

# Public Sector News & Views

## Recordkeeper Consolidation Impact to the Government Market

We continue to see further consolidation in recordkeepers with One America and Voya integrating and completing their consolidation through 2025. We recently saw one more announcement to start 2026 with Corebridge and Equitable looking to merge together. This continues to reduce the number of options of potential suitors when Plan Sponsors go out to bid for recordkeeper services.

While the pool may be shrinking, the economies of scale these consolidations offer Plan Sponsors, and more importantly participants, is considerable. Fees continue to be compressed as recordkeeping services have become highly commoditized in the last decade. These consolidations also tend to be strategic in that the two firms coming together are looking for complementary technologies, services, and investment platforms one or the other may not already have in place. This is where the remaining providers look to differentiate themselves in the marketplace.

Aside from the fundamental blocking and tackling functions recordkeepers provide, which remains paramount, Plan Sponsors and Retirement Committees should consider how these combined firms help bring solutions to address participants' needs. Many of these firms invest billions of dollars in technology to enhance the participant experience.

If impacted by a consolidation, this is a great opportunity to benchmark the plan's fees and services to ensure they're competitive as well as the consolidation does offer potential value add services to participants.

### Healthcare Costs in Retirement Planning

Healthcare coverage and costs continue to grow as an important considerations going into retirement. As public sector retirees enjoy longer retirements the rising cost of healthcare combined with an increasing gap in retirement savings make this a growing area of focus for retirement completion.

There are a variety of solutions that Plan Sponsors can offer employees quite a bit of assistance while also offering tax advantages to both the employee and employer. Some of these solutions offer triple tax treatment for funds that go in. Contributions go in pre-tax, grow tax-free, and as long as they're used to cover qualified healthcare expenses in retirement, are also tax free.

Similar to what is seen in the private sector through Health Savings Accounts, municipalities are looking at these employee benefit plans such as Health Reimbursement Arrangements/Accounts.

These plans are setup using either an Integral Part Trust (IPT 115) or Voluntary Employee Beneficiary Association (VEBA Trust). Contributions go into the plan throughout the employee's career and upon separation become available for use. Often unused sick leave or vacation balances can be cashed out and rolled into these plans. This tends to be the driving force behind the implementation of these plans.

### **Enhancing Participant Outcomes through Auto-Enrollment and Auto-Escalation**

Automatic enrollment and automatic escalation are powerful design features that can significantly improve retirement outcomes for workers. Auto enrollment helps employees begin saving for retirement as soon as they are eligible by enrolling them in the plan by default, while still preserving their ability to opt out. Because many individuals delay enrollment due to inertia, complexity, or competing financial priorities, auto enrollment overcomes these behavioral barriers and dramatically increases participation rates, particularly among younger and lower-paid employees.

Automatic escalation builds on this foundation by gradually increasing employees' contribution rates over time, typically tied to annual raises. This allows participants to save more without experiencing a noticeable reduction in take-home pay, helping them move closer to adequate savings levels with minimal effort. Together, these features harness behavioral economics to make saving the easiest option rather than the hardest.

Including auto enrollment and auto escalation also supports employers' goals. Higher participation and contribution rates improve workforce financial wellness, which can reduce employee stress and improve retention and productivity. Additionally, plans with strong participation are more likely to pass nondiscrimination testing, benefiting highly compensated employees as well. Ultimately, these automatic features help align good intentions with real-world behavior, thus making retirement plans more effective, inclusive, and impactful for long-term financial security.

### **NAGDCA 2026 Annual Conference – Caribe Royale Orlando September 27 - 30**

The NAGDCA Annual Conference is the can't-miss event for the public sector defined contribution retirement plan industry. The event is an opportunity for you to build a national network of plan sponsors and industry representatives, share ideas with peers, learn innovative techniques for improving retirement outcomes, and much more.

Whether it's educational sessions, receptions, roundtable discussions, or networking events, NAGDCA volunteers develop the program specifically for our unique audience to ensure that all aspects of the conference are valuable for attendees.

**[Click here](#) to download fee information.**

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