RETIREMENT INSIGHT

1ST QUARTER 2026

A Retirement Readiness Reality Check

Employees Feel Optimistic About Retirement, But Their Behaviors Tell a Different Story

The Nationwide Retirement Institute's fifth annual Protected Retirement Survey Report (August 2025) makes one thing clear: employees often feel confident about retirement, but confidence doesn't always equal preparation. That disconnect has real implications for a workforce planning and benefit strategy.

Optimism at Record Levels

The survey found 79% of private plan participants and 84% of public plan participants report a positive outlook on their retirement savings and investments — significantly higher than in 2024. Nearly 9 in 10 also say they are confident in their ability to manage investments through market volatility. Despite this optimism, the data reveals real gaps:

- **Limited financial literacy.** Fewer than half of participants understand compound interest.
- **Mismatch in perceptions.** Although 76% of private employees say they contribute enough to receive the full employer match, sponsors estimate only 42% actually do.
- **Emotional decision-making.** Nearly 3 in 10 private participants admit regretting investment choices — buying too high, selling at the bottom or stopping contributions.

These behaviors suggest employees may "feel ready" while lacking the knowledge or discipline for lasting or long-term retirement security.

Potential for Adverse Organizational Impact

Another disconnect with the high level of survey respondent optimism involves the timing of retirement. Nearly one in three survey participants ages 45+ now expect to retire later than originally planned. In addition, 54% of private sponsors and 73% of public sponsors report more employees postponing retirement in the past year. That trend increases benefits and labor costs, lowers morale and slows advancement for younger workers.

Key Takeaways for Plan Sponsors

Employee optimism can mislead both workers and sponsors into a false sense of security. To bridge the gap between confidence and preparedness, sponsors should consider:

- Expanding financial education on financial literacy and financial wellness in general, as well as compounding, employer match and decumulation strategies
- Reinforcing plan features such as auto-enrollment and auto-increase, and exploring in-plan income options
- Providing resources to help employees avoid emotional, short-term decision-making.

Confidence may feel reassuring, but preparation is what ensures retirement readiness. Sponsors who close the gap can improve outcomes and protect organizational health.

Informational Resources: Nationwide Retirement Institute: Protected Retirement Survey Report (August 2025).

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Sharing the Burden

Four Key Ways That Plan Sponsors Can Outsource Fiduciary Responsibility

Running a workplace retirement plan includes shouldering a heavy fiduciary burden. Plan sponsors are held to strict standards of prudence and loyalty under the Employee Retirement Income Security Act of 1974 (ERISA) — and the risk of missteps is real. Many sponsors reduce both workload and liability exposure by outsourcing specific fiduciary functions to qualified third parties. According to Mercer's 2025 Voice of the Plan Sponsor survey, eight out of ten survey respondents retain an external advisor or consultant in a fiduciary role. Here are four key ways plan sponsors can outsource fiduciary responsibilities:

1. **ERISA 3(21) co-fiduciary advisors.** An ERISA 3(21) investment advisor provides recommendations on investment selection and monitoring but leaves final decision-making authority with the plan sponsor. This option keeps the sponsor involved in key choices while ensuring professional guidance and documentation of the decision process — a critical defense in the event of a U.S. Department of Labor audit or participant complaint.
2. **ERISA 3(38) investment managers.** Sponsors looking for more relief can delegate full investment discretion to an ERISA 3(38) fiduciary. In this model, the outside advisor, often a Registered Investment Adviser (RIA), assumes responsibility for selecting, monitoring and replacing plan investments. The sponsor's duty is limited to vetting and monitoring the 3(38) firm — a much narrower, more manageable obligation.
3. **ERISA 3(16) administrative fiduciaries.** Some sponsors also outsource administrative functions, such as approving loans, handling distributions or ensuring Form 5500 filings are accurate, to an ERISA 3(16) fiduciary. This approach can dramatically reduce administrative errors and missed deadlines, which are common triggers for regulatory penalties.
4. **Pooled employer plans.** Joining a pooled employer plan is another way to offload fiduciary responsibility. A pooled employer plan provider assumes most fiduciary and administrative duties, including investment oversight, compliance and audit coordination. For small or mid-sized employers, this type of plan can be a cost-effective way to simplify plan management and reduce risk.

The Bottom Line

Outsourcing fiduciary functions doesn't eliminate all responsibility, as sponsors must prudently select, monitor and document their choice of fiduciaries. But the right partnerships can substantially limit liability, improve plan governance and free internal staff to focus on broader organizational priorities.



Pension Plan Limitations for 2026

401(k) Maximum Elective Deferral ($32,500 for those age 50 or older, $35,750 for those age 60-63 — if plan permits)*	$24,500
Defined Contribution Maximum Annual Addition	$72,000
Highly Compensated Employee Threshold	$160,000
Annual Compensation Limit	$360,000

* For 2026, the catch-up contribution is $8,000 for those age 50 or older. Under a change made in SECURE ACT 2.0, a higher catch-up contribution limit applies for employees aged 60–63. For 2026, this higher catch-up contribution limit is $11,250.

Informational Sources: 2025 DC Practices Survey Voice of the Plan Sponsor (October 2025); Profit Sharing Council of American: "Are Plan Sponsors Outsourcing Their Investment Management?" (March 3, 2025); Capital Group: "PEP Talk: Pooled Employer Plans" (February 11, 2025).

Plan Sponsors Ask...

Q: We added automatic enrollment a few years ago and are considering adding automatic escalation later this year. Is there any current data regarding participant satisfaction with this plan design feature?

A: You are not alone in considering adding an automatic escalation to your plan design. According to JP Morgan's 2025 Defined Contribution Plan Sponsor Survey findings, 39% of plan sponsors currently offering automatic enrollment plan to add an automatic escalation feature this year. The survey results make a strong case for doing so: 89% of surveyed participants who report that their contributions are automatically escalated each year are satisfied with the experience and are also more confident that their savings will last their lifetimes.

Q: Our investment committee is looking for the most recent industry research regarding trends in mutual fund fees paid by 401(k) participants. Can you provide any updates?

A: According to the most recent research from the Investment Company Institute, 401(k) plan participants have incurred substantially lower fees for holding mutual funds over the past 25 years. The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2024 shows that from 2000 to 2024, the average equity mutual fund expense ratio paid by 401(k) investors dropped by more than 50 basis points (66%), offering them potentially higher returns and balances in retirement. The average expense ratios that 401(k) plan participants incurred for investing in bond mutual funds fell by 69% during that same period. In addition, from 2008 to 2024, average target date fund expense ratios decreased by 57%.

Q: Do you have any current information on the extent of "lost" or "abandoned" workplace retirement accounts across the country?

A: Capitalize Money Inc., a technology company that helps people find missing retirement assets, recently reported that the number of abandoned 401(k) accounts in the United States has almost doubled over the past decade to an estimated 31.9 million accounts (as of July 2025). The accounts now hold $2.13 trillion in assets, an increase of nearly 30% since mid-2023, according to a recent update to the firm's 2023 white paper, The True Cost of Forgotten 401(k) Accounts, written in partnership with the Center for Retirement Research.



Web Resources for Plan Sponsors

Internal Revenue Service, Retirement Plans
www.irs.gov/ep

U.S. Department of Labor,
Employee Benefits Security Administration
www.dol.gov/ebsa

401(k) Help Center
www.401khelpcenter.com

PLANSPONSOR Magazine
www.plansponsor.com

BenefitsLink
www.benefitslink.com

Plan Sponsor Council of America
www.psca.org

Employee Benefit Research Institute
www.ebri.org

Plan Sponsor's Quarterly Calendar

JANUARY

- Send payroll and employee census data to the plan's recordkeeper for plan year-end testing (calendar-year plans).
- Audit fourth quarter payroll and plan deposit dates to ensure compliance with the U.S. Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between October 1 and December 31 received and returned an enrollment form; follow up on forms that were not returned.

FEBRUARY

- Update the plan's ERISA fidelity bond coverage to reflect the plan's assets as of December 31 (calendar-year plans); remember that if the plan holds employer stock, bond coverage is higher than for non-stock plans.
- Issue a reminder memo or email to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Review and revise the roster of all plan fiduciaries and confirm each individual's responsibilities and duties to the plan in writing; ensure that each fiduciary understands his or her obligations to the plan.
- Provide a quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of last quarter.

MARCH

- Begin planning for the timely completion and submission of the plan's form 5500 and, if required, a plan audit (calendar-year plans); consider, if appropriate, the U.S. Department of Labor's small plan audit waiver requirements.
- Review all outstanding participant plan loans to determine if there are any delinquent payments; also, confirm that each loan's repayment period and the amount borrowed comply with legal limits.
- Check bulletin boards and display racks to ensure that posters and other plan materials are visibly posted and readily available to employees, and that information is complete and current.

Consult your plan's financial, legal or tax advisor regarding these and other items that may apply to your plan.

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