**” and use human inertia to set workers on the proper course of saving and investing tend to be the most successful programs. Providing access to in-plan guaranteed income and annuities is also an important factor.

Access to **financial wellness solutions**—both within and outside the plan—prove to be an economical way for plan sponsors to help their workers. Many plan sponsors also offer financial wellness programs that include assessments of financial health, educational services, debt management and repayment services, customizable financial planning tools, and access to voluntary worker benefits and financial coaching.

Plan sponsors value these programs not only for the good they can do for workers but also for the benefits they can generate for their organization. By reducing worker stress levels related to personal finances, financial wellness programs can drive greater worker productivity and higher levels of worker satisfaction. They can also drive reductions in worker absences, and create the foundation for financial security.²

⁴ Source: Prudential, “Roadmap to Financial Security: A five-stage approach” 2020.

Measuring the efficiency of your plan

Prudential's proprietary tool, called Plan Health 360, is designed to improve organizational wellness. The tool uses outcomes-driven data and actuarial science to quantify the efficiency of a retirement plan. It allows plan sponsors to make more informed decisions and gauge the impact that potential changes may have on a plan's health.

This analytical approach is purpose-built to analyze and assess expected outcomes for the participant base as a whole based on organizational wellness.

The tool assesses your plan and quantifies its efficiency in the form of a "Rock Solid Score." By capturing all benefits, including non-proprietary products, the "Rock Solid Score" empowers plan sponsors with actionable insights to achieve outcomes and encourage forward-thinking, sustainable plan health solutions. This consultative process is objective, quick, and easily accessible, all while complementing existing services. Furthermore, scores are benchmarked by industry to provide sufficient context to your organization's peer group.

FACTORING IN DB, NONQUALIFIED, AND OTHER PLANS

Plan Health 360 considers that a DC plan may be the primary vehicle, but it also includes counterpart retirement plans, such as DB plans, nonqualified plans, and Health Savings Account (HSA) savings that will supplement worker balances.

Beyond just the savings rate

Prudential recognizes saving for retirement, while critical, is only one part of the bigger picture of individuals' financial lives and their path toward financial security. If they are not financially well, saving for retirement becomes more challenging.

That's why the score factors in how well workers are engaged in the benefits of the retirement plan and the financial wellness tools. An individual's behavior is critical to their ability to retire on time with a paycheck throughout their golden years.

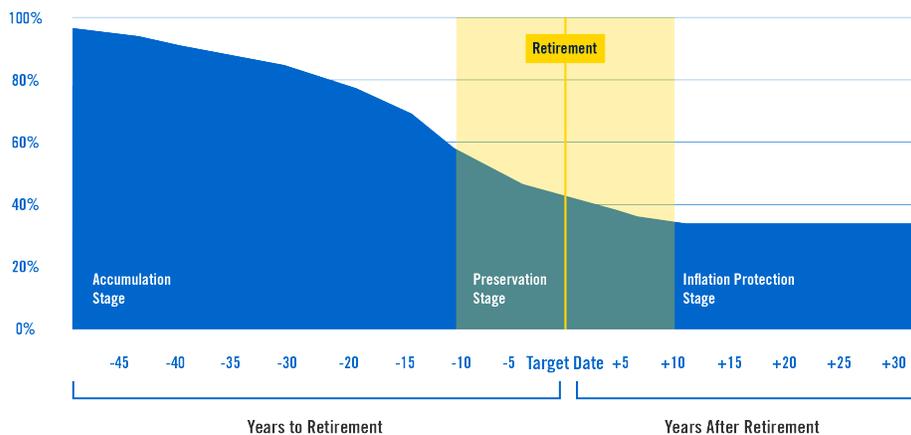
Because of the importance of financial wellness, many plan sponsors are now offering benefits such as student loan assistance programs, debt and credit counseling, budget services, and tax planning via Roth and post-tax contributions. The "Rock Solid Score" looks at both the availability of these programs to help workers with their broader financial wellness, and workers' engagement with these programs.

Further, the "Rock Solid Score" looks at workers' access to lifetime income strategies (be they annuities, guaranteed minimum withdrawal benefit funds, or any other solution) and the ability for these solutions to be integrated into the workers' glide path default. It's no longer enough to get a worker to retirement, and simply wish them good luck.

78% of Americans live paycheck to paycheck³

51% of Americans have been hurt by the pandemic and related economic fallout

The full retirement picture



³ Source: Prudential, "Roadmap to Financial Security: A five-stage approach" 2020.
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One easy-to-understand score

“Rock Solid Score” is designed to highlight successes, identify gaps, and generate a single, easy-to-understand score.

The score looks for a high level of participation within a defined contribution program. It also looks for a high rate of participation and a high average deferral rate to ensure that the retirement program truly benefits a great majority of workers.

Savings behavior is a dominant determiner of success, but even when workers save, further behaviors can set them back. So, the “Rock Solid Score” also looks at loan activity, specifically how high a percentage of the workforce is taking loans, or worse, taking out multiple loans.

The score is calibrated up to 100 points, based on several key factors, including actuarially determined thresholds and a needs-based assessment, that lay the foundation for long-term financial security.

Plan design accounts for half of the scoring logic, using a proprietary algorithm including retirement income. Scoring criteria isn’t specific to Prudential solutions or products; rather, it’s understanding all features of the plan to establish the “Rock Solid Score” designed by our actuarial and outcomes consulting teams.

THE SINGLE “ROCK SOLID SCORE” IS CALCULATED USING:

- Existing plan health data
- Financial wellness data (inclusive of retirement plan design)
- Adoption of financial wellness solutions
- Engagement

Score breakdown

An objective showcase of the rock solid impact

Lifetime Income

- Access to in-plan guaranteed income
- Access to annuity



Plan Design

- Auto enrollment
- Auto escalation
- Ratio of employee to employer contributions

Financial Wellness

- Student loan assistance
- Debt management and credit counseling
- Financial wellness assessment usage
- Retirement income calculator usage

Plan Health 360 Success Stories

Client #1	Success
Improved outcomes	A consultative Plan Health 360 analysis uncovered plan design challenges that served as the gateway for a robust discussion. This resulted in an overhaul and optimization of the plan's design using behavioral tools to encourage higher rates of deferral and participation. This was cost neutral to the plan sponsor but improved participant outcomes
Client #2	Success
More robust financial wellness resources	An analysis revealed that the plan sponsor was not offering an HSA solution. We discussed a partnership Prudential has with an HSA provider and helped the client ultimately deliver a more robust financial wellness offering. The solution provided participants with a tax advantaged way to save more for retirement and better linked the HSA with retirement in their minds.

Building your “Rock Solid” plan

There's no one more qualified than Prudential to help you do it.

As a leader in worker benefits, our Plan Health 360 tool is an evolution in our vision and approach to financial wellness, inclusive of retirement plan design.

With 145 years of experience, and our heritage in risk mitigation, Prudential has deep expertise in designing benefits workers and their families can count on. Understanding the pressures plan sponsors and fiduciaries are under to provide efficient and healthy retirement plans, this tool addresses those needs, validates the success of the plan, and helps to focus on future sustainable growth for plan sponsors.

Contact your Prudential Representative



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