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FINANCIAL WELLBEING

2024 WORKFORCE TRENDS REPORT SERIES

Benchmarks for retirement plan benefits and supporting financial coverages to maximize employee financial confidence

US EDITION

— 2024 —
WORKFORCE TRENDS REPORT SERIES

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With confidence.

2024

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2 **PHYSICAL & EMOTIONAL WELLBEING**
Medical, pharmacy, and absence management benefits along with wellbeing initiatives help to optimize overall spend.

3 **CAREER WELLBEING**
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4 **FINANCIAL WELLBEING**
Retirement plan benefits and supporting financial coverages maximize employee financial confidence.

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5 **BEST-IN-CLASS BENCHMARKING ANALYSIS**
Research on top employers shows what sets them apart in employee and organizational wellbeing.

2025

6 **STATE OF THE SECTOR**
Best practices for internal communication strategies help to build a better employee experience.

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Introduction

Providing for the financial health and wellbeing of employees is a challenging proposition for employers. Beyond pay and other compensation, what other concerns about money should be top of mind? There's an ongoing need to identify and prioritize the most supportive programs and services for a diverse workforce while maintaining the organization's overall financial health.

Employers more effectively meet the challenge of employee financial wellbeing with current insight into what aspects of their approach work well, and what could work even better. Open conversation with the workforce is often a reliable information resource that also lays the foundation for connectivity. Directly asking about their financial concerns and interests — while directly responding to their needs and priorities — helps align initiatives with employee expectations. When this becomes a routine practice, employees can see that their stake in the outcomes truly matters.

In general, employers believe saving and investing for retirement is their workforce's top need for financial wellbeing support. Building on the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, the SECURE 2.0 Act of 2022 (SECURE 2.0) is designed to expand access to employer retirement plans and encourage enrollment — marking a bold step toward boosting employee financial stability. But offering choice and flexibility is the formula for improving and sustaining employees' financial health. Across the career spectrum, matching financial wellbeing benefits with diverse financial needs and goals helps employees build a more secure future, day by day. Personal priorities often vary with situations. So individualized communications are often instrumental in connecting each employee to the right programs and resources at the right time.

Part of our US Workforce Trends Report Series, this installment covers retirement and supplemental benefits. It presents recent findings on current and emerging trends to help employers optimize their investments in financial wellbeing. Each of the other reports in the series centers on a different aspect of wellbeing.

Data and insights are compiled from a variety of Gallagher benchmarking surveys conducted each year to capture current and emerging trends. In this report, they're based on the results of our US Benefits Strategy & Benchmarking Survey, gathered from January to March 2024. A total of 3,552 organizations across the US participated.

Findings are broken out by region, organization size, and ownership structure for peer comparison. Each section features core data highlights, contains tables with detailed results, and wraps up with key takeaways. From broad insights to specific findings, you'll gain a practical perspective on trends and best practices to help you face your future with confidence.

To discuss your total rewards strategies, contact your local Gallagher representative or one of the advisors listed at the back of the report.

1

Nearly

1 in 2

Increased the importance of financial wellbeing in 2024

Financial stability impacts overall employee satisfaction and performance. As employers increase the importance of financial wellbeing, they drive organizational support for improving employee spending and saving habits.

2

+11

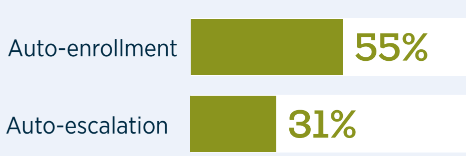
points from 2023 to 45%

Offer financial planning or wealth management services

Access to a greater variety of financial wellbeing programs and other resources continues to increase, including 1-to-1 financial coaching sessions and wealth management services. Encouraging employees to engage, through communication, supports greater utilization.

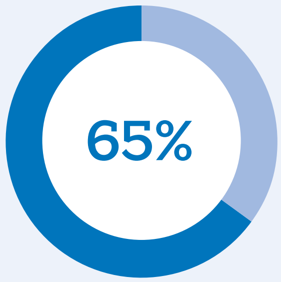
3

Methods used to promote better retirement savings habits



Future retirement plan design changes are being driven by SECURE 2.0 and will have a transformative impact on retirement readiness. Features like auto-enrollment and auto-escalation are slated to rise in 2025 when SECURE 2.0 requires new employer 401(k) and 403(b) plans to use these features.

4



Provide tuition assistance

SECURE 2.0 also allows employers to match contributions to retirement plans based on an employee's qualified student loan payments. This provision, along with tuition assistance, can increase long-term financial wellbeing for employees as they focus on a near-term financial priority.

5

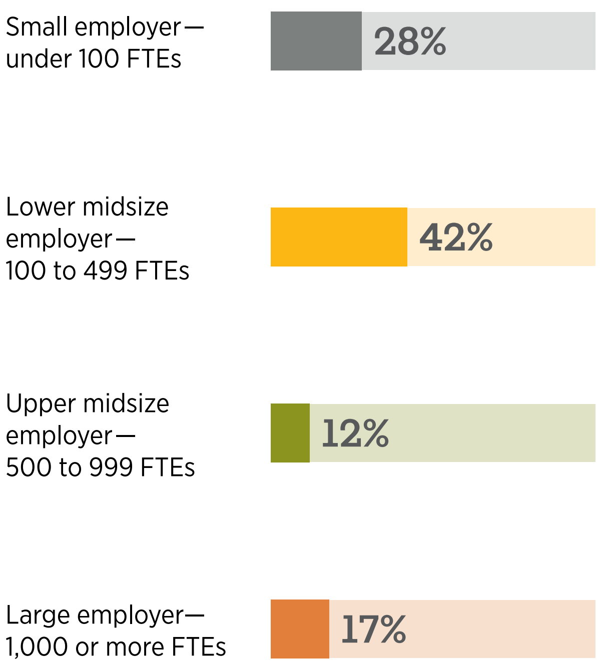
About
1 in 2

Offer some form of retirement plan to key employees

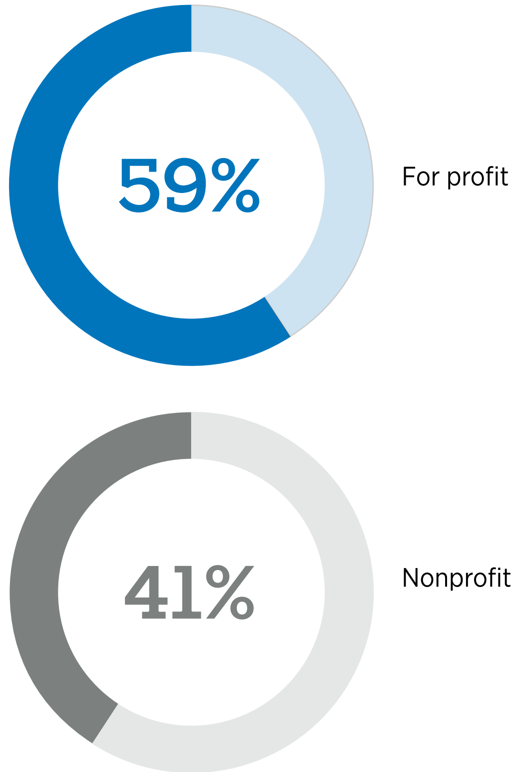
Executive benefits have become more important for organizations of all sizes due to compensation trends, inflation concerns, and other factors. Serving as effective retention tools for key employees, they provide significant financial benefits that are most attractive to employees who stay with the organization long-term.

BENEFITS STRATEGY & BENCHMARKING SURVEY PARTICIPANT PROFILE

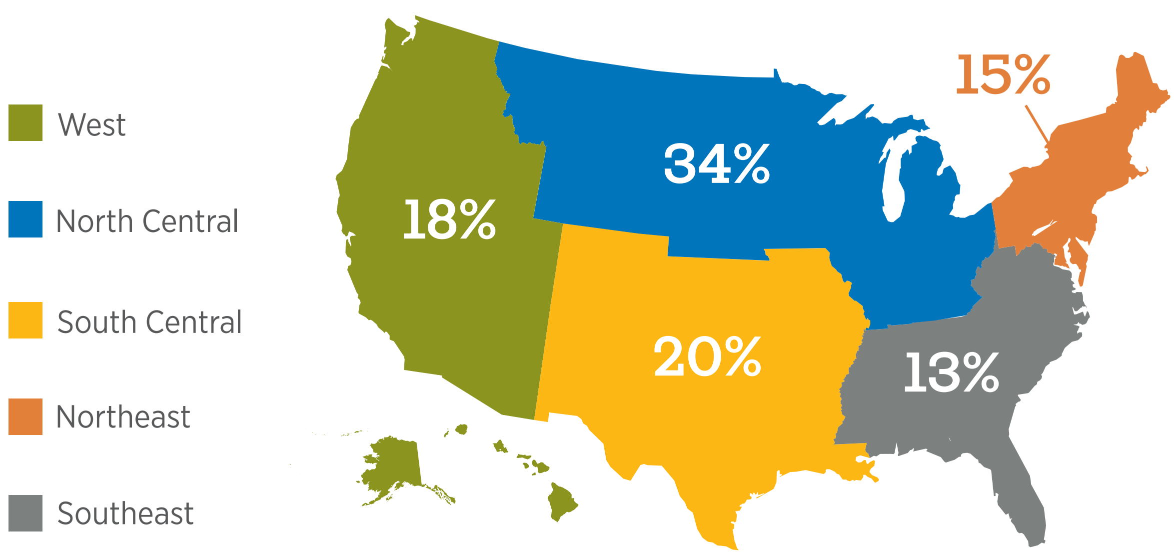
Workforce Size—Full-Time Equivalents (FTEs)



Ownership Structure



Geography



Number of Participating Organizations by Industry

Retirement Plan Benefits

Developing and implementing an effective approach to retirement plan benefits revolves around eight key themes:

- Getting a glimpse into SECURE 2.0's retirement revolution
- Addressing the retirement readiness gap using a financial plan
- Maximizing the value of retirement plans with supporting resources
- Supplementing plan solutions with education for key employees
- Comparing traditional stand-alone retirement plans with PEPs
- Reducing risk by following due diligence and governance practices
- Factoring in both fees and other costs when selecting a provider
- Adhering to fiduciary duties of loyalty, prudence, and compliance

Getting a glimpse into SECURE 2.0's retirement revolution

SECURE 2.0, passed into law more than a year ago, is designed to expand access to employer retirement plans and encourage enrollment, marking a bold step toward boosting employee financial stability. Under both the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code (IRC), a significant number of mandatory and optional rule changes were introduced.

Becoming familiar with the many compliance adjustments laid out in SECURE 2.0 is a process in itself, and employers are still learning the requirements and assessing the opportunities. New rules and guidelines need to be fully understood before they can be correctly applied within the broad scope of this legislation, including the performance of essential compliance tasks. Scaling the learning curve should then lead to gradual improvements in employee financial wellbeing as implementation progresses. Unofficially, there's widespread agreement that the impact of SECURE 2.0 will be far-reaching and long-lasting.

SECURE 2.0 TIMELINE AT A GLANCE

Effective Immediately	2023	2024	2025
• Roth option for employer matching or nonelective contributions (optional) • Disaster relief distributions (optional) • Deadline for repaying qualified birth or adoption distributions, generally three years from the date of the distribution (optional)	• Age increase in the date when required distributions begin • Reduced excise taxes on participants who miss a required minimum distribution (RMD) • Elimination of disclosure requirements for unenrolled participants • Tax credits on retirement plan startup costs for small employers • Military spouse retirement plan eligibility credit for small employers • Hardship distribution streamlining (optional) • Modest financial incentives for employees when deferring into a plan (optional)	• Reduced eligibility requirement for long-term employees who work part time • Removal of lifetime RMD requirements for Roth accounts in 401(k), 403(b), and governmental 457(b) plans • Hardship distributions for 403(b) plans • Roth contributions for catch-up deferrals (mandatory, if applicable) • Matching contributions on student loan payments (optional) • Provisions for emergency distributions (optional) • Provisions for emergency savings accounts (optional) • Increase in cash-out limit (optional) • Distributions to victims of domestic abuse (optional) • Additional or increased nonelective contributions for the prior year (optional)	• Expanded automatic enrollment (mandatory, if applicable) • Higher catch-up contribution for participants at age 60 (optional) • Reduction in eligibility requirement for long-term part-time workers (mandatory)

Several SECURE 2.0 provisions are designed to encourage enrollment in employer-sponsored retirement plans and subsequent savings for participants. One broadly impactful change affects 401(k) and 403(b) plans. Beginning in 2025, employers starting a new plan must automatically enroll eligible employees at a contribution rate of at least 3%, based on certain criteria. Stipulations include having more than 10 employees and being in business for three or more years.[1]

Employers have the option to allow higher catch-up contributions for participants at age 60, thereby increasing their potential savings. Currently, individuals aged 50 and up are eligible to make a $7,500 catch-up contribution. Starting on January 1, 2025, this contribution increases to $10,000 annually for those aged 60 to 63, and the amount is indexed to inflation.[1]

Overall, matching options have expanded for employers. Under SECURE 2.0, they can now contribute directly to a Roth 401(k) — funds no longer need to flow through a traditional pretax account. Key benefits for employees are tax-free growth and tax-free qualified distributions in retirement. However, employers may also continue to offer pretax matches under this optional provision.[1]

SECURE 2.0 also creates access to savings for a wider range of financial circumstances. Employers may make retirement funds available under new distribution options, along with pension-linked emergency savings accounts. And even if the plan doesn't make the new optional distributions available, eligible participants can still receive an exception to the 10% additional tax on early or pre-59½ distributions — including emergency expenses — or domestic abuse victim distributions.

Savings can also get a boost from an allowance that permits a rollover from a 529 account into a Roth IRA of up to $35,000. This helps avoid nonqualified withdrawals and penalties when unused 529 account funds are accessed. Rollovers are subject to Roth IRA annual contribution limits, so beneficiaries aren't able to transfer the entire amount at one time.[1]

Student loan repayments that benefit employees with debt burdens are the focus of another SECURE 2.0 provision. Borrowers have an average of $37,338 in federal student loan debt and $54,921 in private student loan debt. But starting in 2024, SECURE 2.0 permits matching employer contributions to retirement plans on the basis of employees making qualified student loan payments.[1] This new provision is available to those that sponsor a 401(k), 403(b), governmental 457(b) plan, or SIMPLE IRA. And it gives employers another tool for increasing employee financial wellbeing while supporting attraction and retention.

Addressing the retirement readiness gap using a financial plan

Financial stress affects workforce engagement, performance, and all aspects of wellbeing. With emotional, physical, career, and even organizational wellbeing also at risk, working to reverse this trend comes with high stakes for employees and employers alike. In fact, low investments in employee financial health are associated with escalating benefit costs.

Employees appear optimistic about their current and future financial state, but a closer look reveals a different reality below the surface. The majority (60%) have no documented plan on how they'll secure financial stability now or in retirement. This is for one of two reasons — they either don't believe their assets warrant this step (19%) or they're still considering if they need one (41%).[2]

Some employees delay retirement and stay in the workforce longer than they need or want to be, often because they don't know how to assess when the time is right to make this move. Economic concerns, including marketplace volatility and interest rates, are likely causing a number of retirement-ready workers to delay their departures — even when they're financially prepared. And others may have fixed their sights on the traditional age of 65 but haven't fully examined whether that goal squares with their financial reality. Educating employees early and often provides better insights that support better decisions.

Short-term goals, longer-term goals, retirement, and preparation for disbursement of wealth upon death constitute a continuum of priorities that require a structured approach. Helping employees establish a financial plan can support retirement readiness and enhance their savings.

3 in 5

Lack a financial plan with documented actions on how they'll secure financial stability now and in retirement[2]

TECHNOLOGY & INNOVATION INSIGHT

Financial wellbeing technologies are increasingly helping employees navigate the right balance between short-term budgeting and long-term planning. Historically, modelers and decision-support tools focused largely on retirement projections. But with SECURE 2.0 and an increasing awareness that many employees are struggling with finances, employers are now offering tools that let employees decide how they want to benefit from employer-provided contributions, including the help of a financial planner. Recent graduates with high student loan debt can focus on loan repayment, while those approaching retirement age can maximize asset accumulation. Artificial intelligence (AI) helps individuals make the right selections on new plan options. And push notifications and chatbots provide on-demand access to current balances, alert employees when new options are available, and customize resource recommendations. Aggregated dashboards highlight the full financial value of an employee's benefits and guide better decisions about their 401(k), HSA, equity plans, and other financial and retirement planning interests.

PLAN DESIGN

Maximizing the value of retirement plans with supporting resources

Planning ahead for retirement helps build financial wellbeing, and sooner is better for optimal results. The origin of the 401(k) dates back to the Revenue Act of 1978. At that time, it was considered a supplemental savings vehicle to the employer's existing retirement program, typically a defined benefit (DB) pension plan.

Fast forward to the present and defined contribution (DC) plans such as a 401(k) or 403(b) are the most prevalent instruments, offered by 72% and 21% of organizations, respectively. Only 15% still provide a DB option. Among this contingent, 1 in 5 plans (20%) are frozen and 2% expect to terminate them by 2026.

Access to a retirement plan is available to employees at almost 9 in 10 organizations (88%), usually immediately upon hire (37%) or within the first 3 months (38%). Those who enroll are often better situated to steer their financial wellbeing in the right direction. By promoting enrollment and encouraging active involvement, employers can help participants increase the probability of on-time retirement.

The ability to retire by their target date clearly benefits employees, but it may also leave their organization in a better financial position because related costs are often lower. Mutually beneficial outcomes like these are achieved when employers drive plan participation using effective financial tools and other resources. A key part of this process is tracking metrics to identify adjustments that support optimal outcomes. Eighty-one percent (81%) of employees want better resources for maximizing their financial benefits, and 96% of HR leaders agree there's room for improvement in providing them.[3]

SHARED VIEWS ON THE NEED FOR FINANCIAL WELLBEING RESOURCES[3]

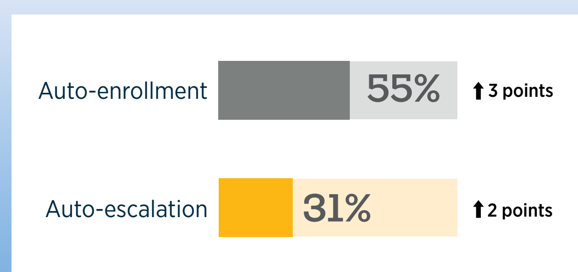
Organizations set themselves apart when they solidify overall workforce financial wellbeing. Everyone gains when engagement in retirement programs is increased and sustained, and knowing where to find individualized support ranks high for employees. Their comfort with investment decisions substantially increases when they work with a financial advisor in person, use online advice, or receive guidance over the phone. Financial knowledge and confidence that 401(k) plan savings are adequate also tend to be better.[4]

Consensus among employers has identified saving and investing for retirement as employees' top needs for financial wellbeing support. Backed by data that validates this belief, efforts to encourage or reinforce habits that improve personal financial management are growing. And the outcomes could have a widespread impact. Low-income workers are often forced to self-finance a larger portion of their pre-retirement income than high-income workers. However, a shortfall of funds needed for retirement occurs at all income levels, even when Social Security is included.[5]

Adding another measure of progress — and a significant one — auto-enrollment and auto-escalation are working. In plans that auto-enroll employees, 91% of eligible participants save for retirement compared to 28% that join voluntarily.[5] Modest adjustments to the targeted savings rate are frequently all that's needed to boost retirement readiness. And many plans have applied incremental default rate increases for participants in recent years.

Auto-enrollment rose 3 points in 2024 to 55%, while auto-escalation rose 2 points to 31% — but the pace for both is about to accelerate. SECURE 2.0 requires employers with a new 401(k) or 403(b) plan to automatically enroll employees starting in 2025. The initial contribution rate for participants is set at 3%–10%, and it increases by 1 percentage point each year up to 15%. However, choice and flexibility aren't affected because employees can change their contribution rate or opt out of the plan. Some organizations qualify for an exemption, including small companies with fewer than 10 employees, new companies in business for less than three years, and church or government agencies.[6]

METHODS USED TO PROMOTE BETTER SAVINGS HABITS — 2024 VS. 2023



Currently, more than 4 in 5 employers (84%) set the initial salary deferral for auto-enrollment at 3.0% or above. Ranges are typically 3.0%–3.9% (36%) or 6.0%–6.9% (20%). With respect to auto-escalation, the salary plan cap or maximum deferral rate is 10.0% or above for 72% of employers. Most often, the ranges are 10.0%–10.9% (30%) or 14.0% or higher (39%).

Movement toward offering shorter timelines for retirement plan vesting also continues this year as part of an effort to enhance total rewards. Changing workforce dynamics are influencing this trend, including more frequent job switching among younger generations. Nearly 2 in 5 employers (38%) permit immediate vesting. Another 17% apply a 1–3 year cliff, and 38% use a graded approach of either 2–3 years (7%) or 4–6 years (31%).

Have a retirement program

Category	Base	Yes	No
ALL	3,314	88%	12%
North Central	1,162	87%	13%
Northeast	514	90%	10%
South Central	651	87%	13%
Southeast	421	91%	9%
West	566	90%	10%
For Profit	1,907	86%	14%
Nonprofit	1,331	93%	7%
Under 100 FTEs	891	80%	20%
100 to 499 FTEs	1,394	90%	10%
500 to 999 FTEs	390	94%	6%
1,000 or more FTEs	605	94%	6%

Types of active retirement plans offered

Category	Base	401(k)	403(b)	457	DB (pension)	Nonqualified deferred compensation	Simple IRA	Other
ALL	2,810	72%	21%	19%	15%	7%	3%	10%
North Central	997	67%	24%	21%	15%	8%	4%	9%
Northeast	439	68%	25%	10%	10%	9%	2%	13%
South Central	526	74%	18%	25%	14%	4%	3%	11%
Southeast	367	78%	18%	20%	15%	10%	2%	11%
West	481	78%	16%	17%	17%	6%	6%	7%
For Profit	1,554	97%	1%	1%	5%	9%	3%	8%
Nonprofit	1,200	40%	47%	42%	27%	5%	4%	13%
Under 100 FTEs	677	72%	17%	9%	9%	2%	9%	6%
100 to 499 FTEs	1,209	72%	20%	18%	14%	4%	2%	12%
500 to 999 FTEs	358	69%	24%	27%	21%	6%	1%	11%
1,000 or more FTEs	542	73%	27%	29%	20%	22%	1%	10%

Current and projected status of the DB plan over the next 3 years

Category	Base	Active, not expected to be frozen	Active, expected to be frozen	Frozen, not intended to be terminated	Frozen, intended to be terminated
ALL	404	78%	1%	18%	2%
North Central	150	81%	1%	17%	1%
Northeast	36	67%	0%	28%	6%
South Central	80	71%	1%	26%	1%
Southeast	57	79%	4%	14%	4%
West	81	85%	0%	11%	4%
For Profit	83	48%	2%	42%	7%
Nonprofit	311	86%	1%	12%	1%
Under 100 FTEs	53	91%	4%	6%	0%
100 to 499 FTEs	164	80%	2%	16%	2%
500 to 999 FTEs	74	84%	0%	15%	1%
1,000 or more FTEs	112	65%	0%	30%	4%

Eligibility waiting period for plan participation

Category	Base	Immediate	Up to 3 months	4–6 months	7–11 months	1 year
ALL	2,011	37%	38%	12%	2%	12%
North Central	723	38%	38%	11%	2%	11%
Northeast	283	43%	35%	12%	1%	9%
South Central	394	36%	37%	12%	2%	13%
Southeast	279	35%	38%	13%	2%	12%
West	332	31%	43%	10%	2%	14%
For Profit	1,276	28%	45%	14%	2%	11%
Nonprofit	702	52%	26%	7%	1%	14%
Under 100 FTEs	442	31%	30%	16%	2%	20%
100 to 499 FTEs	863	32%	42%	13%	2%	11%
500 to 999 FTEs	246	43%	39%	9%	1%	8%
1,000 or more FTEs	442	49%	39%	4%	2%	6%

Plan uses auto-enrollment

Category	Base	Yes	No
ALL	2,540	55%	45%
North Central	874	58%	42%
Northeast	394	54%	46%
South Central	484	52%	48%
Southeast	343	57%	43%
West	445	50%	50%
For Profit	1,535	57%	43%
Nonprofit	968	52%	48%
Under 100 FTEs	595	38%	62%
100 to 499 FTEs	1,084	54%	46%
500 to 999 FTEs	315	68%	32%
1,000 or more FTEs	525	68%	32%

Initial deferral percentage

Category	Base	Less than 2.0%	2.0%–2.9%	3.0%–3.9%	4.0%–4.9%	5.0%–5.9%	6.0%–6.9%	7.0% or more
ALL	1,350	6%	9%	36%	13%	11%	20%	4%
North Central	499	5%	9%	38%	13%	9%	21%	4%
Northeast	200	6%	9%	34%	16%	11%	23%	3%
South Central	248	6%	10%	41%	15%	6%	19%	4%
Southeast	194	8%	11%	32%	13%	13%	15%	7%
West	209	7%	9%	33%	11%	15%	20%	4%
For Profit	851	4%	8%	38%	13%	10%	24%	2%
Nonprofit	483	10%	12%	34%	13%	11%	12%	7%
Under 100 FTEs	221	9%	9%	43%	15%	5%	16%	4%
100 to 499 FTEs	571	7%	10%	32%	10%	12%	25%	4%
500 to 999 FTEs	201	5%	8%	36%	13%	15%	19%	3%
1,000 or more FTEs	351	4%	10%	39%	18%	9%	16%	4%

Plan uses auto-escalation

Category	Base	Yes	No
ALL	2,480	31%	69%
North Central	862	35%	65%
Northeast	384	33%	67%
South Central	468	28%	72%
Southeast	331	30%	70%
West	435	26%	74%
For Profit	1,499	35%	65%
Nonprofit	944	25%	75%
Under 100 FTEs	585	16%	84%
100 to 499 FTEs	1,051	31%	69%
500 to 999 FTEs	308	40%	60%
1,000 or more FTEs	515	44%	56%

Cap or maximum deferral percentage

Category	Base	Less than 6.0%	6.0%–6.9%	7.0%–7.9%	8.0%–8.9%	9.0%–9.9%	10.0%–10.9%	11.0%–11.9%	12.0%–12.9%	13.0%–13.9%	14.0% or more
ALL	707	11%	12%	1%	2%	1%	30%	0%	3%	0%	39%
North Central	285	8%	13%	1%	2%	1%	32%	1%	2%	0%	41%
Northeast	115	12%	10%	3%	2%	1%	27%	0%	5%	1%	39%
South Central	116	17%	16%	0%	1%	2%	30%	0%	1%	0%	34%
Southeast	92	12%	10%	1%	4%	1%	24%	0%	4%	0%	43%
West	99	13%	13%	2%	3%	3%	31%	0%	0%	0%	34%
For Profit	493	9%	12%	1%	2%	1%	30%	0%	3%	0%	41%
Nonprofit	205	16%	15%	1%	2%	2%	27%	1%	0%	0%	35%
Under 100 FTEs	86	17%	12%	1%	3%	1%	31%	0%	1%	0%	33%
100 to 499 FTEs	296	11%	14%	1%	2%	2%	24%	0%	3%	1%	42%
500 to 999 FTEs	111	10%	10%	1%	2%	3%	33%	2%	1%	0%	39%
1,000 or more FTEs	210	10%	12%	2%	2%	0%	35%	0%	3%	0%	36%

Match employee contributions

Category	Base	Yes	No
ALL	2,577	82%	18%
North Central	888	83%	17%
Northeast	398	79%	21%
South Central	484	85%	15%
Southeast	352	86%	14%
West	455	80%	20%
For Profit	1,553	87%	13%
Nonprofit	981	75%	25%
Under 100 FTEs	610	77%	23%
100 to 499 FTEs	1,095	83%	17%
500 to 999 FTEs	317	81%	19%
1,000 or more FTEs	532	88%	12%

Average percentage matched (e.g., match 50% of an employee's contribution)

Category	Base	Less than 25%	25%–49%	50%	51%–74%	75%–99%	100%
ALL	2,022	21%	6%	26%	3%	7%	37%
North Central	708	21%	8%	28%	3%	6%	34%
Northeast	296	22%	5%	29%	3%	7%	33%
South Central	394	22%	6%	21%	2%	7%	43%
Southeast	283	16%	6%	24%	3%	9%	42%
West	341	22%	4%	24%	5%	8%	37%
For Profit	1,283	17%	7%	28%	4%	9%	35%
Nonprofit	705	27%	4%	21%	2%	5%	42%
Under 100 FTEs	444	31%	6%	20%	2%	5%	36%
100 to 499 FTEs	870	20%	6%	25%	4%	7%	38%
500 to 999 FTEs	244	18%	6%	28%	2%	8%	38%
1,000 or more FTEs	445	13%	6%	32%	2%	9%	37%

Maximum match as a percentage of the employee's salary (e.g., match the first 6%)

Category	Base	1%	2%	3%	4%	5%	6%	7% or more
ALL	2,050	2%	4%	15%	28%	17%	24%	10%
North Central	720	2%	4%	16%	28%	16%	24%	10%
Northeast	296	3%	4%	16%	27%	21%	20%	9%
South Central	395	3%	3%	11%	29%	17%	26%	11%
Southeast	293	1%	4%	16%	28%	15%	28%	9%
West	346	1%	6%	18%	29%	19%	20%	8%
For Profit	1,298	2%	3%	15%	32%	17%	26%	7%
Nonprofit	720	3%	6%	16%	22%	18%	20%	14%
Under 100 FTEs	460	2%	4%	19%	32%	17%	18%	8%
100 to 499 FTEs	880	2%	3%	17%	28%	18%	23%	9%
500 to 999 FTEs	245	1%	4%	14%	29%	18%	23%	10%
1,000 or more FTEs	447	2%	6%	9%	25%	15%	32%	12%

Plan's vesting schedule

Category	Base	Immediate	1–3 year cliff	2–3 year graded	4–6 year graded	Other
ALL	2,019	38%	17%	7%	31%	7%
North Central	711	34%	20%	6%	33%	6%
Northeast	293	43%	19%	8%	24%	7%
South Central	392	35%	15%	7%	35%	7%
Southeast	282	43%	16%	8%	27%	6%
West	341	44%	14%	5%	32%	6%
For Profit	1,283	40%	15%	6%	32%	6%
Nonprofit	704	35%	21%	7%	29%	9%
Under 100 FTEs	438	43%	13%	6%	29%	8%
100 to 499 FTEs	865	39%	16%	7%	34%	5%
500 to 999 FTEs	253	38%	15%	6%	31%	11%
1,000 or more FTEs	445	33%	26%	8%	27%	6%

Supplementing plan solutions with education for key employees

About half of employers (49%) offer some form of retirement benefit to key employees, and in 2024 there's a potential financial risk that participants in a standard 401(k) should be aware of. If the amount of their earnings exceeds the highly compensated annual threshold of $155,000, accumulating savings are likely to miss the target for covering their retirement income replacement needs. Compensation limits and possibly other rules could prevent them from meeting a core financial goal.

About 1 in 2

Offer some form of retirement plan to key employees

Providing a nonqualified retirement plan or a deferred compensation plan narrows the savings gap. But many highly compensated employees (HCEs) are keenly interested in educational support for managing their financial investments, so they can optimize the benefits.

Executive benefits have become more important for organizations of all sizes due to compensation trends, inflation concerns, and other factors. At equal rates of 17% each, nonqualified deferred compensation (NQDC) plans funded by voluntary participant deferrals or employer contributions are offered most frequently. Both options support succession planning and positive brand perception. For individuals, they also help narrow the gap between a qualified plan's contribution limits and the replacement income that an HCE expects in retirement.

Increasingly popular, NQDC plans are now offered by 83% of S&P 500 companies. A notable change in 2024 is an uptick in those under $1 million.[7] Distinct features include exemption from ERISA regulations and restriction to a select group of employees. If a common design is used, these plans also have the potential to pay for themselves because participants receiving performance awards are in charge of growing the business. Thoughtful design of these NQDC plans encourages retention through vesting schedules.

Saving for retirement and mitigating asset taxes once that threshold is reached gives HCEs a key financial planning advantage. They're allowed to defer compensation to an NQDC plan above the qualified maximums but owe taxes on the deferrals plus any earnings when they actually receive the money. Complex rules tend to govern this type of plan. So it's often helpful for sponsors to thoroughly review and compare available options, in preparation for making appropriate changes if needed. Alignment with organizational goals and compliance with any applicable Section 409A regulations are essential.

Key employees may also benefit from one of two sector-specific plans. They include a 457(b) that's generally intended for HCEs in nonprofits (19%) and a 457(f) executive benefit that applies to HCEs in nonprofits or state and local governments (5%). Also, a select few offer a split-dollar insurance plan (2%), which is used to incentivize pivotal contributors to stay with the organization. Though only 7% have an IRC Section 162 executive bonus plan, this rate nearly doubles for large employers (13%).

Under SECURE 2.0, any employee whose wages exceeded $145,000 in the prior year must make catch-up contributions on a Roth-only, after-tax basis. Another rule change activated this year disallows pretax catch-up contributions to employer-sponsored retirement plans. But the IRS applied an administrative delay, which pushed the deadline to implement this change to the end of 2025. The restrictions imposed by these revisions make NQDC plans even more attractive as tax-efficient savings options for key talent.

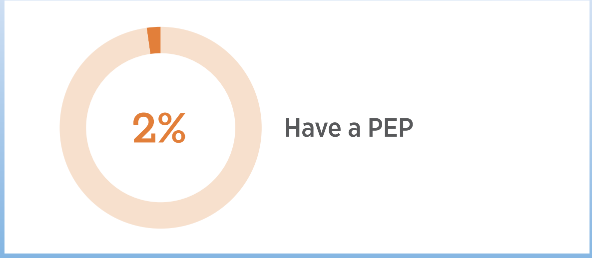
Types of retirement plans offered to key employees

Category	Base	Executive bonus plan (IRC Section 162)	NQDC (voluntary participant deferrals)	NQDC (employer contributions)	Split dollar	457(b)	457(f)	Other	Not applicable
ALL	2,231	7%	17%	17%	2%	19%	5%	7%	51%
North Central	825	7%	19%	19%	2%	20%	5%	6%	50%
Northeast	311	7%	19%	18%	3%	17%	7%	6%	50%
South Central	433	6%	13%	18%	4%	24%	5%	10%	48%
Southeast	283	10%	17%	16%	2%	17%	6%	7%	48%
West	379	6%	16%	14%	1%	14%	3%	6%	58%
For Profit	1,199	8%	22%	20%	1%	2%	0%	7%	58%
Nonprofit	993	6%	11%	14%	4%	40%	10%	6%	42%
Under 100 FTEs	535	4%	9%	14%	2%	8%	2%	7%	66%
100 to 499 FTEs	933	6%	14%	17%	4%	18%	3%	7%	52%
500 to 999 FTEs	290	6%	18%	17%	2%	24%	5%	7%	46%
1,000 or more FTEs	456	13%	30%	23%	0%	29%	12%	7%	32%

POOLED RETIREMENT PLANS

Comparing traditional stand-alone retirement plans with PEPs

In March 2023, about 73% of full-time and part-time American civilians had access to retirement benefits at work, and 56% participated in their employer-sponsored plan.[8] Recent legislation enacted by more than half of all US states requires private-sector businesses to offer a state-facilitated IRA program, depending on their size, if they don't have an employee retirement plan. Among small employers, this continuing trend has increased interest in setting up their own plans.[9]



Alternatives to a traditional stand-alone retirement plan include pooled employer plans (PEPs) or retirement plan exchanges, which can reduce the time, effort, cost, and liability of plan sponsorship. In addition to the ability to negotiate lower administrative fees, a PEP allows employers to access a broader range of investment options and resources, and provides financial education to employees.

There's another reason to take a closer look at PEPs, currently used by just 2% of employers. PEPs also open the door to institutional-grade investments and risk sharing, which offers more predictable income streams in retirement. Potentially, these advantages may also boost the appeal and competitive standings of employers.

Despite the upsides of a PEP, several factors should be well-vetted. Assessing additional or hidden costs, any administrative burdens that remain, and acceptance of restrictions helps determine whether this plan is the right choice for employees.

Structure of the 401(k) plan

Category	Base	Single employer plan	PEP	Multiple employer plan or association plan
ALL	1,922	91%	2%	5%
North Central	637	94%	1%	3%
Northeast	277	92%	1%	4%
South Central	376	91%	2%	5%
Southeast	276	88%	2%	8%
West	356	89%	4%	4%
For Profit	1,444	93%	2%	3%
Nonprofit	448	86%	2%	9%
Under 100 FTEs	450	91%	4%	3%
100 to 499 FTEs	828	91%	2%	5%
500 to 999 FTEs	234	89%	1%	7%
1,000 or more FTEs	395	94%	1%	4%

FIDUCIARY BEST PRACTICES & DUE DILIGENCE

Reducing risk by following due diligence and governance practices

DC retirement plan sponsors usually offer participants a menu of investment options. And an important part of due diligence is selecting and monitoring these investments to determine whether they meet set standards for prudence. Overseen by designated committee members, this process primarily focuses on insulating the board of directors from fiduciary claims associated with investment selection or merger governance practices. Conducting quarterly reviews best fits the renewal schedule for most plans, unless they have employer stock or exceptionally complex investments. In these cases, more frequent evaluation may be helpful.

Retirement plan sponsors have a fiduciary responsibility to act as prudent professionals, considering only the interests of plan participants to help ensure their actions are not self-serving. Steady oversight of plan investments and administration is necessary to achieve that end, but excessive fees and lawsuits are making that pursuit more rigorous. As the expense of fiduciary liability insurance increases and access decreases, noncompliance risks are rising.

SECURE 1.0 and 2.0 are offering some relief by limiting the administrative burden of organizations that offer plans. The courts continue to seek middle ground between proper redress for participants and unfounded lawsuits that take advantage of fiduciaries.

Factoring in both fees and other costs when selecting a provider

Navigating service provider relations can be a smoother and more effective process with the help of an advisory team. Retirement plan guidance, especially on potential compliance issues, is important when the organization is undergoing mergers, acquisitions, and other structural changes.

Usually, organizations choose a service provider every 3–5 years. Plan sponsors that benchmark or conduct an RFP can obtain and evaluate candidate criteria such as cost, service selection, and quality in compliance with fiduciary duties. Once a provider is chosen, continually monitoring their performance is a best practice.

Quality is a critical factor for investment decisions and related services. With respect to costs, the least expensive provider isn't required by ERISA, but comparisons are encouraged. Fees also warrant careful consideration, but fiduciary duties allow some leeway when making decisions. For compliance purposes, it's important that plan sponsors document the reason for choosing an alternative to the lowest-cost option, including what was purchased in exchange for the added expense.

Providing plan participants with guidance on investing is a key responsibility of fiduciary financial advisors. Other qualifications extend their value, including the application of a service model that keeps overall financial wellbeing at the forefront. To help employees achieve their financial goals, most employers also offer advisor sessions that encourage the optimal use of supporting benefits. Strategically, advisors can assist with mapping a course to address current financial stressors — while keeping an eye on the future by planning next steps. They guide employees in selecting appropriate resources based on their individual financial situation.

Adhering to fiduciary duties of loyalty, prudence, and compliance

Process and documentation are the most critical proof points for adherence to fiduciary requirements. Litigation is one well-known risk of non-observance, and organizations should also be aware that another is a Department of Labor plan administration audit.

Proper oversight of the retirement plan requires specific actions, including the principal responsibility of expedient contributions into the trust after funds have been withheld from participants' paychecks. Additional responsibilities are loan policy compliance, observance of required distribution rules, and monitoring both the legitimacy of participant hardship distributions and the sufficiency of cybersecurity protocols.

Strictly following a prudent and documented process is the most reliable practice for both preventing and defending against a potential fiduciary breach claim. Courts don't make exceptions for 20/20 hindsight in matters of fiduciary accountability. They focus on whether the fund selection was prudent based on the available facts and circumstances when the decision was made.

Key Takeaways

Future retirement plan design changes will be driven by SECURE 2.0. The industry is still deciphering the complexity of this legislation, including requirements for measurement and testing as well as associated timelines. To date, SECURE 2.0 has made marked progress in raising awareness and increasing discussions about financial provisions, but recordkeeper complexities and the regulatory environment have slowed implementation. A more substantial impact in 2025 and 2026 is anticipated.

Increased financial wellbeing becomes more important each year for both employees and employers. Recognition is growing that mental and physical health is impacted by financial health, and employees are experiencing a financial confidence and retirement gap. For many, the cause is the absence of a personal financial plan. Designing benefits personalized to individual circumstances helps in meeting regulatory compliance while improving loyalty and productivity.

Employee financial wellbeing is rooted in strong support for retirement planning. A well-designed 401(k) plan can grow sufficient retirement savings, as long as employees correctly estimate the level required and start saving early on. But there's a catch — continual plan design changes, new investment choices, and updated technology resources can complicate financial and retirement planning decisions. Employers are in a position to help, and taking that opportunity can improve outcomes for all stakeholders.

Responding to the diverse financial needs of employees promotes more equitable retirement planning outcomes. Earnings and wealth disparities, financial literacy, and family structures often affect the ability to save. But employees with access to effective financial wellbeing resources, such as targeted education, are often better positioned to maximize their potential at every point along the income spectrum. Strategically adding tools and other resources is often helpful — as a complement to investing in better education. First, it's important to identify what's currently available and how well it works, followed by necessary improvements. Communicating the value of education and encouraging the use of supporting benefits can then take on new meaning for employees through discovery.

NQDC plans are valuable tools for both employees and employers. Serving as effective retention tools for key employees, they provide significant financial benefits that are most attractive to employees who stay with the organization long-term. Better education and communication about these plans could enhance their adoption and appreciation.

Supporting Financial Coverages

Developing and implementing an effective approach to supporting financial coverages revolves around four key themes:

- Choosing the right solutions for easing employee financial stress
- Helping employees make the most of multiple HSA benefits
- Driving interest in the added coverage offered by limited-purpose FSAs
- Funding educational goals that benefit employees and employers alike

Choosing the right solutions for easing employee financial stress

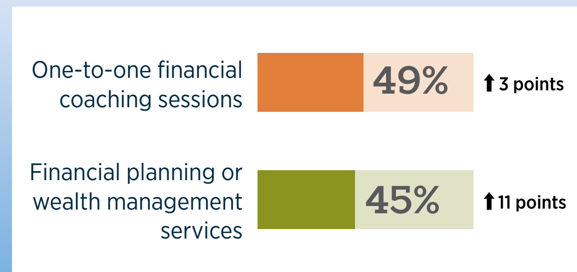
Second only to emotional wellbeing, the importance of employee financial wellbeing has increased for nearly half of employers (47%) in 2024. But they may believe it's more common than it actually is. Recent research found that over 4 in 5 employees (85%) see a connection between financial stress and their mental health. Broadening the focus to overall health, another 57% agree their financial situation influences their healthcare decisions.[1]

This same study also revealed a concerning gap in financial confidence. While 94% of employees have a positive outlook on their current financial situation, only 37% think their savings strategy will meet their retirement goals. Understandably, 65% identify saving for retirement as their top financial stressor. Other stressors in the top five include inflation issues, saving for vacations and leisure activities, unexpected emergency expenses, and affording medical care or health insurance.[1]

GAP IN NEAR-TERM AND LONG-TERM EMPLOYEE FINANCIAL CONFIDENCE[1]

Financial confidence can markedly improve when holistic support for financial wellbeing emphasizes retirement preparation as a core goal. About 9 in 10 employers (91%) offer at least one program or resource, and there's an encouraging trend toward providing access to more opportunities. One-to-one coaching sessions, which provide personalized financial guidance, are available to employees at 49% of organizations, up 3 points from 2023. And financial planning or wealth management services increased substantially to 45%, up 11 points. Growth occurred for employers of all sizes, especially midsize and large.

INCREASE IN INDIVIDUALIZED FINANCIAL PLANNING SUPPORT — 2024 VS. 2023



What employees want the most is access to financial advice. Key topics include reviews of 401(k) investments and savings rates (66%), personal decisions about investment savings (52%), a major economic event (45%), or a major life event (43%).[1] Combined with personal digital technologies, this benefit can also improve access to monitoring and managing financial wellbeing — even enrolling in a 401(k) through a smartphone.

Help with debt relief is less common, but most benefits show an incremental rise. Counseling is offered by almost a quarter of employers (24%, up 1 point). And other forms of support include refinancing tools and education (16%, up 2 points), student loan forgiveness (14%, up 1 point), 529 plans (13%, up 1 point), and student loan repayment contributions (12%, no change).

Trends are moving in the right direction. However, the use of largely untapped opportunities can strengthen financial wellbeing and differentiate employers, including emergency savings programs currently used by only 4%.

Benefits that are readily accessible and easy to use — enabled by supporting platforms — contribute a successful return on investment for financial wellbeing. Just as important is communicating what programs and other resources are available, and the value they can provide. Updates and other informative messages keep employees engaged and encourage them to take full advantage of opportunities to build their financial health. Assessing the value of financial wellbeing on a regular basis and making adjustments when needed helps employers to consistently deliver a positive employee experience. Self-help features are among the simple solutions to consider, such as providing an email address or a direct link to the most qualified guidance.

Financial wellbeing communications need to acknowledge the difficulty of competing priorities with succinct content that lays out clear action steps. Also important is considering that incremental steps are easier to complete. A primary takeaway for employees from actionable communications, individually and overall, should be an understanding that it's okay to ask for help. Timely education keeps employees engaged, including information updates that allow them to maximize opportunities for building their financial health.

TECHNOLOGY & INNOVATION INSIGHT

Engagement plays a pivotal role in financial wellbeing. Engaged individuals are more likely to be aware of their financial situation; actively seeking information; understanding their income, expenses, and financial goals; and regularly monitoring their financial health. They are better able to navigate financial challenges too, which reduces stress. Engagement hinges on meeting people where they are, and technology can take a multi-pronged approach at doing so. From education and personalized guidance on financial topics to debt management tools to automated savings tools, technology-driven apps and platforms bring financial wellbeing resources to employees' fingertips. And behavioral nudges like alerts for paying bills or reviewing financial goals can help employees stay on track. Support can be available as mobile apps, integrated within a broader wellbeing program, and/or offered with an employer incentive to drive engagement and, ultimately, better financial health.

Wellbeing dimensions that have become more important to the organization in 2024

Category	Base	Physical	Financial	Career	Emotional	None
ALL	1,501	42%	47%	35%	64%	12%
North Central	582	41%	47%	32%	64%	12%
Northeast	204	46%	51%	47%	67%	8%
South Central	286	38%	41%	33%	59%	13%
Southeast	206	46%	48%	34%	67%	12%
West	223	42%	48%	37%	66%	15%
For Profit	799	44%	49%	38%	61%	11%
Nonprofit	676	39%	43%	31%	67%	13%
Under 100 FTEs	212	33%	38%	38%	54%	17%
100 to 499 FTEs	655	42%	46%	38%	63%	13%
500 to 999 FTEs	236	44%	49%	33%	64%	11%
1,000 or more FTEs	383	46%	51%	31%	71%	8%

Components of financial wellbeing initiatives

Category	Base	One-to-one financial coaching sessions	Employee discount programs	Financial literacy resources or seminars	Debt counseling	Student loan repayment contributions	Student loan forgiveness
ALL	1,637	49%	60%	55%	24%	12%	14%
North Central	612	50%	56%	57%	24%	13%	17%
Northeast	224	49%	72%	59%	19%	10%	10%
South Central	315	44%	55%	47%	21%	15%	16%
Southeast	235	51%	63%	62%	27%	11%	11%
West	251	54%	61%	54%	28%	10%	13%
For Profit	876	49%	59%	58%	22%	8%	1%
Nonprofit	731	50%	62%	54%	26%	17%	31%
Under 100 FTEs	224	36%	38%	30%	19%	10%	8%
100 to 499 FTEs	709	49%	54%	53%	22%	11%	12%
500 to 999 FTEs	259	52%	69%	63%	26%	12%	16%
1,000 or more FTEs	428	56%	77%	69%	29%	16%	20%

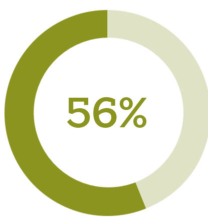
Category	Base	Refinancing tools and education	529 college savings plan	Will preparation, estate planning, or other legal services	Financial planning or wealth management services	Emergency savings program	None of these
ALL	1,637	16%	13%	50%	45%	4%	9%
North Central	612	15%	12%	49%	46%	4%	10%
Northeast	224	19%	15%	52%	41%	4%	7%
South Central	315	18%	14%	48%	47%	3%	13%
Southeast	235	19%	13%	51%	47%	3%	6%
West	251	14%	12%	50%	43%	4%	10%
For Profit	876	16%	10%	53%	47%	4%	10%
Nonprofit	731	17%	17%	47%	43%	4%	9%
Under 100 FTEs	224	8%	6%	27%	32%	2%	23%
100 to 499 FTEs	709	14%	12%	46%	45%	3%	9%
500 to 999 FTEs	259	18%	14%	55%	41%	5%	8%
1,000 or more FTEs	428	25%	17%	65%	54%	5%	3%

SAVINGS & SPENDING ACCOUNTS

Helping employees make the most of multiple HSA benefits

Employees care almost equally about medical coverage (67%) and retirement benefits (65%) when considering a new job.[2] Health savings accounts (HSAs) are uniquely flexible financial tools, offering dual opportunities to instantly cover short-term medical expenses and build savings over the long term for future healthcare needs through retirement. Consequently, HSAs can be an important element of financial wellbeing.

Triple-tax advantages for employees include portability and other key features, such as reduced taxable income and tax-free status of investment growth in the account and qualified withdrawals. For employees, a consumer-directed health plan (CDHP) with an HSA is one of the most popular medical plans, offered by 56%.



Offer a CDHP with an HSA

Communications about HSAs should alert employees to the value of building an account balance over time. In particular, lower-income employees may see the lower premium of a high-deductible plan as a cost-saving opportunity. Ready access to HSA funds for common medical expenses can also appear to be a plus. But costs can add up before plan coverage starts, jeopardizing the value of their multiple tax advantages. Providing coaching and educational resources based on individual needs and goals informs and directs better employee decisions.

Healthcare will continue to be a substantial cost in retirement, but HSAs can help ease current and future concerns. It's estimated that a single person aged 65 in 2023 will need approximately $157,500 saved after taxes. People are living longer, healthcare inflation is still outpacing the rate of general inflation, and there's a gap of three years between the average retirement age and Medicare eligibility.[3] Preparing to meet increasing expenses involves consequential decisions about generating cash flow in retirement, including when to retire and when to take Social Security.

As a healthcare funding mechanism, HSAs are relatively simple to set up and use. But advance education and ready access to guidance help to deliver a positive experience for new enrollees. Multiple savings dimensions allow funds to be maximized as long as the account stays active, and a uniquely important advantage is lifelong ownership of a portable balance.

Most employers contribute to HSAs (71%), enhancing the value for employees who participate. One persuasive factor is eligibility for tax breaks from deducting payroll contributions in their corporate filings. Median annual HSA contributions are $700–$799 for individual coverage and $1,100–$1,249 for family coverage. Although large employers are the most likely to contribute, the amounts are often lower compared to smaller groups. The maximum total contribution limits, currently $4,150 for an individual plan and $8,300 for a family plan, are rising in 2025. Respectively, they will increase by $150 to $4,300, or increase by $250 to $8,550.[4]

MEDIAN EMPLOYER HSA CONTRIBUTIONS

$700–$799	Individual
$1,100–$1,249	Family

Financial wellbeing is likely to get a boost when employees contribute to a tax-advantaged HSA. In combination, pretax dollars allocated by employees and contributions made by their employer offer significant growth potential.

Costs can also be minimized when funds are withdrawn because enrollees are given tax-free status for federal and state purposes, as long as payments are made for qualified medical expenses. Besides reducing taxable income, contributions aren't taxed within the HSA even if interest is earned or investment returns are realized. To illustrate the possible extent of these gains, someone in the 22% federal income tax bracket could save nearly 30% in taxes on every dollar contributed to an HSA through payroll deductions.[5]

TECHNOLOGY & INNOVATION INSIGHT

Support for employee financial stability has revolved around healthcare coverage and retirement contributions for many years. Separately, these benefits often go a long way toward meeting needs and realizing goals, but the spending and savings decisions that participants need to make don't automatically intersect. As an evolutionary change maker, AI empowers a more integrated and holistic approach. Key examples are connecting the value of an HSA to retirement targets, and clarifying the relationship between health plan selection and the ability to make 401(k) contributions.

Types of medical plans offered

Category	Base	Health maintenance organization	Preferred provider organization or point of service	Exclusive provider organization	CDHP with a health reimbursement arrangement	CDHP with an HSA	Indemnity
ALL	3,435	25%	84%	8%	5%	56%	2%
North Central	1,163	19%	81%	3%	6%	61%	1%
Northeast	543	30%	82%	22%	6%	44%	1%
South Central	682	19%	90%	8%	4%	55%	2%
Southeast	439	14%	88%	5%	6%	64%	2%
West	608	45%	83%	8%	4%	53%	2%
For Profit	1,959	24%	85%	8%	5%	61%	2%
Nonprofit	1,330	24%	82%	10%	6%	49%	2%
Under 100 FTEs	891	29%	76%	7%	3%	42%	1%
100 to 499 FTEs	1,459	24%	86%	7%	5%	58%	1%
500 to 999 FTEs	406	20%	85%	8%	7%	59%	1%
1,000 or more FTEs	622	21%	90%	15%	7%	69%	2%

Employer contributes to the HSA

Category	Base	Yes	No
ALL	1,946	71%	29%
North Central	708	71%	29%
Northeast	241	68%	32%
South Central	383	67%	33%
Southeast	274	74%	26%
West	340	72%	28%
For Profit	1,227	70%	30%
Nonprofit	651	73%	27%
Under 100 FTEs	388	58%	42%
100 to 499 FTEs	849	70%	30%
500 to 999 FTEs	234	76%	24%
1,000 or more FTEs	442	79%	21%

Average annual employer HSA contribution for individual coverage

Category	Base	Less than $100	$100–$199	$200–$299	$300–$399	$400–$499	$500–$599
ALL	1,348	1%	1%	5%	4%	4%	24%
North Central	505	2%	1%	5%	4%	6%	26%
Northeast	155	1%	1%	3%	3%	3%	24%
South Central	247	1%	0%	6%	6%	5%	24%
Southeast	198	1%	1%	9%	3%	2%	24%
West	243	1%	1%	4%	5%	3%	19%
For Profit	846	1%	1%	5%	5%	5%	26%
Nonprofit	460	1%	1%	4%	3%	4%	20%
Under 100 FTEs	218	1%	0%	6%	4%	4%	16%
100 to 499 FTEs	581	2%	1%	6%	4%	3%	19%
500 to 999 FTEs	174	1%	1%	2%	2%	7%	28%
1,000 or more FTEs	354	1%	1%	5%	5%	5%	35%

Category	Base	$600–$699	$700–$799	$800–$899	$900–$999	$1,000–$1,099	$1,100 or more
ALL	1,348	8%	13%	3%	3%	12%	21%
North Central	505	8%	11%	3%	3%	12%	19%
Northeast	155	6%	16%	8%	2%	14%	18%
South Central	247	9%	14%	2%	4%	11%	18%
Southeast	198	10%	11%	2%	4%	12%	24%
West	243	9%	12%	4%	5%	13%	24%
For Profit	846	9%	13%	3%	3%	13%	16%
Nonprofit	460	7%	12%	3%	4%	12%	29%
Under 100 FTEs	218	4%	11%	3%	5%	12%	34%
100 to 499 FTEs	581	10%	12%	3%	4%	14%	24%
500 to 999 FTEs	174	7%	17%	6%	3%	9%	19%
1,000 or more FTEs	354	9%	14%	3%	2%	11%	9%

Average annual employer HSA contribution for family coverage

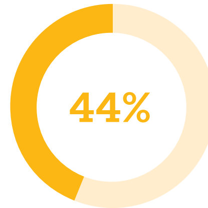
Category	Base	Less than $500	$500–$649	$650–$799	$800–$949	$950–$1,099	$1,100–$1,249
ALL	1,338	6%	10%	3%	3%	21%	10%
North Central	503	7%	10%	3%	4%	21%	10%
Northeast	155	5%	8%	1%	1%	20%	10%
South Central	243	8%	12%	6%	2%	21%	12%
Southeast	195	7%	15%	4%	1%	22%	11%
West	242	4%	5%	2%	2%	19%	9%
For Profit	842	6%	9%	4%	2%	24%	11%
Nonprofit	454	6%	12%	3%	4%	16%	9%
Under 100 FTEs	217	11%	10%	4%	4%	15%	7%
100 to 499 FTEs	576	6%	11%	4%	2%	16%	11%
500 to 999 FTEs	173	5%	6%	3%	3%	23%	8%
1,000 or more FTEs	351	3%	11%	2%	4%	31%	11%

Category	Base	$1,250–$1,399	$1,400–$1,549	$1,550–$1,699	$1,700–$1,849	$1,850–$1,999	$2,000 or more
ALL	1,338	4%	12%	4%	3%	1%	24%
North Central	503	5%	11%	4%	2%	1%	23%
Northeast	155	1%	15%	7%	3%	0%	28%
South Central	243	6%	11%	1%	3%	1%	16%
Southeast	195	3%	8%	4%	2%	1%	23%
West	242	2%	14%	4%	5%	1%	32%
For Profit	842	4%	12%	3%	3%	1%	21%
Nonprofit	454	4%	11%	4%	3%	1%	29%
Under 100 FTEs	217	2%	9%	4%	2%	1%	31%
100 to 499 FTEs	576	4%	10%	3%	3%	1%	29%
500 to 999 FTEs	173	4%	15%	8%	3%	1%	21%
1,000 or more FTEs	351	4%	14%	3%	3%	1%	13%

Driving interest in the added coverage offered by limited-purpose FSAs

A flexible spending account (FSA) can be used for certain medical, pharmacy, dental, and vision expenses not covered by the health plan. Pretax dollars are the main funding source. These features are similar to those of an HSA, but there's a key difference in savings capacity. Compared to an HSA that allows an employee's account balance to accrue, FSA dollars must be used within the same enrollment period. These general-purpose arrangements are offered by 69% of employers.

Eligibility for a limited-purpose, pretax FSA is open to employees who elect a CDHP plus HSA. For plan members in the process of meeting their deductible, the expenses they incur for vision, dental, and orthodontia services qualify for coverage, which adds cost savings appeal. Participants also lower their taxable salary and can preserve their HSA funds for essential medical services. Forty-four percent (44%) of employers offer this benefit.



Offer a limited-purpose FSA

Contributions to an FSA are made through payroll deductions, allowing employees to avoid federal, Social Security, and Medicare taxes. The contribution limit for an FSA increased by $150 for the 2024 plan year, and the maximum is $3,200. Unused amounts in 2023 carried over to 2024 are restricted to a maximum of $610. For carryover to 2025, if permitted by the FSA, the limit is $640.[6]

Offer a healthcare FSA

Category	Base	Yes	No
ALL	3,373	69%	31%
North Central	1,151	70%	30%
Northeast	528	73%	27%
South Central	670	67%	33%
Southeast	420	71%	29%
West	604	65%	35%
For Profit	1,944	65%	35%
Nonprofit	1,307	76%	24%
Under 100 FTEs	874	46%	54%
100 to 499 FTEs	1,438	70%	30%
500 to 999 FTEs	397	87%	13%
1,000 or more FTEs	612	89%	11%

Offer a limited-purpose FSA

Category	Base	Yes	No
ALL	1,933	44%	56%
North Central	706	48%	52%
Northeast	246	41%	59%
South Central	377	34%	66%
Southeast	264	46%	54%
West	340	45%	55%
For Profit	1,217	42%	58%
Nonprofit	648	46%	54%
Under 100 FTEs	384	32%	68%
100 to 499 FTEs	844	42%	58%
500 to 999 FTEs	235	54%	46%
1,000 or more FTEs	437	53%	47%

TUITION ASSISTANCE

Funding educational goals that benefit employees and employers alike

Certain financial stressors are often associated with specific career stages. For the youngest generation, they may include funding education. Tuition assistance boosts financial and career wellbeing simultaneously. Providing this opportunity for job-related education is also a well-established practice for attracting and retaining employees while improving their knowledge and skills.

About two-thirds of employers (65%) cover a portion of an employee's education. Requirements often include job-related coursework (63%) and receipt of college-level credit (48%). Usually, a waiting period of 6–8 months to over a year also applies to this benefit, and so does an employment commitment for those who qualify (65% each). More than three-quarters (76%) set that duration at 1–2 years. Capping the amount of tuition assistance is also common, at a maximum reimbursement median of $5,000 per employee per year.

About
2 in 3
Provide tuition assistance

Another form of financial support arrived with the recent passage of SECURE 2.0. Employers can now provide matching contributions to retirement plans for employees who make qualified student loan payments. This new provision applies to those sponsoring a 401(k), 403(b), governmental 457(b) plan, or SIMPLE IRA, and creates a pathway for increasing employee financial wellbeing, attraction, and retention.

Offer tuition assistance

Category	Base	Yes	No, but considering	No, and not considering
ALL	1,763	65%	11%	23%
North Central	654	69%	10%	21%
Northeast	245	63%	13%	24%
South Central	348	65%	13%	22%
Southeast	237	65%	14%	22%
West	279	59%	9%	32%
For Profit	946	61%	13%	25%
Nonprofit	781	71%	9%	20%
Under 100 FTEs	259	47%	15%	37%
100 to 499 FTEs	764	63%	12%	24%
500 to 999 FTEs	268	69%	10%	21%
1,000 or more FTEs	454	77%	8%	15%

Tuition assistance eligibility requirements

Category	Base	Pre-approval	Accredited institution	College-level credit	Related to the employee's job	Related to the business	None of these
ALL	1,084	88%	66%	48%	63%	53%	1%
North Central	435	88%	67%	50%	65%	56%	1%
Northeast	140	89%	70%	45%	70%	46%	1%
South Central	210	89%	68%	51%	60%	56%	0%
Southeast	146	88%	60%	53%	60%	51%	1%
West	153	87%	59%	36%	54%	51%	1%
For Profit	548	90%	63%	41%	66%	53%	1%
Nonprofit	517	86%	68%	55%	59%	54%	1%
Under 100 FTEs	113	85%	58%	34%	68%	56%	0%
100 to 499 FTEs	455	91%	61%	43%	60%	55%	1%
500 to 999 FTEs	183	90%	67%	49%	68%	54%	2%
1,000 or more FTEs	324	84%	75%	59%	62%	51%	1%

Require a waiting period for tuition assistance eligibility

Category	Base	Yes	No
ALL	1,130	65%	35%
North Central	450	61%	39%
Northeast	147	68%	32%
South Central	226	65%	35%
Southeast	146	75%	25%
West	161	68%	32%
For Profit	570	67%	33%
Nonprofit	543	64%	36%
Under 100 FTEs	121	57%	43%
100 to 499 FTEs	481	66%	34%
500 to 999 FTEs	188	70%	30%
1,000 or more FTEs	332	66%	34%

New employee waiting period for tuition assistance eligibility

Category	Base	Less than 3 months	3–5 months	6–8 months	9–11 months	1 year or more
ALL	739	5%	14%	33%	1%	48%
North Central	276	7%	14%	31%	0%	47%
Northeast	101	3%	14%	35%	0%	49%
South Central	143	3%	13%	33%	1%	51%
Southeast	110	2%	12%	35%	1%	51%
West	109	6%	15%	33%	1%	45%
For Profit	382	4%	11%	31%	1%	52%
Nonprofit	349	5%	16%	34%	1%	45%
Under 100 FTEs	69	9%	19%	16%	0%	57%
100 to 499 FTEs	314	5%	10%	32%	0%	54%
500 to 999 FTEs	131	1%	14%	34%	2%	50%
1,000 or more FTEs	220	6%	18%	38%	0%	38%

Tuition reimbursement requires an employment commitment for a set time period

Category	Base	Yes	No
ALL	1,118	65%	35%
North Central	449	66%	34%
Northeast	148	61%	39%
South Central	216	69%	31%
Southeast	145	71%	29%
West	160	58%	42%
For Profit	564	65%	35%
Nonprofit	536	66%	34%
Under 100 FTEs	117	62%	38%
100 to 499 FTEs	476	65%	35%
500 to 999 FTEs	186	64%	36%
1,000 or more FTEs	331	67%	33%

Employment period required to qualify for tuition reimbursement

Category	Base	Less than 6 months	6–11 months	1–2 years	3 years or more
ALL	724	2%	9%	76%	14%
North Central	293	2%	7%	75%	17%
Northeast	89	2%	10%	78%	10%
South Central	148	1%	10%	79%	9%
Southeast	102	1%	13%	73%	14%
West	92	2%	5%	77%	15%
For Profit	364	1%	8%	78%	13%
Nonprofit	352	2%	10%	74%	15%
Under 100 FTEs	73	1%	5%	73%	21%
100 to 499 FTEs	307	1%	9%	73%	17%
500 to 999 FTEs	120	2%	10%	79%	9%
1,000 or more FTEs	220	3%	9%	79%	10%

Maximum tuition reimbursement per employee per year

Category	Base	25th	Median	75th
ALL	876	$3,000	$5,000	$5,250
North Central	349	$3,000	$5,000	$5,250
Northeast	118	$4,000	$5,250	$6,000
South Central	164	$2,500	$5,000	$5,250
Southeast	114	$3,000	$5,000	$5,250
West	131	$2,500	$5,000	$5,250
For Profit	441	$3,500	$5,250	$5,250
Nonprofit	423	$2,500	$5,000	$5,250
Under 100 FTEs	79	$2,325	$5,000	$5,250
100 to 499 FTEs	363	$2,500	$5,000	$5,250
500 to 999 FTEs	146	$2,500	$5,000	$5,250
1,000 or more FTEs	283	$4,000	$5,250	$5,250

Key Takeaways

Increasing financial confidence by reducing money-related stress often boosts mental health. Despite an economy with historically low unemployment rates and increased wage growth, employees are unsettled by stubbornly high interest rates that drive up essential costs. Decisively, they see a link between their financial stress and their emotional health and wellbeing. While nearly all have a positive outlook on their current financial situation, far fewer believe their savings strategy will meet their retirement goals. Emphasizing retirement preparation as a core goal, backed by access to a variety of individualized programs and other resources, can support steady progress.

Employees are looking for guidance from their employers, which is increasingly provided through personalized education, coaching, and access to financial planning advisors. Simplifying each person's unique journey with a well-coordinated financial wellbeing strategy that incorporates financial planning, including professional guidance, can instill retirement confidence and strengthen resilience as retirement planning evolves.

Offering a CDHP plus an HSA provides distinctly unique savings potential for employees. A key financial wellbeing benefit of an HSA is flexibility, including the ability to use the balance toward paying short-term medical expenses or building long-term savings. Several tax advantages also apply for as long as the account remains open. They include portability, reduced taxable income, and tax-free status of investment growth in the account and qualified withdrawals. Targeted communication helps raise awareness of this benefit, and coaching and other educational opportunities help support informed decisions and better outcomes.

Covering part of the cost of an employee's education is an investment in the organization's future. Strategically designing tuition assistance maximizes the benefit of this investment for both the student and their employer. A waiting period on the front end and an agreement to stay on the back end show commitment.

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CONTRIBUTORS

Kelly Lazzara
kelly_lazzara@ajg.com

Scot Marcotte
scot_marcotte@ajg.com

Nathan Trotman
nathan_trotman@ajg.com

PRODUCTION

Stacy Silkaitis
stacy_silkaitis@ajg.com

RESEARCH & REPORTING

Sarah Daley
sarah_daley@ajg.com

SURVEY DEVELOPMENT

Michelle Barrett
michelle_barrett@ajg.com

Thomas Cummins
thomas_cummins@ajg.com

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But daily hardships — like economic uncertainty, personal and family health concerns, and insufficient resources or staffing at work — can take a toll on your people and leave your business struggling with hindered productivity, heightened disengagement, and strained retention.

That's why every aspect of your benefits and compensation program needs to work in concert to promote overall employee wellbeing. Offering robust medical coverage and a competitive retirement plan isn't enough in today's hyper-competitive labor market.

As employees across all geographies, industries, and employer types navigate the ever-changing world, organizations must critically evaluate their people's experience in the workplace — finding unique ways to engage teams, establish authentic connections, and support employee wellbeing overall.

Doing so can help your business attract top talent, motivate employees, and shift the organizational culture so employees feel differently about their work. When organizations find ways to reduce burnout and increase productivity among their people, business performance can soar.

This is why employee wellbeing is at the center of Gallagher Better Works℠ — a comprehensive approach for strategically investing in benefits, compensation, retirement, employee communication, and workplace culture so you can support your people's physical and emotional health, financial confidence, and career growth at the right cost structures.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher offers you data-driven insights — allowing you to make the most of your investment in talent, deliver a better people experience, and reduce organizational risk.

Even in times of uncertainty, Gallagher's consultants are here to help you optimize your profitability with a strategy rooted in the wellbeing of your people — so you can face the future with confidence.

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