

Employers Cite ACA Impact on Retirement Plans

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A new analysis from the LIMRA Secure Retirement Institute suggests more than four in 10 employers believe the Patient Protection and Affordable Care Act (or ACA) has directly impacted their retirement plan.

The research shows around 43% of employers report the ACA has affected their current retirement benefits strategy and spending, and 45% believe the ACA will change their retirement plans in the future. Of those who believe the ACA has already changed their retirement benefits strategy, a majority (55%) say they are spending less money and time on retirement benefits and shifting costs to employees to compensate for increased health plan expenses.

The report also shows the complexity of ACA compliance efforts has led about 42% of employers that offer workplace retirement savings programs to spend less time evaluating their retirement benefits.

"Employers have limited resources to use to manage their employees' comprehensive benefits package," explains Alison Salka, corporate vice president and director of LIMRA Secure Retirement Institute (SRI) research. "The added complexity and costs of health care are definitely taking a toll on employers' ability to manage their retirement savings plans. As a result, employers are looking for more support from the industry to help them provide a comprehensive retirement savings program for their employees."

LIMRA finds cost-shifting was more prevalent among employers that offer both a defined benefit (DB) plan and defined contribution (DC) plan, underscoring the point that employers have limited staff resources to manage benefits programs. In fact, employers that sponsor both DC and DB plans report a direct impact from the ACA 67% of the time, compared with 48% for those sponsoring just one type of retirement plan.

Of those employers who think the ACA will affect their retirement plan strategies and spending in the future, 63% believe it will mean less money spent on retirement plans.

"For many American workers, their employer-sponsored retirement plan is the primary way they save for retirement," Salka explains. "Our findings about the impact of the ACA underscore the opportunity for plan providers and advisers to help employers better manage the challenges associated with their retirement plans."

Salka points to previous LIMRA SRI research that shows access to a retirement savings plan at work has a significant positive impact on a worker's ability to systematically save for retirement. The research shows that among employees with defined contribution (DC) plan access through their current employer, 95% have at least some household retirement savings versus 73% of those with no DC plan access. Previous LIMRA SRI research also finds workers with access to an employer-sponsored retirement savings plan are more likely to feel confident that they will be able to achieve the retirement lifestyle they desire compared with those who do not have access (43% vs. 34%).

More information is available at www.secureretirementinstitute.com.

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