PENSION MANAGEMENT OVERSIGHT COMMISSION

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MEETING MINUTES[1]

Meeting Date:	**September 23, 2013**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 431**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**2**

Members Present: **Sen. Phil Boots, Chairperson; Sen. Greg Walker; Sen. Lindel Hume; Sen. Karen Tallian; Rep. Woody Burton; Rep. Jeffrey Thompson; Rep. David Niezgodski; Rep. Charles Moseley; Steve Meno; Kip White; Gary Lewis; Kurt Meade.**

Members Absent: **None.**

Senator Phil Boots, Chairperson, called the meeting to order at 10:00 a.m.

Public Employees' Retirement Fund (PERF) and Teachers' Retirement Fund (TRF) ASA Annuitization

Senator Boots asked for public testimony on the issue of the Indiana Public Retirement System's (INPRS) recent decision to provide ASA annuities with market interest rates through a 3rd party provider. The first to testify was Gail Zeheralis with the Indiana State Teachers Association (ISTA). Please refer to Exhibit A for information on the testimony. After questions from Mr. White and Senator Walker, Ms. Zeheralis answered that it would be ISTA's preference to keep the ASA annuities at INPRS. Ms. Zeheralis had no other specific recommendations at that time, as any other changes merited further discussion by the Pension Management Oversight Commission. Representative Niezgodski asked Ms. Zeheralis if she was present at any of the INPRS board meetings where this issue was discussed, and she related that she was only at the last (September) meeting.

[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

The next individual to testify was Nancy Tolson with the Indiana Retired Teachers Association (IRTA). Ms. Tolson indicated that this change to a 3rd party provider doesn't affect the majority of her membership, but does affect associate members. Ms. Tolson stated that her members would prefer that ASA annuitization remain within INPRS.

Nancy Guyott of the AFL-CIO was the next to testify on this issue. Ms. Guyott said that the decision to utilize an outside for-profit firm will cause losses for retirees. She would prefer further review of this issue, as well as clarification of the terms that will be offered to retirees by the chosen 3rd party annuity provider.

Dan Doonan, a labor economist with the American Federation of State, County and Municipal Employees (AFSCME), was next to present to the Commission. Please refer to Exhibit B for Mr. Doonan's presentation. Senator Tallian asked Mr. Doonan to elaborate on some of his methodology. Representative Moseley, Senator Hume, Mr. White, and Mr. Lewis asked several clarifying questions of Mr. Doonan. Representative Niezgodski asked the Chair if it would be possible to invite Steve Russo (Executive Director of INPRS) back to a subsequent PMOC meeting to answer several of the Commission's outstanding questions.

In Mr. Russo's stead, Tony Greene, INPRS General Counsel, came forward to answer several questions of the Commission. Mr. Greene explained that the March 2013 RFP was strictly for exploratory purposes and INPRS received two on-time responses as well as two late responses. Since the INPRS board decided to move ahead with a 3rd party vendor, INPRS has issued an RFP to find a consultant to assist in preparing the final RFP. This consultant has been selected and Mr. Greene stated that INPRS is two to three months away from issuing the final RFP.

Representative Niezgodski, Representative Burton, and Chairman Boots then entered into a general discussion about the movement to a 3rd party provider with both Mr. Green and Mr. Doonan.

The next individual to testify was Bill Murphy with the Retired Indiana Public Employees Association (RIPEA). Mr. Murphy asserted that the ASAs are particularly important to retired public employees, as PERF consists of a two-part retirement benefit. Mr. Murphy also noted that the decision to use a 3rd party provider may affect employer "pick up" of employee contributions into the system. Senator Boots and Mr. Murphy discussed this theory. Mr. Murphy ended by stating that RIPEA would prefer that the ASA annuitization stay with INPRS.

Next to speak was David Larson of the Indiana State Employees Association (ISEA), who urged greater study on the issue. Mr. Larson indicated that he had originally believed that PMOC would be studying this issue prior to any action by the INPRS board.

Sally Sloan of the Indiana Federation of Teachers of Indiana was the last to testify. Ms. Sloan said that the move to a 3rd party provider could negatively affect teacher hiring and retention. Ms. Sloan also indicated that any decision to utilize a 3rd party should be delayed, to allow potential retirees more time to make retirement decisions.

The Chair then opened up the issue for Commission discussion. Senator Tallian told the Commission that she would like to introduce a motion in the final report that recommends to INPRS that they not proceed forward with a 3rd party provider but rather lower the ASA annuitization rate to a rate that will cause no unfunded liability while the General Assembly continues to study the matter. After a discussion by the Chair and Senator Tallian, it was decided that this motion will be voted on by the Commission at the next PMOC meeting.

Representative Burton, Senator Hume, Representative Thompson, Mr. Lewis, Representative Niezgodski, and Senator Boots discussed the motion.

State-Assisted Retirement Plan

The Chair called on Senator Walker to discuss his proposal for a state-assisted retirement plan (SB 380-2013). Senator Walker discussed the concept behind these plans and indicated that they are voluntary and very much resemble the College Choice 529 Plan administered by the Treasurer of State. Senator Walker indicated that a one-time tax credit, similar to the 529 income tax credit, may help jump-start this program.

Senator Walker then deferred to June Lyle, State Director of AARP Indiana. Ms. Lyle indicated that AARP survey data shows that workers are not saving for retirement and also that workers are not confident about retirement. Please refer to Exhibit C for more information on Ms. Lyle's testimony. Ms. Lyle encouraged the Commission to consider Senator Walker's proposal.

Senator Walker introduced Jim Holden from the office of Treasurer Mourdock. Please refer to Exhibit D for more information on Mr. Holden's presentation. Mr. Holden ended his presentation, again reiterating Treasurer Mourdock's support of the concept. Senator Hume asked several questions of Mr. Holdman regarding the potential administration of such a plan. Representative Niezgodski asked about Senator Walker's mention of a one-time tax credit. Mr. Holden indicated such an incentive would be helpful, in addition to the inherent benefits in such a program as a tax-deferred retirement vehicle.

Senator Walker ended by informing the Commission that he intends to file legislation on this proposal in 2014 and would appreciate the Commission's recommendation in the final report. Senator Walker will have a preliminary draft of the legislation available to the Commission for the next PMOC meeting.

Continued Discussion on EMS Disability Benefits

Tom Hanify and Mike Whited from the Professional Fire Fighters Union of Indiana spoke to the Commission in order to clarify their presentation at the first Commission meeting regarding EMS disability benefits. See Exhibit E for more information on this issue. The Chair asked Mr. Hanify if they had yet drafted legislation on this matter and indicated that they should find a legislator on the Commission to work with to put together a preliminary draft.

Discussion of Judicial Pension Plan

Chairman Boots began a discussion on the judicial retirement plan in Indiana. The Chair went over two documents with the Commission. The first outlines the judicial pension plans in various Midwestern states (Exhibit F). The second compares Indiana's judicial plan with those of the prosecutors, public employees (PERF), and teachers (TRF) (Exhibit G). Senator Hume and Senator Boots discussed the appropriateness of the higher benefit level for judges and prosecutors over public employees and teachers.

Chairman Boots called on Judge John Baker of the Indiana Court of Appeals. Judge Baker spoke about the history of the judicial pension plan in Indiana. Judge Baker urged the Commission not to create a new judicial pension plan, as it will create different classes of judges. Also, he urged the Commission to look at pensions as one part of the entire compensation package of judges.

Amy Levander of the Indiana Judges Association spoke briefly about the increase in the court filing fee that took place in 2008 that helps pay for the judicial pension benefits.

Senator Boots, Representative Burton, Representative Niezgodski, Mr. White, and Judge Baker discussed the pros and cons of the current judicial retirement system. Chairman Boots indicated that this was just a discussion and there is no intent at this time to work on a preliminary draft of legislation for Commission approval.

Select Next Meeting Date

The Commission discussed that the third meeting of the Commission would be held in Room 431 of the Statehouse at 10:00 a.m. on Monday, October 21, 2013.

Cost-of-Living Adjustments (COLAs), Thirteenth Checks, and Minimum Pension Benefit Scenarios

Chairman Boots called for testimony on postretirement benefit increases. The first to testify was John O'Neal from ISTA. Mr. O'Neal indicated that his members desire a COLA, as one has not been approved since 2008. Due to this, Mr. O'Neal indicated that his members have lost purchasing power. Representative Burton, Senator Tallian, and Senator Hume discussed this with Mr. O'Neal.

Representative Thompson indicated that he would like to re-introduce the concept from last year (2012) that was discussed by the Commission, making postretirement benefit increases a formula based on years of service as well as average annual compensation. Senator Boots and Burton discussed this with Representative Thompson. Representative Thompson indicated that he will work with Legislative Services Agency on a preliminary draft for the next Commission meeting.

Next to speak was Nancy Tolson with IRTA. Ms. Tolson indicated that her members would like a COLA and presented the Commission with a handout regarding COLAs and TRF (Exhibit H).

David Larson with ISEA indicated his members would like a COLA, although he also likes Representative Thompson's idea.

Adjournment

The Chairman adjourned the meeting at 2:00 p.m.

ISTA Testimony to Pension Management Oversight Commission; Gail Zeheralis
September 23, 2013

Thanks to Sen. Boots for including this public discussion today.

Thanks also to Sen. Boots for convening last week's meeting of stakeholder groups. I doubt any minds were changed, but some more information was exchanged and that is always a step in the right direction.

This is an issue of bona fide importance to members of these funds and has in the most immediate way caused ISTA to convene workshops all across the state with members to explain what is happening. That is certainly part of the issue here. Very little explanation has been given nor groundwork laid with members to prepare them for what has occurred.

At any rate—so you know—I have personally scheduled about 25 of these workshops—I have been (through Skype) to Valpo, and in person to Ft. Wayne, Monrovia, and Bloomington to date. Tomorrow, Center Grove….for the next 5-6 weeks, I'm on the road. So far, in just these 4 stops—I have spoken to over 400 members of these funds (PERF & TRF). I am finding that members are hungry for information. The members are respectful, attentive, and concerned.

From the members' standpoint, this is an issue of both process and substance.

Process: There is the thought that something is being done TO them.

- PMOC 2012: no mention
- January 2013: Budget hearings—a brief interchange.
- February INPRS board mtg: discussion about the January interchange and in general, some options.
- Late in the session—a single relatively vague sentence—nobody seemed to have an answer as to its intent but it did disappear to be replaced on the…
- 2nd to the last day of session—in the budget bill—several new pages setting out very clearly that INPRS would no longer be in the annuity business and members who wanted to annuitize their money would be forced to take their money and roll it over into a qualified plan in the open market.
- The last day of the session, those new pages were removed and Speaker Brian Bosma reportedly (Evansville Courier-Journal) indicated that the issue needed more public vetting.
- To a person working in these halls, this signaled PMOC would take it up.
- But before PMOC *could* take it up, we now know from board minutes that INPRS stepped in at its June meeting and discussed 4 options more specifically—from (option 1) status quo, to (option 2) a set rate in line with the 6.75% long-term rate of return, to (option 3) INPRS using market rate concepts to set an annual rate in-house, to (option 4) privatizing its annuity work out completely. When the board could not land on a single option in June, it called for a special July meeting (wherein board members could call in on a conference) so that in the interim, "legislative leaders" could be consulted and so that a "July deadline" for a decision could be met.
- And then, because notices were sent to school employers the beginning of August announcing that Option 4 (privatizing at market rates) had been adopted with a July 1, 2014 effective date, we learned that the INPRS board voted for option 4.

From a process standpoint that is what we know happened. But there is still an awful lot that we don't know:

- There has been a seeming rush to "do" something without clear justification.
- There was no July deadline except for a self-imposed INPRS one.
- There was no consensus on any of the options (and certainly not the privatization one) evidenced in the minutes of the board prior to the July meeting.
- From all indications and from every report given by INPRS, all of Indiana's retirement funds are in good shape. We are meeting all of our benchmarks.
- INPRS (and prior to that, TRF and PERF) has a long history of annuitizing the ASA funds—there is no reason to think it cannot continue.

So these process issues and inconsistencies feed into the member feelings of unease.

So that leads us to talk about the *substance* of the INPRS action.

We just last week in the meeting that Sen. Boots convened were told of a potential $343 million unfundedness with the ASA payouts. Emphasis here is on *potential.* Neither the June minutes nor the July minutes of INPRS refer to such a shortfall. From what we know, it is not an actual shortfall.

As Sen. Tallian had pointed out, "there is no forest fire; maybe an ember we should start to look at."

And in the February minutes of INPRS, we learned that even with OPTION 1 (the status quo), there was discussion about how things could be "smoothed over" in the long-term—even at the 7.5% rate—to make that work.

So, as to the substance:

I can liken this to how Indiana dealt with property tax reform—going from a depreciation model to a market driven one—we didn't just remove property tax revenue and say, "now fend for yourselves." We talked about assessor practices, manuals, and certifications. We talked about and for a time provided circuit breaker relief to service provider entities. In effect, we gave some time and attention to trying to smooth out the ragged edges that that level of property tax removal would have on service providers.

And that is exactly what we're not doing here.

Yes, we've made a narrow accommodation to folks who had already begun this school year—to let them finish their work without financial consequence. But that only came about because others had a chance to weigh in. The INPRS board's original implementation date of July 1 would not have allowed even that to occur. Moving it ultimately to October 1 a couple of Fridays ago was the least that INPRS could have and should have done.

ISTA recognizes that accommodation, but there are others in what I call the "pipeline to retirement" who, but for some bad luck and bad timing—if this goes through—stand to lose and stand to lose each and every year of their retirement.

Surely, something can be done, short of "fend for yourselves" for these public servants: certainly within 10 years out—when people start to crunch their own numbers.

And we may be saying “fend for yourselves” on more than a financial level. By choosing Option 4, the complete privatization of the annuity work—it is yet unclear what kind of legal relationship/surety that the state will provide with members of the fund on their annuity monies.

- Will the member be forced to work directly with the vendor?
- Will the relationship be maintained between the member and the state?

These are extremely important issues involving who bears the risk—on top of the fiscal ones.

But not to forget the fiscal ones, according to INPRS’ consultant and the February minutes, for every 1% reduction in rate, there yields an 8% reduction in member benefits.

The “real world scenario” that I have shared with members using INPRS numbers shows that the average TRF member will see a reduction of $43,200 and the average PERF member reduction is $ 18,480 over a 20 year retirement—that’s $180 a month less for TRF and $77 a month less for PERF—each and every month.

According to INPRS, about 33,000 PERF and TRF members qualify to retire with full benefits every year. About half currently choose the in-house INPRS annuitization.

So, we are talking about an impact to a potential 16,000 public servants.

Certainly, this state and INPRS, with its resources and talent, can craft a provision that better balances both the needs of INPRS with those of the members.

This is a quality of life issue for these people. And there is a return to the state on its investment in that these people are also consumers who help drive the Hoosier economy.

ISTA is asking that PMOC weigh in on this issue (as it rightfully should) and recommend to the General Assembly (and to INPRS) that other options be considered before moving forward with this privatization option—what we now call “Option 4.”

Exhibit B

Privatizing ASA Annuities:

Risky & Wasteful

Dan Doonan

Labor Economist, AFSCME

September 23, 2013

AFSCME

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Workers Lose With Privatization

- **Board Admits: Tremendous Loss in Value to Workers**
  - 8% reduction in annuity per 1% cut in discount rate - 2/22/13 board notes
  - Plus Fees

- **We expect loss to be roughly 40-45%**

- **Private firms do not price annuities the same**
  - "At cost" vs. Defensive price + Profit + Overhead/Fees

- **Profits and Expenses dictate inefficiency**
  - Great West's Finances indicate 10.5% will be skimmed for profits
  - Another 30.6% will be used for 'Operating Expenses'
  - Over 41% of accounts go to bankers and investors
  - Another 6% for taxes

- **How does this wastefulness fit Board's Fiduciary Duty?**

AFSCME
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Credit Risk is Real

- **Annuities from private firm = Bet they survive for 10-30 years**
- **Annuities are not backed by Federal Government, no FDIC/PBGC**
  - Potential total loss for retirees, if firms collapse
- **Today annuities are backed by Plan/State, thus safe**
- **Why is Board ignoring Credit Risk problems?**
  - Is Board really capable of determining which firms will last for decades?
  - Ratings agencies caught flat-footed last time, gave strong ratings to Bear Stearns
  - Will lawsuits emerge when Board steers workers to failing firm?

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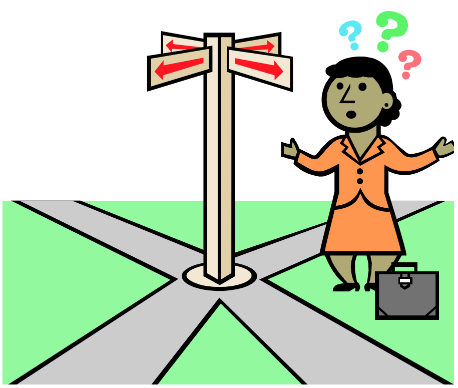
We Make America Happen

Behavior Change is Dangerous

- **Board has noted that 50% in PERF choose annuities today, but only 2% do in Federal TSP (uses similar market-based methods)**
  - Expect workers to balk at lousy deal offered from Bankers
- **Average benefit in PERF is only $7,901/year,**
  - **Average DB benefit is only $6,660**
  - ASA Accounts must play a significant role in retirement security with that level of benefits
- **Is Board Concerned with Change in Behavior?**
  - **Does Board think workers will out-invest PERF in retirement?**



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Defined Contribution-Only Option will be Awful

- State has added a Defined Contribution-only Option
- Now that the board is decimating value of ASA accounts, this option will now be a terrible decision
- AFSCME will warn against choosing DC-Only
- Those who choose it should get a re-do

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Who Wins?

- MetLife Doesn't Need Our Money!
- Great West will take over 40%, based on past behavior.
- Board has duty to serve members, not third parties!

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Bankers always want a cut!

- This follows a terrible national trend: Letting finance industry profit from every facet of life.
  - Buy Groceries with your card, bankers get a cut.
  - Now we are facing annuities being reduced by 40% or more

- **Beware of the fine print!**

- **Why is the Retirement Board putting interests of Bankers ahead of PERF Members?**

- **GFOA states that:**

  Duty of loyalty – The obligation to act for the exclusive benefit of the plan participants and beneficiaries. The trustees must put the interest of all plan participants and beneficiaries above their own interests or those of any third parties.

AFSCME
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Goal: Good Policy

- **AFSCME is not asking for annuities to be subsidized, but for annuities 'at cost'**
  - Board used to expect 7.5% returns, now anticipates 6.75% with new investment mix

'At Cost' could mean:

1) **Annuities based on plan assumptions, or**

2) **Based on actual experience.**
   - **Why not offer annuities based upon average of last 10 years returns?**
   - **Offers true cost of annuities over time, eliminates risk.**
   - **Can add a cap at 8.5%.**

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Good Policy – Cont'd

- Under an 'average of past 10-years' policy, annuities would have been offered at:

Year	10-year avg.
2003	6.9%
2004	6.0%
2005	6.4%
2006	7.3%
2007	7.2%
2008	8.4%
2009	7.0%
2010	3.9%
2011	4.1%
2012	5.3%

- Plan has averaged 7.1% since 1992, including one of the worst decades on record!
- Why accept less just to allow skimmers to profit?

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Thank You!

We appreciate the opportunity to address this important matter, and hope to continue a dialogue in the future.

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2012 AARP Survey of Members in Indiana on Retirement Security

The AARP Indiana State Office commissioned a survey to explore the views of its members on the topics of long-term care, caregiving, livable communities, retirement security, older workers and utilities. This brief focuses on the topic of retirement security.

These results are based on a mail survey fielded August 21 to September 18, 2012 of 2,000 AARP members in Indiana. A total of 733 surveys were returned yielding a margin of error of ±3.7 percent. The results are weighted to reflect the AARP membership population in Indiana. An annotated survey of the weighted responses to the retirement security questions begins on page X followed by a description of the methodology. Responses to all questions asked in this survey are available upon request.

Survey-In-Brief

- **50+ AARP members in Indiana are not confident that they will be financially secure and live comfortably in their retirement years.**
  - ✓ 37% are not very or not at all confident that they will live comfortably throughout their retirement years and another 43% are only somewhat confident about their financial security during retirement.
  - ✓ Only 14 % are extremely or very confident that they will have or currently have enough money to live comfortably throughout their retirement years.

- **50+ AARP members in Indiana say they are saving or have saved some for their retirement.**
  - ✓ 57% say they are currently saving or have saved for their retirement, not including Social Security. However, 30% say they are not saving or have not saved for their retirement. Saving is more prevalent among those with higher incomes.
  - ✓ 30% say they have less than $100K in savings. 25% have at least $100K but less than $250K. 18% have at least $250K but less than $500K and 16% have $500K or more in savings.

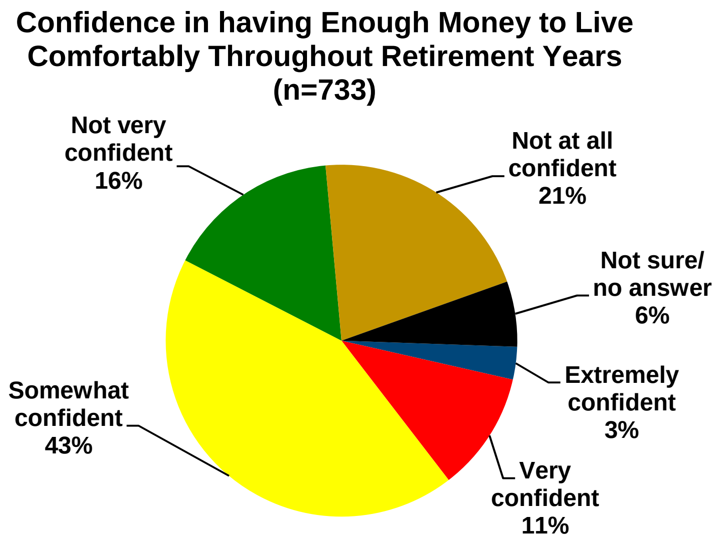
- **50+ AARP members in Indiana mostly keep their retirement savings in bank or retirement accounts.**
  - ✓ 67% keep their retirement savings in their bank accounts.
  - ✓ Over half have their savings in pensions (56%), 401Ks (56%) and IRAs (55%).

- **50+ AARP members in Indiana support providing a vehicle for employers, who don't currently offer retirement plans, to give their employees a way to save for retirement.**
  - ✓ 70% believe employers should be required to provide retirement savings plans for their workers while only 11% do not believe in requiring employers to do this.
  - ✓ 57% support providing a way for employers to offer a state-run retirement plan which allows workers to regularly save a part of their paycheck in a personal individual retirement account or IRA even if the employer does not contribute to that account. Fewer than one in ten opposes this proposal.
  - ✓ 44% say they would be more likely to vote for a candidate for Governor who supports providing a vehicle for employers to offer workers the option of depositing a portion of their pay into a personal individual retirement account or IRA. Only 6% say they would be less likely to vote for such a candidate.

Detailed Findings

Most 50+ AARP members in Indiana are not confident that they will have or currently have enough money to live comfortably throughout their retirement years.

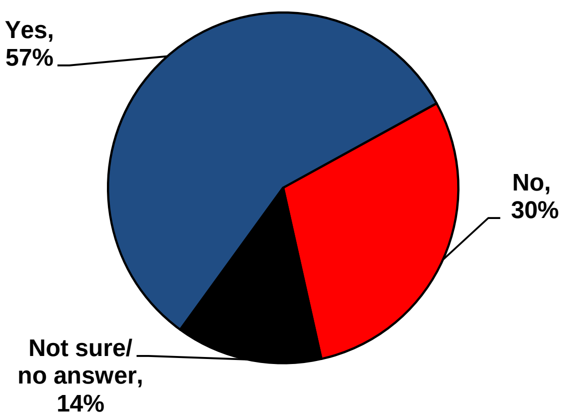
- ✓ Only 14 % are extremely or very confident that they will have or currently have enough money to live comfortably throughout their retirement years.
- ✓ 37% are not very or not at all confident that they will live comfortably throughout their retirement years and another 43% are only somewhat confident about their financial security during retirement.



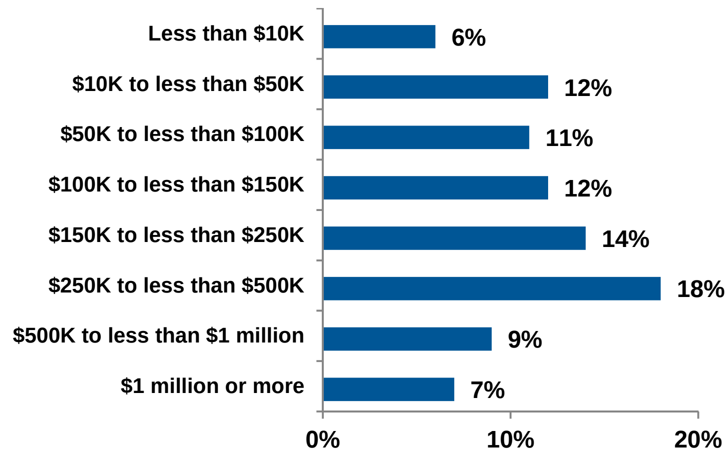
The majority of 50+ AARP members in Indiana say they are currently saving or have saved money for retirement.

- ✓ More than half say they are currently saving or have saved for their retirement, not including Social Security. However, three in ten say they are not saving or have not saved for their retirement. Those with incomes under $20,000 are much less likely than those with higher incomes to say they are saving or have saved for retirement (52% vs. 25%).
- ✓ Indiana 50+ members who are saving or have saved were asked how much they have in savings including certificates of deposit, stocks, bonds, mutual funds and employer-sponsored retirement savings plans. Three in ten have less than $100K in savings. One in eight has at least $100K but less than $150K. One in seven has at least $150K but less than $250K and close to one in five has at least $250K but less than $500K. About another one in six has $500K or more in savings.

Status of Saving for Retirement (n=733)



Amount of Money Indiana Members Currently have in Savings (n=418)

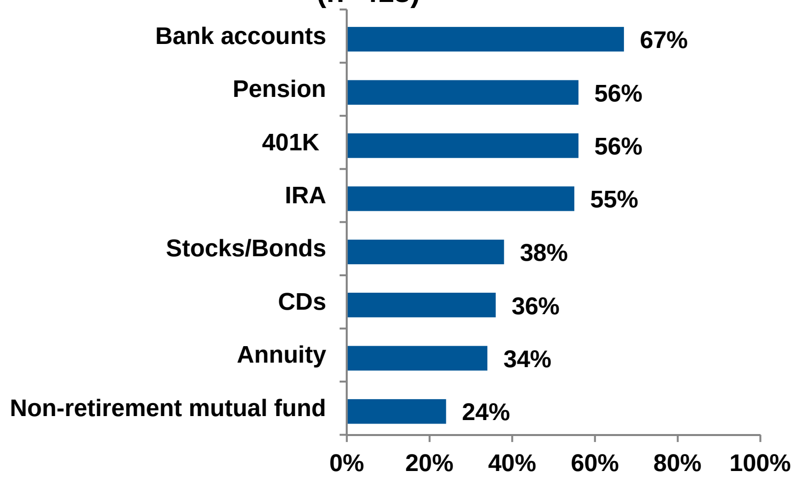


*Percentages may not add up to 100 percent due to rounding.

Most 50+ AARP members in Indiana have their retirement savings in bank or retirement accounts.

- ✓ Over two-thirds keep their retirement savings in their bank accounts.
- ✓ Over half have their savings in pensions, 401Ks and IRAs.
- ✓ Approximately a third keeps their savings in stocks and bonds, certificates of deposit (CDs) or annuities while about a quarter use a non-retirement mutual fund for their retirement savings.

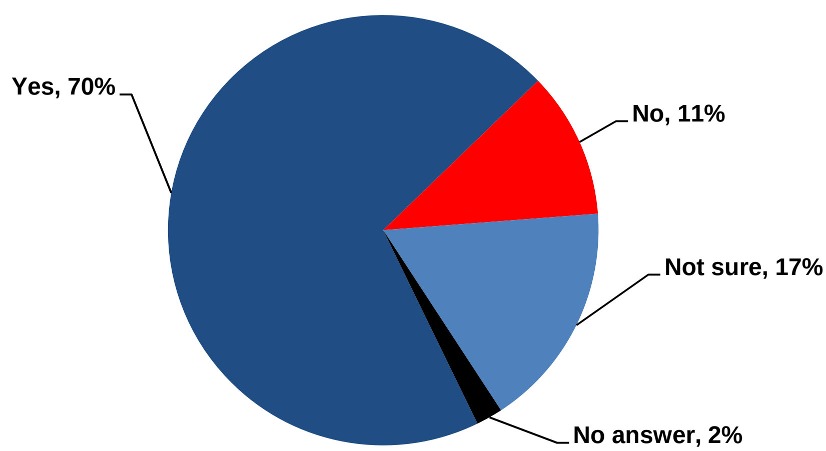
Types of Accounts where Indiana Members have Their Savings (n=418)



50+ AARP members in Indiana believe that employers should be required to provide a retirement savings plan for their employees.

- ✓ Seven in ten believe employers should be required to provide retirement savings plans while only 11% do not believe in requiring employers to do this.

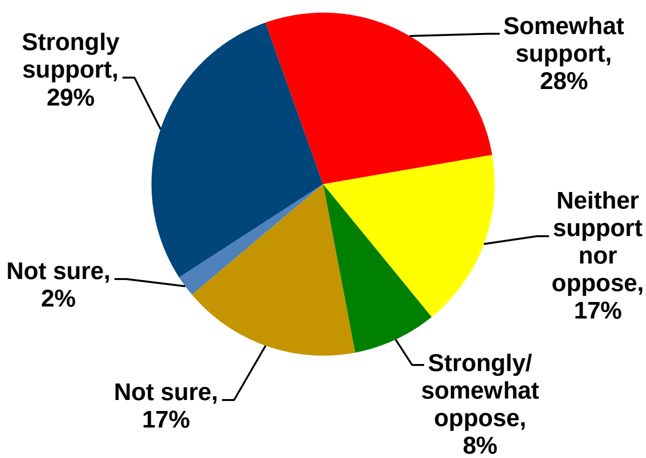
How Indiana Members Feel About Requiring Employers to Provide Retirement Savings Plans (n=733)



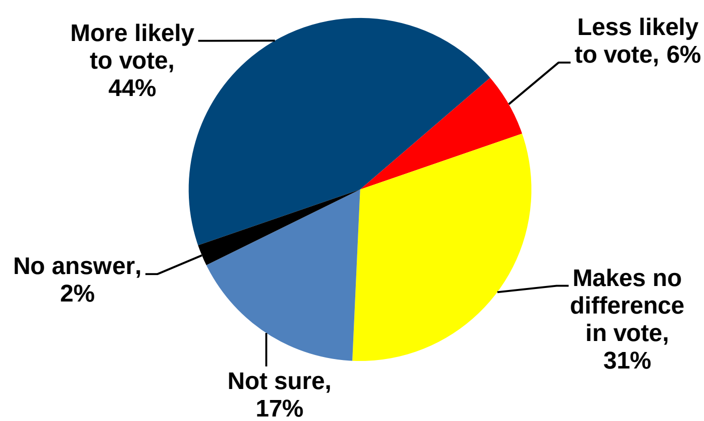
50+ AARP members in Indiana support providing a way for employers to offer retirement plans for their employees even if the employer does not contribute.

- ✓ Nearly six in ten strongly or somewhat support providing a vehicle for employers, who do not offer a retirement plan, which allows workers to regularly save a part of their paycheck in a personal individual retirement account or IRA even if the employer does not contribute to that account. This plan would be administered through the state retirement system and have low fees for employers. Fewer than one in ten opposes this proposal and one in six neither support nor oppose.
- ✓ More than two in five say they would be more likely to vote for a candidate for Governor who supports providing a vehicle for employers to offer workers the option of depositing a portion of their pay into a personal individual retirement account or IRA. Only 6% say they would be less likely to vote for such a candidate and three in ten say it would make no difference in how they vote.

Support and Opposition for Providing a Vehicle for Employers to Offer Retirement Plans for Employees (n=733)



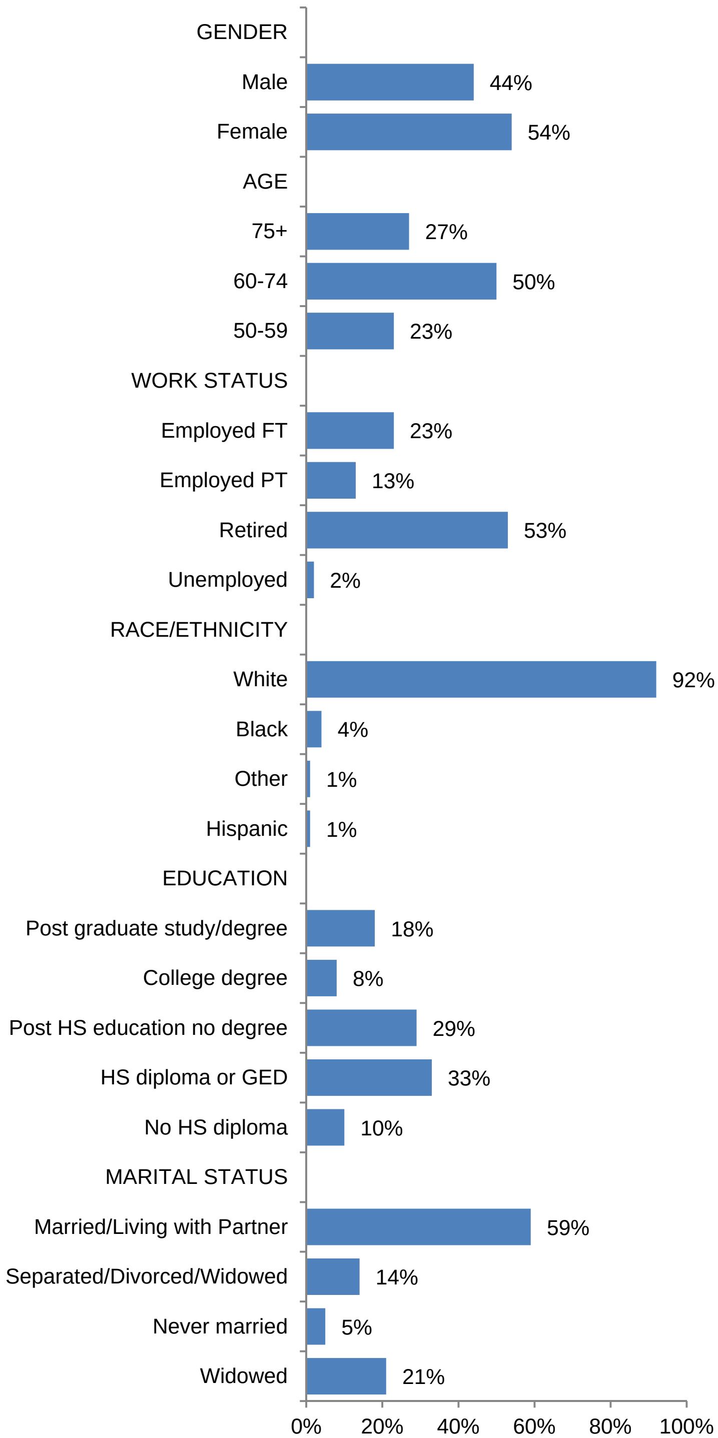
Likelihood of Voting for a Candidate Who Supports Providing a Vehicle for Employers to Offer Retirement Plans (n=733)

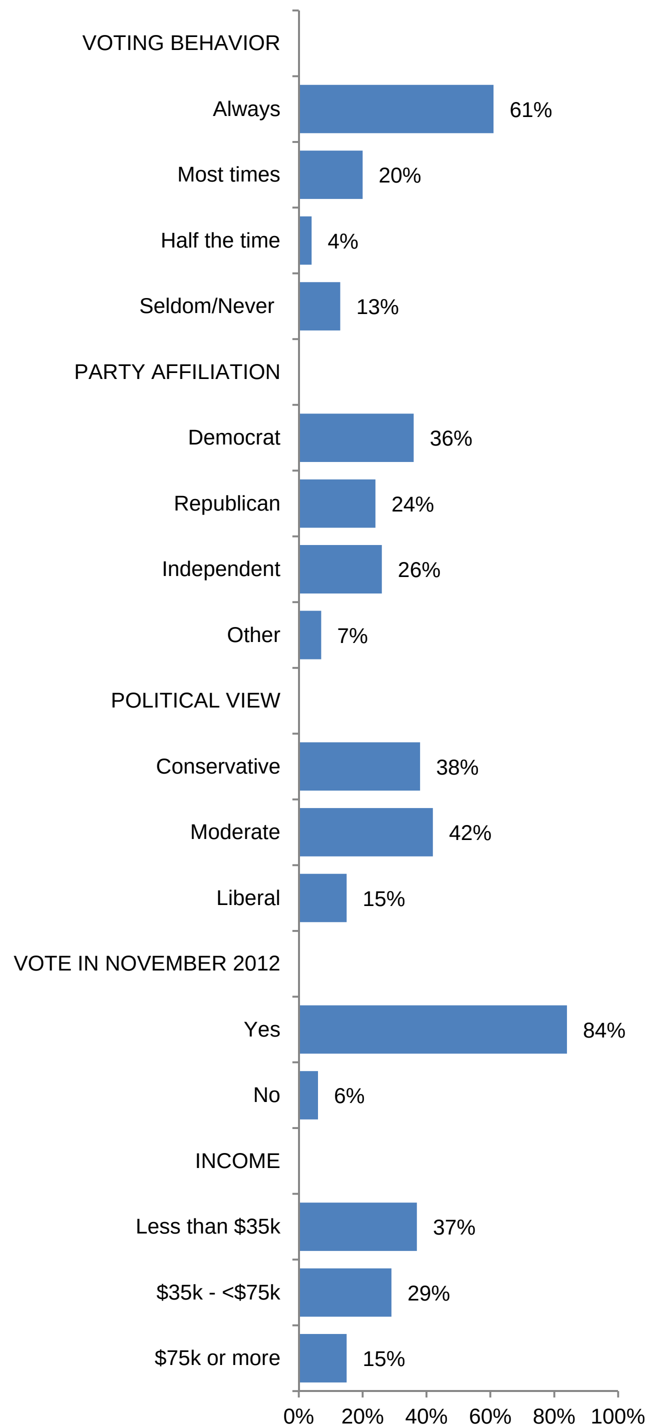


*Percentages may not add up to 100 percent due to rounding.

Demographic Profile of Respondents

- ✓ Less than a quarter of survey respondents are ages 50-59, half are ages 60-74 and over a quarter are ages 75 or older. Most respondents are married or living with a partner. The majority is retired and about a quarter is employed full-time. The majority has a high school or post high school education but no college degree. The majority has an annual household income of less than $75,000. Over a third is Democrat and a quarter is Republican or Independent. The majority votes always or most of the time. About two in five identify themselves as conservative or moderate in their political views and about one in seven say they are liberal. More than four in five say they intend on voting in the November 2012 Presidential election.





Retirement

39. Overall, how confident are you that you will have or currently have enough money to live comfortably throughout your retirement years?

3% Extremely confident
11% Very confident
43% Somewhat confident
16% Not very confident
21% Not at all confident
5% Not sure
1% No answer

40. Not including Social Security taxes or employer-provided money, are you currently saving or have you saved any money for retirement?

57% Yes ➔***GO TO Question 41***
30% No ➔***GO TO Question 43***
7% Not sure ➔***GO TO Question 43***
6% No answer

41. In total, about how much money would you say you currently have in savings and investments, not including the value of your primary residence? Please include savings, certificates of deposits, stocks, bonds, mutual funds, employer-sponsored retirement savings plans, and other investments, but do not include the value of defined benefit plans. (N=418)

1% Less than $1,000
5% $1,000 to less than $10,000
4% $10,000 to less than $25,000
8% $25,000 to less than $50,000
11% $50,000 to less than $100,000
12% $100,000 to less than $150,000
14% $150,000 to less than $250,000
18% $250,000 to less than $500,000
9% $500,000 to less than $1 million
7% $1 million or more
12% No answer

42. In the following types of accounts, are you saving or have you saved money for retirement? (n=418)

		Yes	No	No Ans.
a.	401K retirement savings plan	56%	21%	24%
b.	IRA	55%	21%	24%
c.	Annuity	34%	34%	32%
d.	Non-retirement mutual fund, outside of a retirement account	24%	40%	36%
e.	Bank accounts	67%	12%	21%
f.	CD's	36%	34%	30%
g.	Pension	56%	19%	24%
h.	Stocks/bonds	38%	28%	34%
i.	Other	5%	95%	0%

43. Do you think that employers should be required to provide a retirement savings plan for their employees?

70% Yes
11% No
17% Not sure
2% No answer

44. One proposal to help people save for retirement is to provide a vehicle for employers, who do not offer a retirement plan, that allows workers to regularly save a part of their paycheck in a personal individual retirement account or IRA even if the employer does not contribute to that account. This plan would be administered through the state retirement system and have low fees for employers. How strongly do you support or oppose this proposal?

29% Strongly support
28% Somewhat support
17% Neither support nor oppose
3% Somewhat oppose
5% Strongly oppose
17% Not sure
2% No answer

45. Would you be more or less likely to vote for a candidate for Governor who supports providing a vehicle for employers to offer workers the option of depositing a portion of their pay into a personal individual retirement account or IRA or would it make no difference in your voting behavior?

44% More likely to vote for a gubernatorial candidate who supports providing a vehicle for employers to offer workers the option of depositing a portion of their pay into an IRA

6% Less likely to vote for a gubernatorial candidate who supports providing a vehicle for employers to offer workers the option of depositing a portion of their pay into an IRA

31% Would not make a difference in your voting behavior

17% Not sure
2% No answer

About You

The following questions are for classification purposes only and will be kept entirely confidential.

D1. Are you male or female?

44% Male
54% Female
2% No answer

D2. What is your age as of your last birthday? ☐ ☐ ☐ (in years)

23% 50-59
50% 60-74
27% 75+
0% No answer

D3. What is your current marital status?

57% Married
2% Not married, living with partner
1% Separated
13% Divorced
21% Widowed
5% Never married
1% No answer

D4. Do you own or rent your primary residence?

85% Own
10% Rent
4% Other
1% No answer

D5. Besides you, do you have any of the following people living in your household?

		Yes	No	No Answer
a.	Spouse or partner	58%	25%	18%
b.	Child/children under 18	4%	60%	36%
c.	Child/children 18 or older	12%	54%	33%
d.	Child/children away at college	3%	60%	38%
e.	Grandchildren under 18	2%	60%	38%
f.	Grandchildren 18 or older	3%	61%	36%
g.	Parents/parents-in-law	2%	61%	38%
h.	Other relatives	2%	60%	38%
i.	Others not related to you or your spouse or partner	2%	60%	38%
j.	No other people in household	24%	49%	27%

D6. Do you have any kind of health care coverage, including employer-provided health insurance, private health insurance, or government plans such as Medicare or Medicaid?

92% Yes➔ ***GO TO Question D7***
4% No➔ ***GO TO Question D8***
1% Not sure➔ ***GO TO Question D8***
4% No answer

D7. Do you have health care coverage through the following sources? (n=674)

		Yes	No	No Answer
a.	Current employer or spouse's current employer	29%	39%	32%
b.	Past employer or spouse's past employer (may be a retirement benefit)	21%	44%	35%
c.	On your own through an individual insurance policy	29%	38%	33%
d.	Medicare	63%	20%	17%
e.	Medicaid	9%	48%	44%
f.	Veteran's Administration (VA) or military benefits	9%	48%	44%

D8. Does any disability, impairment or chronic disease keep you from participating fully in work, school, household, or other activities?

24% Yes
68% No
4% Not sure
1% Refused
3% No answer

D9. What is the highest level of education that you completed?

10%	0-12th grade (no diploma)
33%	High school graduate (or equivalent)
20%	Post-high school education (no degree)
10%	2-year college degree
8%	4-year college degree
4%	Post-graduate study (no degree)
14%	Graduate or professional degree

D10. Are you of Hispanic, Spanish, or Latino origin or descent?

1%	Yes
96%	No
3%	No answer

D11. What is your race?

92%	White or Caucasian
4%	Black or African American
<.5%	American Indian or Alaska Native
<.5%	Asian
0%	Native Hawaiian or other Pacific Islander
1%	Other

D12. Thinking about state elections for Indiana Governor and Legislators <u>in the last 10 years</u>, how often would you say you vote?

61%	Always
20%	Most of the time
4%	Almost half of the time
8%	Seldom
5%	Never
3%	No answer

D13. Do you plan to vote in the upcoming election this November 2012 for Indiana's Governor?

84%	Yes
6%	No
8%	Not sure
2%	No answer

D14. Do you consider yourself to be a Democrat, Republican, Independent, or something else?

36%	Democrat
24%	Republican
26%	Independent
7%	Something else
7%	No answer

D15. In general, would you describe your political views as very conservative, somewhat conservative, moderate, somewhat liberal, or very liberal?

9%	Very conservative
29%	Somewhat conservative
42%	Moderate
11%	Somewhat liberal
4%	Very liberal
5%	No answer

D16. <u>In the last 12 months</u>, have you accessed the Internet or sent or received email?

70%	Yes ➔***GO TO Question 17***
28%	No ➔***GO TO Question 19***
3%	No answer

D17. <u>In the last 12 months</u>, have you visited any of AARP's Internet/Web sites (aarp.org, AARPmagazine.org, etc.)? (n=509)

35%	Yes
63%	No
3%	No answer

D18. Do you do any of the following activities when you use the Internet? (n=509)

	Yes	No	No Answer
a. Send and receive email	95%	4%	1%
b. Perform online banking or other financial services	55%	40%	5%
c. Seek information on community events, news, or schedules	73%	22%	5%
d. Buy or make a reservation online for a travel service, such as an airline ticket, hotel room, or rental car	64%	32%	4%
e. Buy a product online, such as books, music, toys, clothing	72%	24%	4%
f. Use a social networking site like Facebook or Twitter	49%	47%	4%

D19. What is your 5-digit ZIP Code? (Write in your ZIP CODE) : ☐☐☐☐☐

D20. What city or town do you live in? ______________________ (Write in city or town)

D21. What was your annual household income before taxes in 2011?

5%	Less than $10,000
11%	$10,000 to $19,999
21%	$20,000 to $34,999
13%	$35,000 to $49,999
8%	$50,000 to $59,999
8%	$60,000 to $74,999
6%	$75,000 to $99,999
9%	$100,000 or more
9%	Not sure
10%	No answer

Full Methodology

AARP commissioned a mail survey of 2,000 members in Indiana between August 21, 2012 and September, 18, 2012. Surveys were mailed to a statewide sample of members, stratified by age to select members proportionate to each of three age groups: 50-59, 60-74, and 75+. Each sampled member was contacted about the survey in four ways: a pre-notification postcard, the survey itself, a reminder postcard, and a second survey. Of those surveyed, 733 completed questionnaires were used yielding a response rate of 37 percent. The survey has a sampling error of ± 3.7 percent at the 95% level of confidence. This means that in 95 out of 100 samples of this size, the results would be within ± 3.7 percentage points of the results obtained had everyone in the population completed a survey. Responses were weighted to reflect the actual distribution of members by age and gender. Throughout the report, statistics representing member responses are reported in percentages which may not add up to 100 due to rounding and non-response. Also due to rounding, the percents reported in the text may vary slightly from those in the annotation or in graphs.

AARP is a nonprofit, nonpartisan organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We produce AARP The Magazine, the definitive voice for 50+ Americans and the world's largest-circulation magazine with over 35.1 million readers; AARP Bulletin, the go-to news source for AARP's millions of members and Americans 50+; AARP VIVA, the only bilingual U.S. publication dedicated exclusively to the 50+ Hispanic community; and our website, AARP.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The views expressed herein are for information, debate, and discussion, and do not necessarily represent official policies of AARP.

State Research brings the right knowledge at the right time to our state and national partners in support of their efforts to improve the lives of people age 50+. State Research consultants provide strategic insights and actionable research to attain measurable state and national outcomes. The views expressed herein are for information, debate, and discussion, and do not necessarily represent official policies of AARP.

AARP staff from the Indiana State Office and State Research contributed to the design, implementation and reporting of this study. Special thanks go to AARP staff including Katherine Moreau, Associate State Director of Communications, Paul Chase, Associate State Director of State Advocacy, and June Lyle, State Director in Indiana; Rachelle Cummins, Angela Houghton, Darlene Matthews and Cheryl Barnes, State Research; Patrick Willard, Coralette Hannon and Janee Briesemeister, State and National Group; and Michael Schuster, Office of General Counsel. Please contact Joanne Binette at 202-434-6303 for more information regarding this survey.

Research and Strategic Analysis

For more information about this survey, please contact Joanne Binette at:

202.434.6303 or e-mail jbinette@aarp.org

Exhibit C Part 2

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Issue BRIEF

The 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many

By Ruth Helman, Mathew Greenwald & Associates; and Nevin Adams, J.D., Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., EBRI

At a Glance:

- The percentage of workers confident about having enough money for a comfortable retirement is essentially unchanged from the record lows observed in 2011. While more than half express some level of confidence (13 percent are very confident and 38 percent are somewhat confident), 28 percent are not at all confident (up from 23 percent in 2012 but statistically equivalent to 27 percent in 2011), and 21 percent are not too confident.
- Retiree confidence in having a financially secure retirement is also unchanged, with18 percent very confident and 14 percent not at all confident.
- One reason that retirement confidence has remained low despite a brightening economic outlook may be that some workers may be waking up to a realization of just how much they may need to save. Asked how much they believe they will need to save to achieve a financially secure retirement, a striking number of workers cite large savings targets: 20 percent say they need to save between 20 and 29 percent of their income and nearly one-quarter (23 percent) indicate they need to save 30 percent or more.
- Aggressive as those savings targets appear to be, they may not be based on a careful analysis of their individual circumstances. Only 46 percent report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.
- Retirement savings may be taking a back seat to more immediate financial concerns: Just 2 percent of workers and 4 percent of retirees identify saving or planning for retirement as the most pressing financial issue facing most Americans today. Both workers and retirees are most likely to identify job uncertainty (30 percent of workers and 27 percent of retirees) and making ends meet (12 percent each).
- Cost of living and day-to-day expenses head the list of reasons why workers do not contribute (or contribute more) to their employer's plan, with 41 percent of eligible workers citing this factor.
- Debt may be another factor standing in the way; 55 percent of workers and 39 percent of retirees report having a problem with their level of debt, and only half (50 percent of workers and 52 percent of retirees) say they could definitely come up with $2,000 if an unexpected need arose within the next month.
- Worker confidence in the affordability of various aspects of retirement continues to decline. In particular, increases are seen in the percentage of workers not at all confident about their ability to pay for basic expenses (16 percent, up from 12 percent in 2011), medical expenses (29 percent, up from 24 percent in 2012), and long-term care expenses (39 percent, up from 34 percent in 2012).
- Just 23 percent of workers (and 28 percent of retirees) report they have obtained investment advice from a professional financial advisor who was paid through fees or commissions. Of these workers, 27 percent followed all of the advice, but more disregarded some of it and followed most (41 percent) or some (27 percent).

Ruth Helman is research director for Mathew Greenwald & Associates, Inc. Nevin Adams is director of Education and External Relations at the Employee Benefit Research Institute (EBRI). Craig Copeland is senior research associate at EBRI. Jack VanDerhei is the research director at EBRI. This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Guardian Life Insurance

MassMutual Financial Group

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New York Life Retirement Plan Services

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The 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many

By Ruth Helman, Mathew Greenwald & Associates; and Nevin Adams, J.D., Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., EBRI

Introduction

The 23rd wave of the Retirement Confidence Survey (RCS) finds that Americans' confidence in their ability to afford a comfortable retirement remains low, despite the improving economy. One apparent reason for this might be the realization by many workers[1] of just what will be needed to secure a financially comfortable retirement. Others reasons may include more immediate financial concerns about job uncertainty and debt as well concerns about the cost of retirement. Nevertheless, worker savings remain modest, and less than half appear to be taking basic steps needed to prepare for retirement.

Findings from this year's RCS include:

- The percentage of workers confident about having enough money for a comfortable retirement is essentially unchanged from the record lows observed in 2011. Half express some level of confidence, with 13 percent very confident and 38 percent somewhat confident, while 28 percent are not at all confident (up from 23 percent in 2012, but statistically equivalent to 27 percent in 2011), and 21 percent are not too confident.
- Retiree confidence in having a financially secure retirement is also unchanged, with 18 percent very confident (statistically equivalent to the 21 percent measured in 2012) and 14 percent not at all confident (statistically equivalent to 19 percent in 2011).
- Asked how much they believe they will need to save to achieve a financially secure retirement, a striking number of workers cite large savings targets: 20 percent say they need to save between 20 and 29 percent of their income each year, and nearly one-quarter (23 percent) indicate they need to save 30 percent or more.
- Aggressive as those targets appear to be, they may not be based on a careful analysis of individual circumstances. Only 46 percent report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.
- Moreover, just 23 percent of workers and 28 percent of retirees report they have obtained investment advice from a professional financial advisor who was paid through fees or commissions. Of these workers, 27 percent followed all of the advice, but more disregarded some and followed most (41 percent) or some (27 percent).
- Sixty-six percent of workers report they and/or their spouse have saved for retirement, although a sizable percentage of workers report they have virtually no savings or investments. Among RCS worker respondents providing this type of information, 28 percent say they have less than $1,000. In total, 57 percent report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than $25,000.
- Retirement savings may be taking a back seat to more immediate financial concerns. Asked to name the most pressing financial issue facing most Americans today, both workers and retirees are most likely to identify job uncertainty (30 percent of workers and 27 percent of retirees) and making ends meet (12 percent each). Just 2 percent of workers and 4 percent of retirees identify saving or planning for retirement as the most pressing financial issue.
- Debt may be another factor standing in the way: 55 percent of workers and 39 percent of retirees report having a problem with their level of debt. Emphasizing the lack of even a short-term cushion, only half (50 percent of workers and 52 percent of retirees) say they could definitely come up with $2,000 if an unexpected need arose within the next month.
- Perhaps not surprisingly, worker confidence in the affordability of various aspects of retirement continues to decline. In particular, increases are seen in the percentage of workers not at all confident about their ability to

pay for basic expenses (16 percent, up from 12 percent in 2011 but statistically equivalent to 13 percent in 2012), medical expenses (29 percent, up from 24 percent in 2012), and long-term care expenses (39 percent, up from 34 percent in 2012).

- Cost of living and day-to-day expenses head the list of reasons why workers do not contribute (or contribute more) to their employer's plan, with 41 percent of eligible workers citing these factors. Nevertheless, if those not currently contributing were automatically enrolled into a retirement savings plan, most would continue the contribution in some amount. Just 18 percent indicate they would cancel the contribution if enrolled at a 3-percent deferral rate, while 29 percent would cancel at a 6-percent deferral rate.
- Reaction is mixed to a proposal requiring that half the balance in an employer-sponsored retirement savings plan be automatically converted to an annuity at retirement. Thirty percent of plan participants would strongly oppose the proposal, and an additional 16 percent would somewhat oppose it, while 11 percent would strongly favor the proposal, and 35 percent would somewhat favor it.

About the 2013 RCS

The Retirement Confidence Survey (RCS) gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The 2013 RCS is the 23rd annual wave of this project, making it the longest-running retirement survey of its kind in the nation.

The survey was conducted in January 2013 through 20-minute telephone interviews with 1,254 individuals (1,003 workers and 251 retirees) age 25 and older in the United States, using random digit dialing along with a cell phone supplement to obtain a representative cross section of the U.S. population. The survey has a statistical precision of plus or minus 3 percentage points (see methodology section).

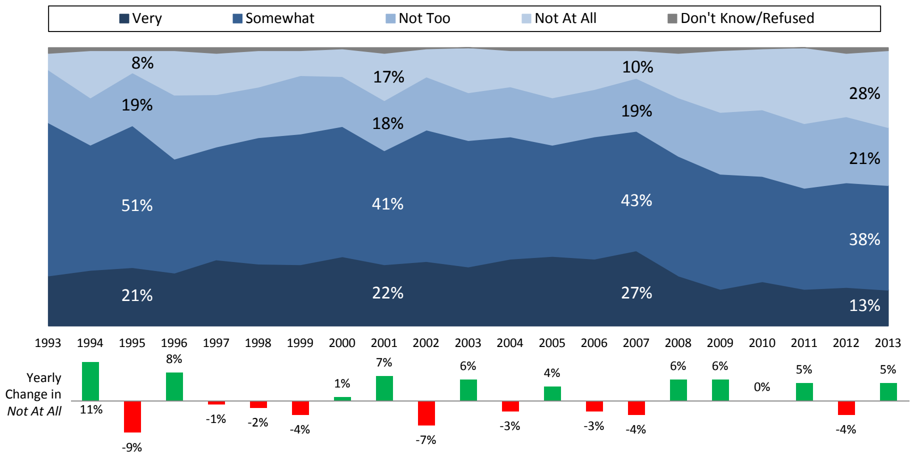
The RCS is co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization, and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2013 RCS data collection was funded by grants from about two dozen public and private organizations (see funders box). The full report, RCS fact sheets, and other resources are online at www.ebri.org/surveys/rcs/

Retirement Confidence

Retirement Confidence Slips Back

Despite recent improvements in certain economic indicators, American workers' confidence in their ability to retire comfortably, which seemed to rebound very slightly in 2012, returned in 2013 to the record lows observed in 2011. Just 13 percent are very confident they will have enough money to live comfortably in retirement (statistically equivalent to the 14 percent measured in 2012 and the 13 percent measured in 2011 and 2009), and 38 percent continue to say they are somewhat confident. Twenty-eight percent of workers are not at all confident that they will have enough money to live comfortably throughout their retirement years (up from 23 percent in last year's RCS, but statistically equivalent to the 27 percent measured in 2011), while 21 percent are not too confident they will have enough money. This means that half of all workers are either not too or not at all confident of having enough money for retirement, while half are either somewhat or very confident in those prospects. Overall retirement confidence among workers has fluctuated over the 23 years of the RCS, reaching its highest levels in 2007 (27 percent very confident and 10 percent not at all confident), but dropping to record lows in 2011 and 2013 (Figure 1).

Figure 1
Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

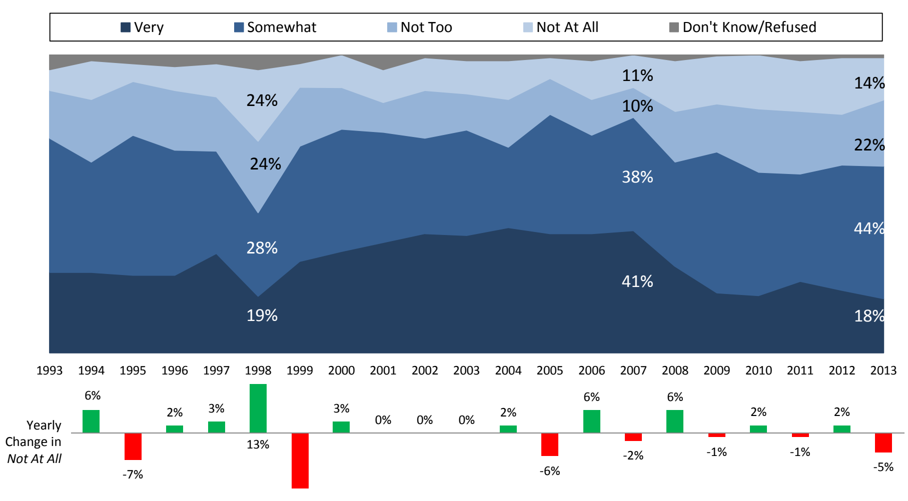


Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

1

On the other hand, retiree confidence about a financially secure retirement continues unchanged. Eighteen percent are very confident about having enough money to live comfortably throughout their retirement years (statistically equivalent to 21 percent in 2012), and 44 percent are somewhat confident. At the same time, 14 percent say they are not at all confident (statistically equivalent to the 19 percent measured in 2012). Another 22 percent of retirees are not too confident. Like worker confidence, retiree confidence in having enough money for retirement has varied over the 23 years of the RCS. It remained fairly steady at roughly 40 percent very confident and 10 percent not at all confident from 2002 through 2007, but the percentage very confident declined in 2008 and 2009 (Figure 2).

Figure 2
Retiree Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

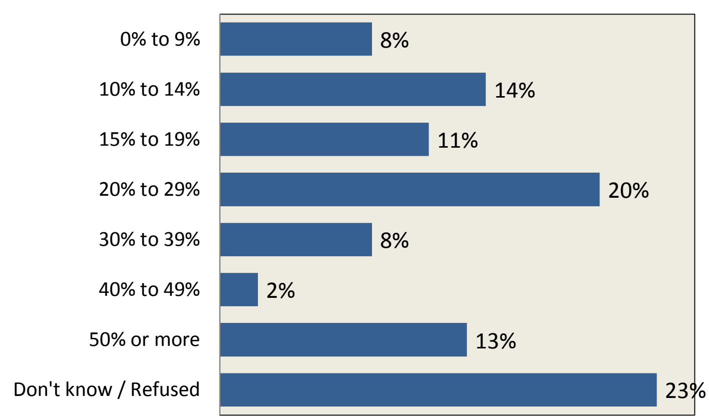
2

As might be expected, worker confidence in having enough money for a comfortable retirement increases with household income. Worker confidence also increases with savings and investments, education, and improved health status. Others more often confident are men (compared with women), married workers (compared with those not married), those who participate in a defined contribution retirement plan (compared with those who do not), and those who report they or their spouses currently have benefits from a defined benefit plan (compared with those who do not).

Reality Check?

One reason that retirement confidence may have remained low despite a brightening economic outlook is that some workers may be waking up to a realization of just how much they may need to save each year from now until they retire so they can live comfortably in retirement. One-third (33 percent) think they need to save 20 percent or less of their total household income, but 2 in 10 (20 percent) put that target at between 20 and 29 percent, and nearly one-quarter (23 percent) indicate they need to save 30 percent or more (Figure 3). Nearly a quarter (23 percent) said they didn't know how much.

Figure 3
Percentage of Household Income that Workers Think They Need to Save to Live Comfortably in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

3

In this year's RCS, it was found that retirement confidence decreases as the average amount workers think they need to save increases, particularly for older workers, who have less time to save. In fact, workers age 45 or older who are not at all confident about having enough money for a comfortable retirement say that the percentage of income they need to save each year to live comfortably in retirement is 43 percent on average (Figure 4). Additionally, those who are not confident about their financial prospects in retirement are more likely to say they do not know how much they need to save. Furthermore, the amount that workers report they need to save each year is inversely related to their current levels of savings and investments.

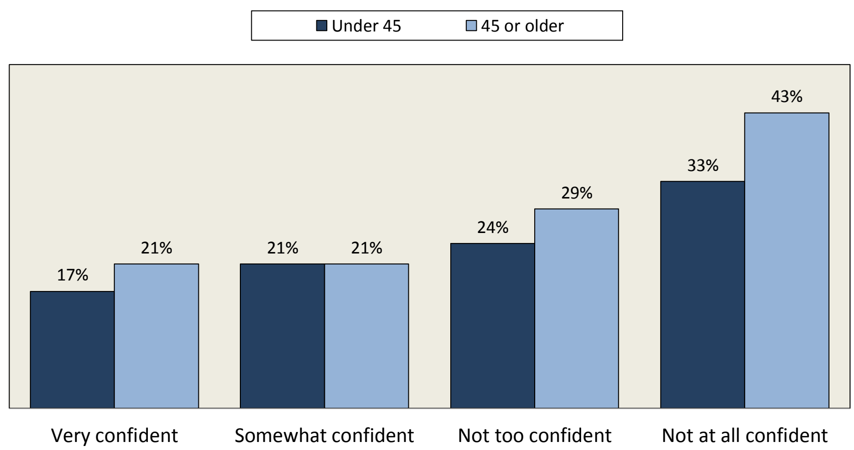
More Pressing Concerns?

Another reason that retirement confidence remains at historic lows may be that many Americans are preoccupied by more immediate financial concerns. Asked to name the most pressing financial issue facing most Americans today, both workers and retirees are most likely to identify job uncertainty (30 percent of workers and 27 percent of retirees).

Other issues named include:

- Making ends meet (12 percent each).
- The budget deficit and government spending (8 percent of workers and 14 percent of retirees).
- Paying for health insurance or medical expenses (9 percent of workers and 10 percent of retirees).
- The economy (8 percent of workers and 6 percent of retirees).
- Taxes (8 percent of workers and 5 percent of retirees).
- Making mortgage payments (8 percent of workers and 4 percent of retirees).

Figure 4
Average Percentage of Income that Workers Think They Need to Save to Live Comfortably in Retirement, by Retirement Confidence and Age



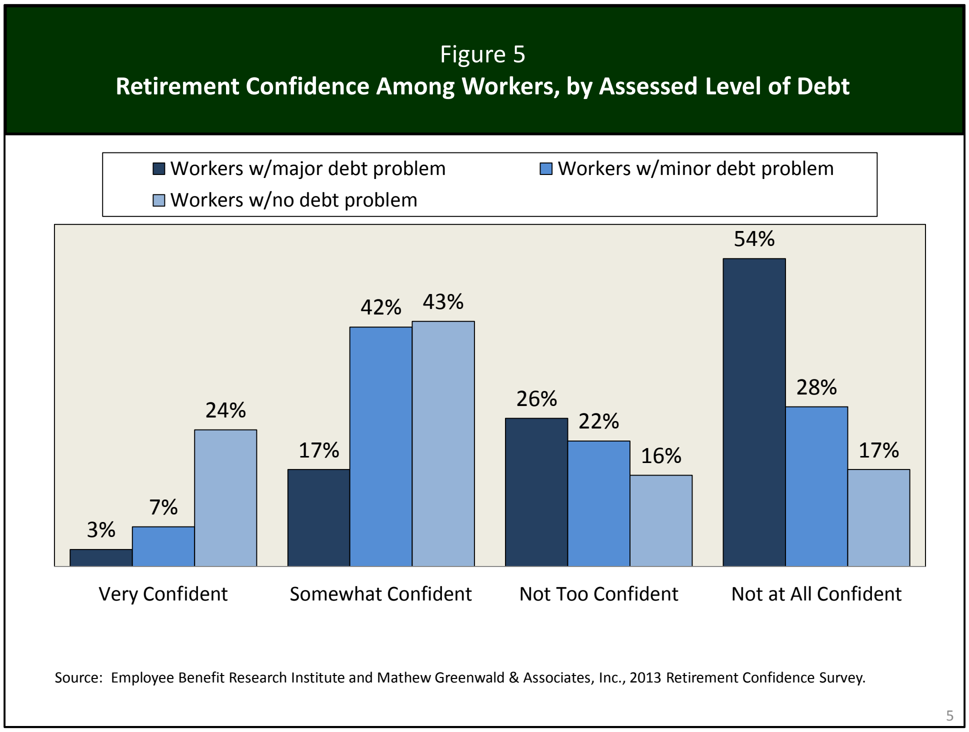
Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

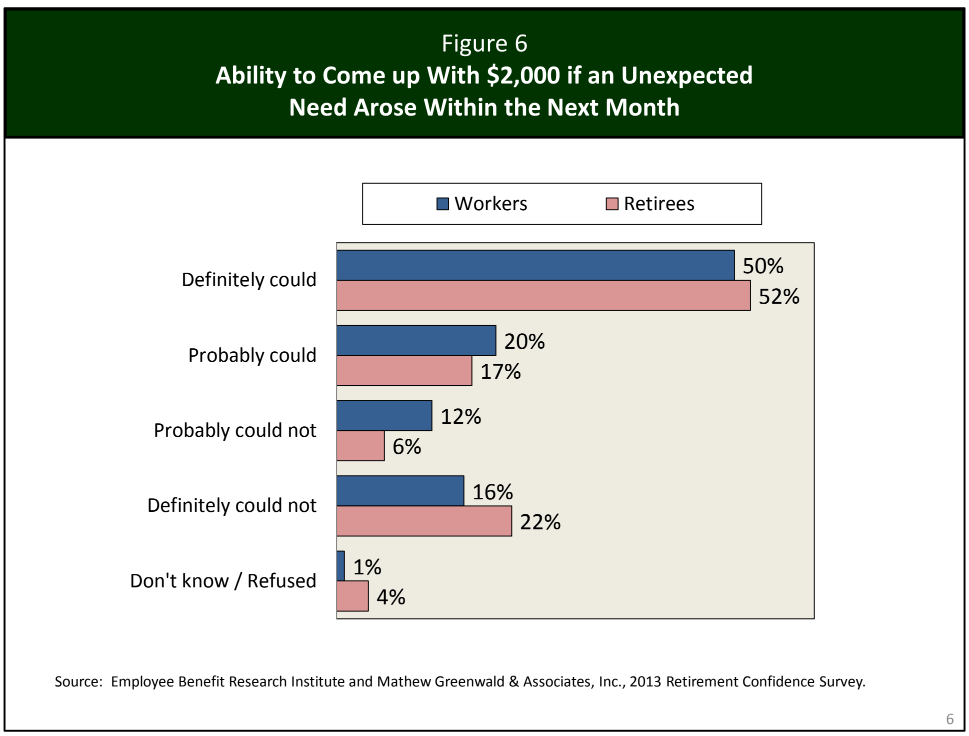
Indeed, just 2 percent of workers and 4 percent of retirees identify saving or planning for retirement as the most pressing financial issue facing most Americans today.

Moreover, a significant number of Americans carry what they see as a problematic amount of debt. Sixteen percent of workers and 13 percent of retirees report their level of debt is a major problem, while an additional 44 percent of workers and 26 percent of retirees describe it as a minor problem. In addition, 25 percent of workers and 15 percent of retirees indicate that their current level of debt is higher than it was five years ago. Just under 4 in 10 (39 percent) workers, but a majority (58 percent) of retirees, state that debt is not a problem for them.

This level of debt is strongly related to retirement confidence. Just 3 percent of workers who describe their debt as a major problem are very confident about having enough money to live comfortably throughout retirement, compared with 24 percent of workers who indicate debt is not a problem. On the other hand, 54 percent of workers with a major debt problem are not at all confident about having enough money for a financially secure retirement, compared with 17 percent of workers without a self-acknowledged debt problem (Figure 5).

Further evidence of the potentially precarious state of many Americans' current financial position is that only half (50 percent of workers and 52 percent of retirees) report they could definitely come up with $2,000 if an unexpected need arose within the next month. About 2 in 10 (20 percent of workers and 17 percent of retirees) think they probably could come up with the $2,000, but 3 in 10 (28 percent each of workers and retirees) think they probably or definitely could not (Figure 6). This perceived inability to come up with $2,000 for an unexpected need is also strongly related to lack of confidence in a financially comfortable retirement.

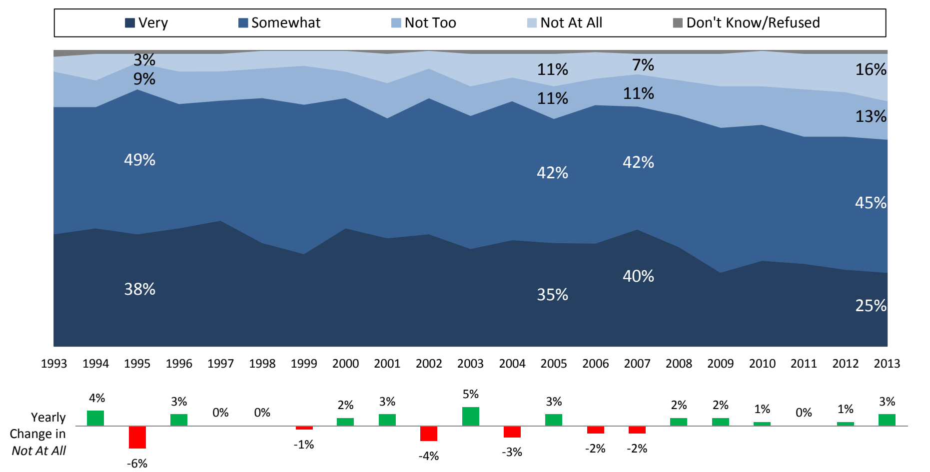




Basic Expenses Versus Medical

Confidence about other financial aspects of retirement reached record lows in 2013, continuing the decline from highs recorded in 2007. In particular, the percentages of workers not at all confident about various aspects of retirement continue to increase after stabilizing the past two years. Sixteen percent of workers are now not at all confident that they will have enough money to pay for basic expenses during retirement (up from 12 percent in 2011 but statistically equivalent to 13 percent in 2012), and another 13 percent are not too confident. One-quarter (25 percent) of workers are now very confident about their ability to pay for basic expenses (down from 40 percent in 2007, but statistically equivalent to the 26 percent measured in 2012) (Figure 7).

Figure 7
Worker Confidence in Having Enough Money to Pay for Basic Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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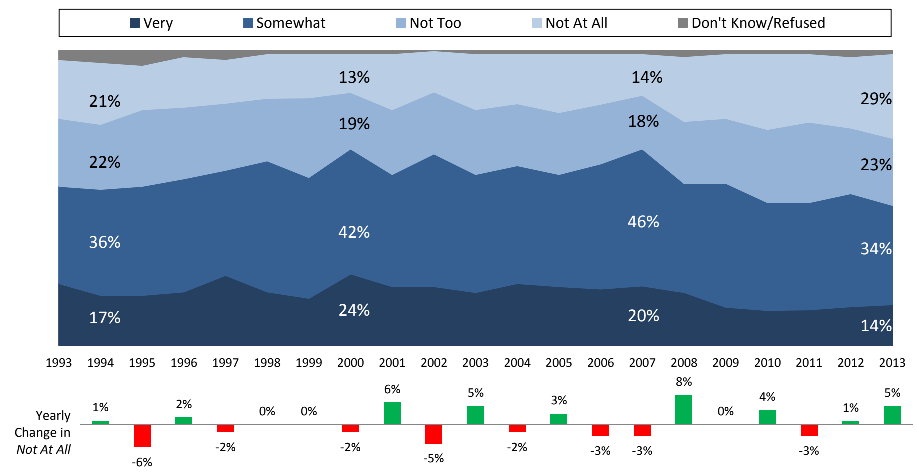
Notably, worker confidence about having enough money to pay for medical expenses and long-term care expenses in retirement remains well below the levels of confidence in the ability to pay for basic expenses. The percentages of workers who are not at all confident about being able to pay for post-retirement medical expenses (29 percent, up from 14 percent in 2007 and 24 percent in 2012) and long-term care expenses (39 percent, up from 21 percent in 2007 and 34 percent in 2012) have increased since 2012. At the same time, the percentages of workers who are very confident about various financial aspects of retirement have remained stable, with about 1 in 10 very confident about being able to pay for medical expenses (14 percent, down from 20 percent in 2007 but level with the 13 percent in 2012) and long-term care expenses (11 percent, down from 17 percent in 2007 but statistically equivalent to the 9 percent measured in 2012) (Figures 8 and 9).

While unchanged statistically from 2012, worker confidence that they are doing a good job of preparing financially for retirement has continued a slow decline from the peak levels measured in 2007. The percentage very confident, which remained at roughly 25 percent between 2003 and 2007, has now declined to 17 percent (from 22 percent in 2011, but statistically equivalent to 19 percent in 2012). The percentage not at all confident rose from 12 percent in 2008 to 21 percent in 2013 (statistically unchanged from the 19 percent measured in 2011 and 2012). Combined with the 15 percent of workers who say they are not too confident, this means that just over a third (36 percent) lack confidence in their financial preparations for retirement (Figure 10).

Doubtless because they are already in retirement, retirees tend to express higher levels of confidence than workers about each of these financial aspects of retirement, and the 2013 RCS shows little change from the levels measured for retirees in the recent past. After decreasing from 48 percent in 2007 to 25 percent in 2009, the percentage of retirees who are very confident in having enough money to pay for basic expenses has held steady statistically and is at 28 percent in 2013. At the same time, the percentage not at all confident about paying for basic expenses continues to be statistically stable at 12 percent in 2013 (Figure 11).

Similarly, the percentages of retirees very confident about having enough money to cover medical expenses (24 percent, matching the 24 percent in 2012) and long-term care expenses (16 percent, statistically unchanged from 18 percent in 2012) are stable. Additionally, the percentages not at all confident about medical expenses (15 percent in 2013 and 16 percent in 2012) and long-term care expenses (34 percent in 2013 and 30 percent in 2012) do not show any statistically meaningful changes (Figures 12 and 13).

Figure 8
Worker Confidence in Having Enough Money to Pay for Medical Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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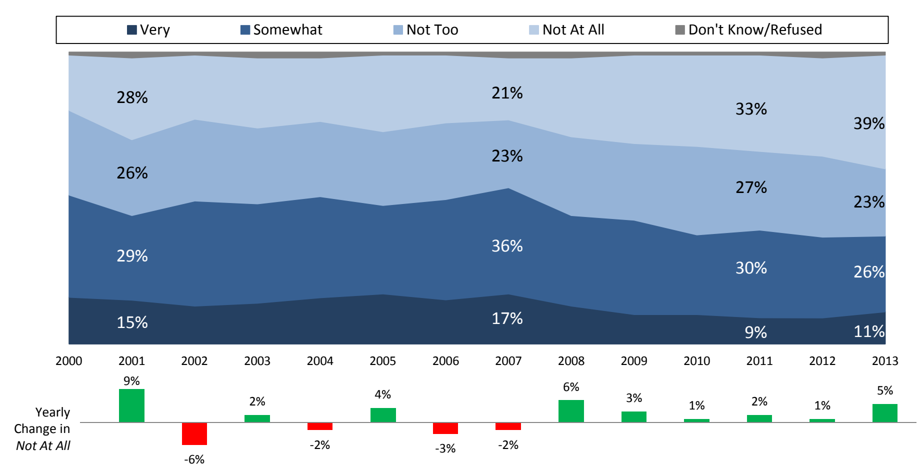
Figure 9
Worker Confidence in Having Enough Money to Pay for Long-term Care Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2000-2013 Retirement Confidence Surveys.

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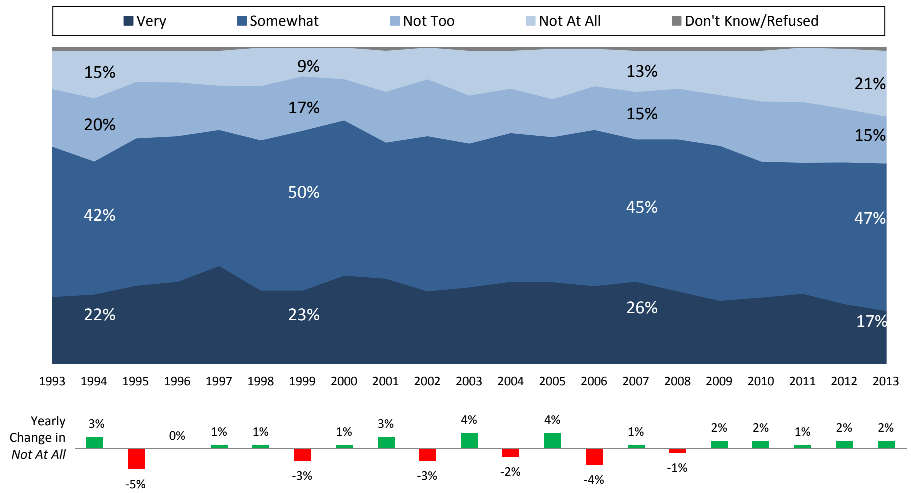
The percentage of retirees very confident that they had done a good job of preparing for retirement slipped from 39 percent in 2007 to 26 percent in 2008, and has remained statistically unchanged since that time (23 percent in 2013), those retirees not at all confident about having done a good job stood at 15 percent in the 2013 RCS (statistically unchanged from 14 percent in 2012) (Figure 14).

Figure 10
Worker Confidence in Doing a Good Job of Preparing for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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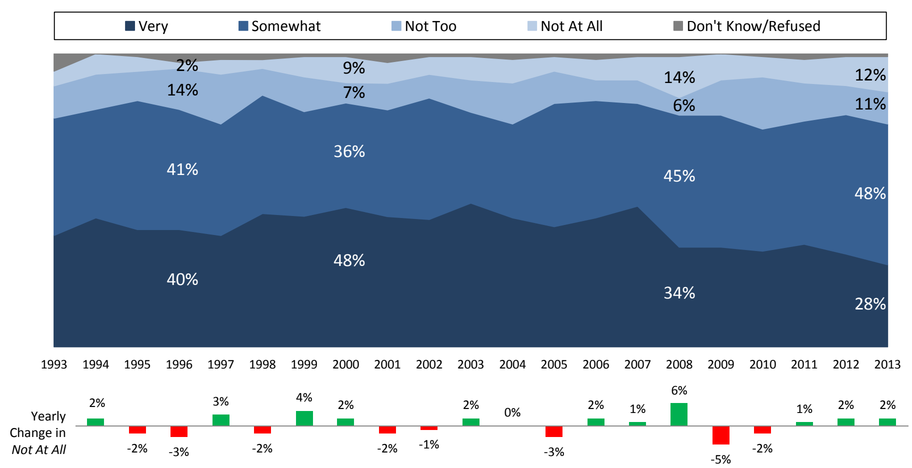
Figure 11
Retiree Confidence in Having Enough Money to Pay for Basic Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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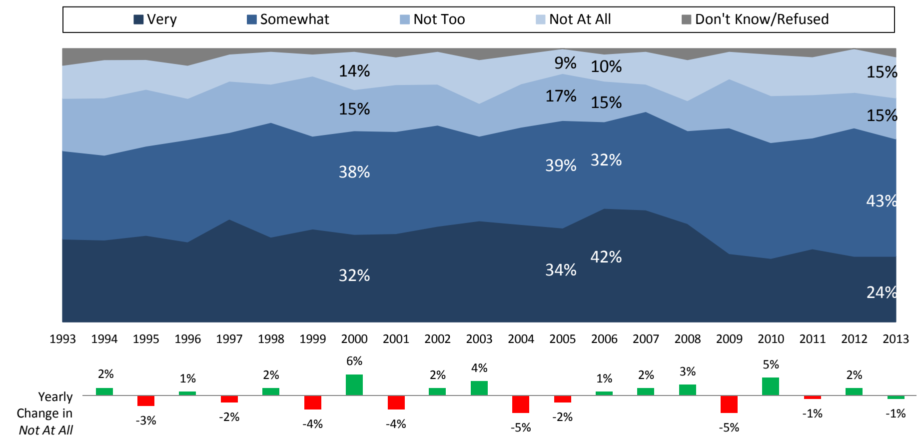
Figure 12
Retiree Confidence in Having Enough Money to Pay for Medical Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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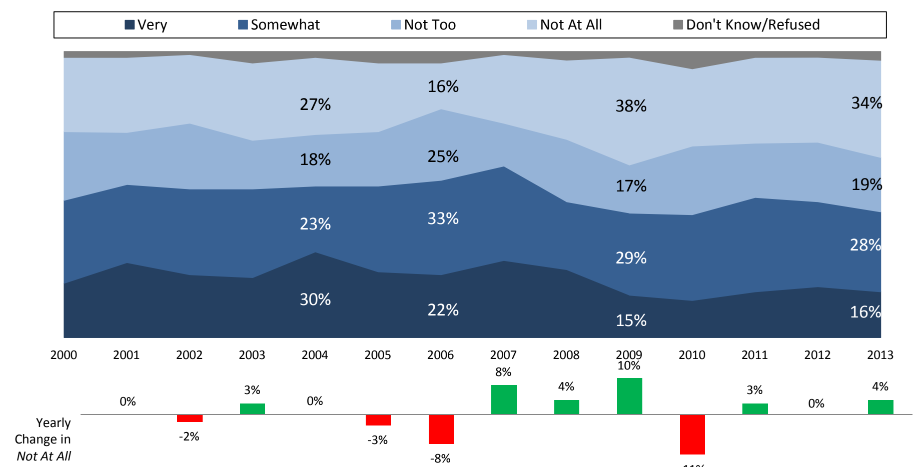
Figure 13
Retiree Confidence in Having Enough Money to Pay for Long-term Care Expenses in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2000-2013 Retirement Confidence Surveys.

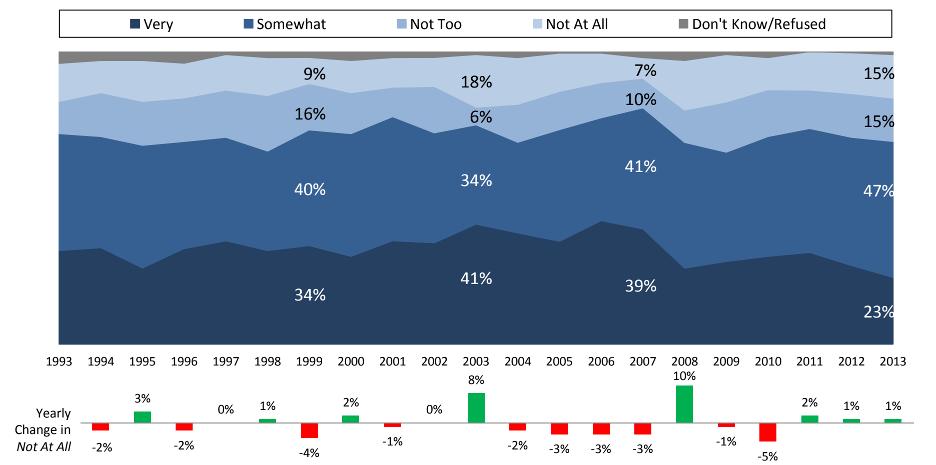
13

Preparing for Retirement

Saving for Retirement

Although one might expect that American workers would respond to their lack of retirement confidence by improving their preparations, that does not appear to be the case. The percentage of workers who reported they and/or their spouses had saved for retirement increased briefly in 2009 (to 75 percent), but this percentage has slowly declined and now stands at 66 percent. The percentage of workers having saved for retirement increased from 1998 through 2000, declined significantly in 2001, and then hovered around 70 percent for most of the past decade (Figure 15). The percentage of retirees and/or their spouses having saved for retirement climbed slowly from 59 percent in 2000 to 74 percent in 2011 and now stands at 71 percent (Figure 16).

Figure 14
Retiree Confidence in Having Done a Good Job of Preparing for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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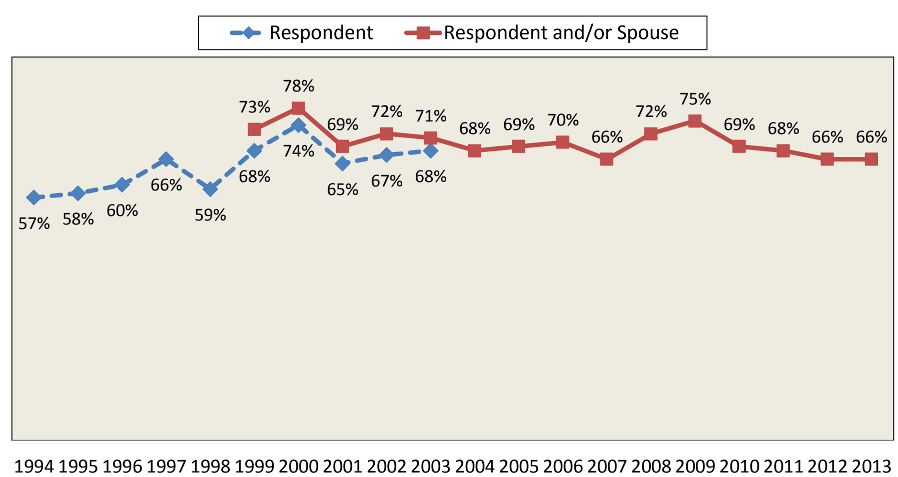
Figure 15
Workers Having Saved Money for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994-2013 Retirement Confidence Surveys.

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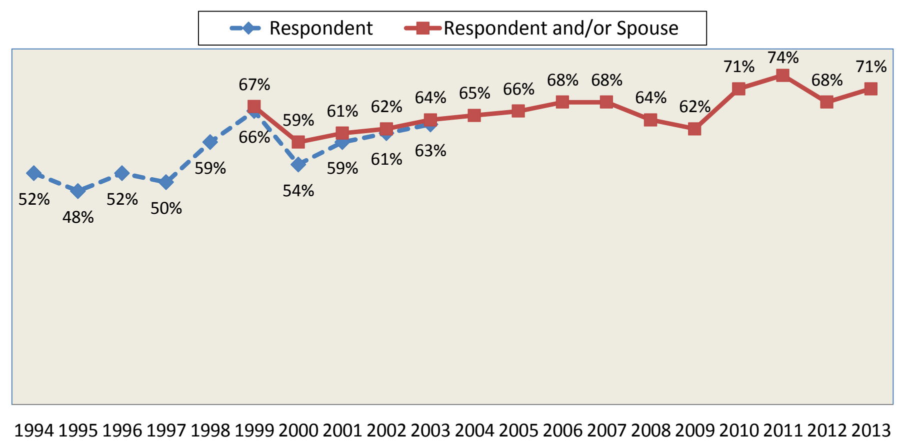
Not only is the likelihood of having saved for retirement among both workers and retirees strongly related to household income, the decline in saving for retirement over the past few years is found almost exclusively among those workers with household incomes under $35,000. Between 2009 and 2013, the percentage of workers with household incomes under $35,000 reporting they have saved for retirement declined from 49 percent to 24 percent. By comparison, the percentage of workers with household incomes between $35,000 and $74,999 reporting they have saved for retirement declined by just 4 percentage points (from 80 percent in 2009 to 76 percent in 2013), while the percentage of workers with household incomes of at least $75,000 reporting they have saved for retirement remained statistically steady at 94 percent (Figure 17).

Figure 16
Retirees Having Saved Money for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994-2013 Retirement Confidence Surveys.

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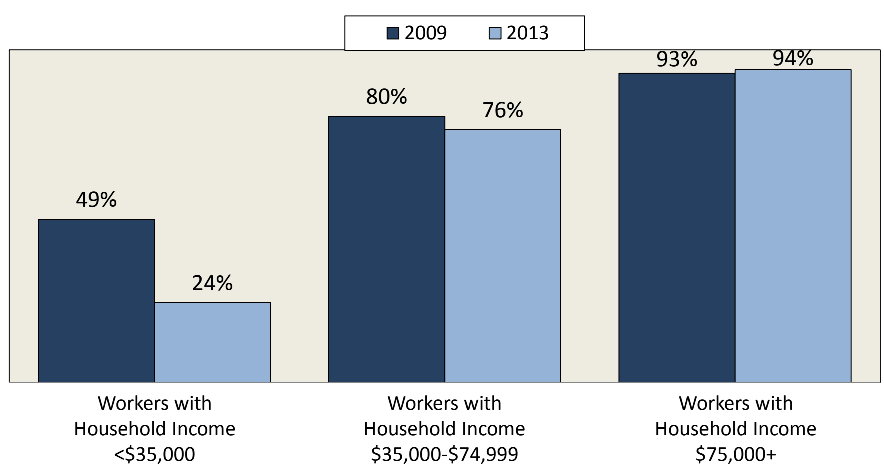
Figure 17
Workers Having Saved Money for Retirement, by Household Income



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009-2013 Retirement Confidence Surveys.

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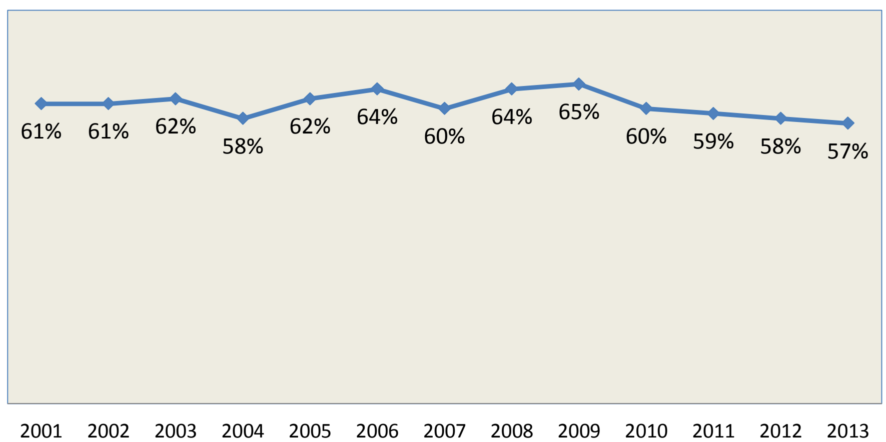
The proportion saying they have saved for retirement also increases as education levels rise or health status improves. In addition, married workers are more likely than those not married to have set money aside. Other groups of workers more likely to have saved for retirement include those age 45 and older (compared with workers ages 25−44), those currently participating in a work place retirement savings plan (compared with those not participating), those having attempted a retirement savings needs calculation (compared with those who have not), and those who currently have a defined benefit plan (compared with those who do not).

However, not all workers who have saved for retirement are currently saving for this purpose. Fifty-seven percent of workers in the 2013 RCS report that they and/or their spouse are currently saving for retirement (down from 65 percent in 2009, but statistically equivalent to the percentages measured in 2010−2012) (Figure 18).

Figure 18
Workers Currently Saving Money for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2001-2013 Retirement Confidence Surveys.

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Savings and Investments

A sizable percentage of workers have virtually no money in savings and investments. Among workers providing this type of information for the RCS, 57 percent report that the total value of their households' savings and investments, excluding the value of their primary homes and any defined benefit plans, is less than $25,000. This includes 28 percent who say they have less than $1,000 in savings (up from 20 percent in 2009 but statistically equivalent to the percentages measured in 2010−2012). Approximately 1 in 10 each report totals of $25,000−$49,999 (9 percent), $50,000−$99,999 (10 percent), $100,000−$249,999 (12 percent), and $250,000 or more (12 percent) (Figure 19). Retirees provide similar estimates of total household savings (Figure 20).

These findings are similar to some other estimates of American household assets. Quantifiable data from the 2010 Survey of Consumer Finances (conducted by the U.S. Federal Reserve Board) found that the median (midpoint) level of household assets of the Americans having these assets was $21,500.[2]

Older workers tend to report higher amounts of assets. Seventy-five percent of workers ages 25−34 have total savings and investments of less than $25,000, compared with 47 percent of workers age 45 and older. On the other hand, 19 percent of workers age 45 and older cite assets of $250,000 or more (vs. 2 percent of workers ages 25−34). As one might suspect, total savings and investments increases sharply with household income, education, and health status. Additionally, workers who have done a retirement savings needs calculation tend to have higher levels of savings compared with those who have not, and those who have saved for retirement are more likely to have substantial levels of savings. In fact, 68 percent of those who have not saved for retirement say their assets total less than $1,000.

Figure 19
Total Savings and Investment Reported by Workers, Among Those Providing a Response
(not including value of primary residence or defined benefit plans)

	2003	2008	2009	2010	2011	2012	2013
Less than $1,000		36%	20%	27%	29%	30%	28%
$1,000 - $9,999	55%		19	16	17	18	18
$10,000 - $24,999		13	13	11	10	12	11
$25,000 - $49,999	15	12	11	12	11	10	9
$50,000 - $99,999	11	12	12	11	9	10	10
$100,000 - $249,999	11	15	12	11	14	11	12
$250,000 or more	7	12	12	11	10	10	12

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2003-2013 Retirement Confidence Surveys.

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Figure 20
Total Savings and Investment Reported by Retirees, Among Those Providing a Response
(not including value of primary residence or defined benefit plans)

	2003	2008	2009	2010	2011	2012	2013
Less than $1,000		51%	23%	27%	28%	28%	31%
$1,000 - $9,999	54%		17	15	14	19	16
$10,000 - $24,999		9	16	14	12	8	8
$25,000 - $49,999	9	9	13	11	6	9	9
$50,000 - $99,999	11	6	9	6	11	8	9
$100,000 - $249,999	13	13	10	15	12	12	10
$250,000 or more	12	12	12	12	17	15	17

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2003-2013 Retirement Confidence Surveys.

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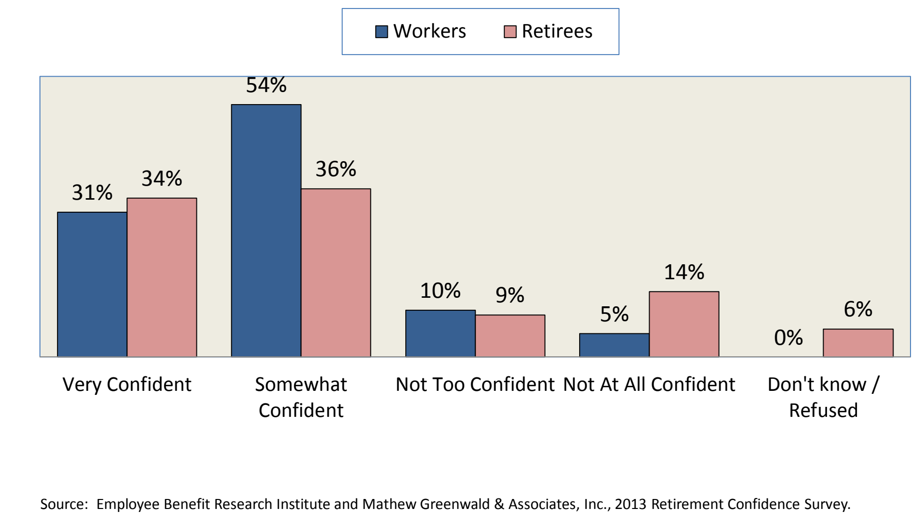
While the large majority of savers are confident they are investing their retirement savings wisely, most workers tend to be somewhat (54 percent) rather than very (31 percent) confident. Thirty-four percent of retirees are very confident they are investing their savings wisely, while 36 percent are somewhat confident (Figure 21). Among workers, this confidence increases with household assets and income.

Figure 21
Confidence That Retirement Savings Are Invested Wisely , Among Savers



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

Thirty-one percent of workers report they had to dip into their savings to pay for basic expenses within the past 12 months. A smaller percentage of retirees (25 percent, down from 33 percent in 2011 but statistically equivalent to 22 percent in 2012) say they had to dip into their savings to pay for basic expenses (Figure 22). The reported likelihood of dipping into savings and investments decreases as savings and investments or household incomes rise.

Retirement Savings Plans

One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Eighty-two percent of eligible workers (38 percent of all workers) say they participate in such a plan with their current employer, and another 8 percent of eligible workers report they have money in such a plan, although they are not currently contributing (Figure 23).

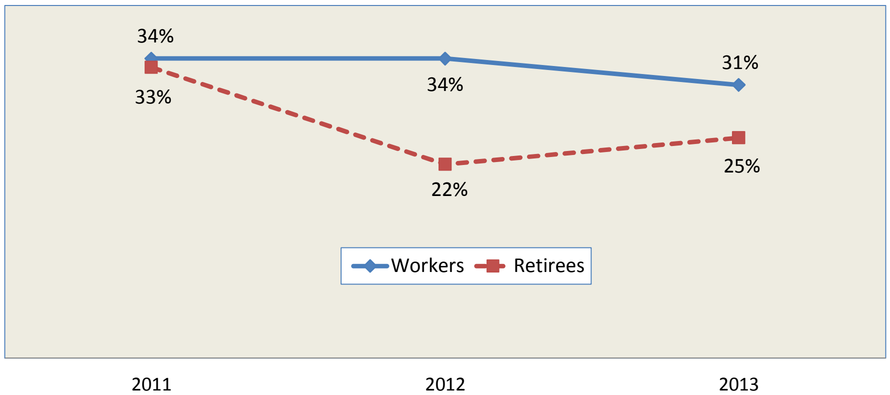
Contribution Limits?

Cost of living and day-to-day expenses head the list of reasons why workers do not contribute (or contribute more) to their employer's plan, with 41 percent of eligible workers citing these factors. Other reasons cited for not contributing (or not contributing more) to the plan include:

- Not being able to afford to give more (18 percent).
- Already contributing the plan or legal maximum (10 percent).
- Preferring to invest elsewhere or not liking the plan or investments (8 percent).
- Not needing to save more (6 percent).
- Paying off mortgage or housing expenses (6 percent).
- Other savings priorities (5 percent).

Those financial constraints notwithstanding, if those not currently offered a plan were automatically enrolled into a retirement savings plan, most would continue the contribution in some amount. At a 3 percent default deferral rate, 42 percent report they would continue the contribution as is, and 35 percent would increase it, although 7 percent would continue contributing but decrease the amount. Just 11 percent indicate they would cancel the contribution altogether.

Figure 22
Americans Reporting They Dipped into Savings to Pay for Basic Expenses



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994-2013 Retirement Confidence Surveys.

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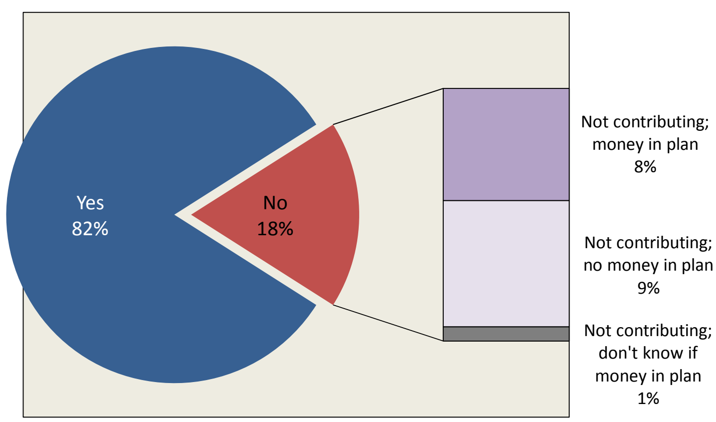
Figure 23
Reported Take-up of Employer-Sponsored Retirement Savings Plans, Among Eligible Workers



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

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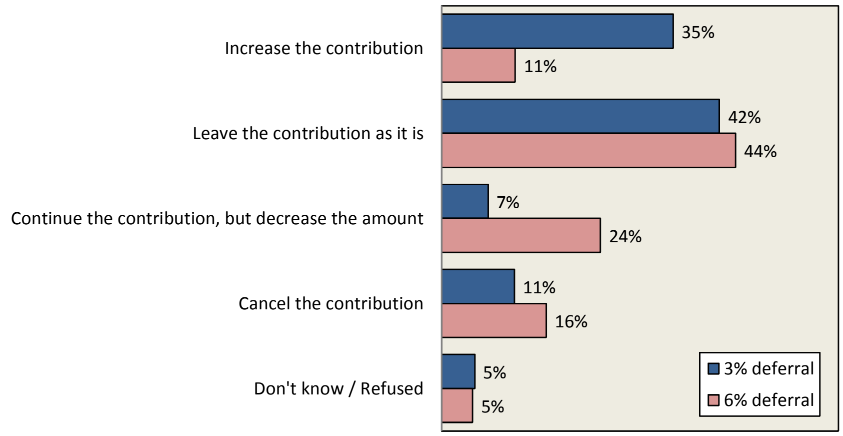
If those not currently offered a plan were automatically enrolled in a retirement savings plan at a deferral rate of 6 percent of pay, 44 percent say they would continue contributing at that rate, 11 percent would increase it, and 24 percent would continue contributing but decrease the amount. Sixteen percent would cancel the contribution altogether if 6 percent of their pay was deferred (Figure 24).

Figure 24
Reaction to Automatic Enrollment at 3% and 6% Deferral, Among Workers Not Offered Plan



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

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Workers who leave an employer that offers a defined contribution plan differ on what they do with their savings in that plan. Forty percent report that the last time this happened they rolled some or all of the money over into an individual retirement account (IRA), while almost as many (38 percent) left some or all of the money in the plan. Approximately one-quarter each indicate some or all of the money was put into a personal, non-retirement savings or investment account (26 percent), rolled over into a plan with a new employer (24 percent), or either spent or used to pay off debt (28 percent) (Figure 25). Those age 35 and older (compared with those ages 25-34) and those with household incomes of $35,000 or more (compared with lower-income workers) are more likely to report rolling over money into an IRA. The likelihood of spending or using some or all of the money to pay off debt also increases as household income decreases.

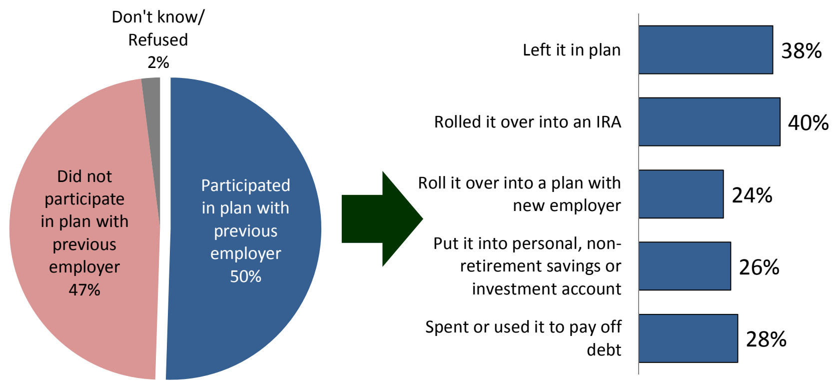
Those workers who rolled retirement savings plan money over into an IRA most often did so to a financial institution with which they had a pre-existing relationship (38 percent) or to some other company altogether (43 percent). Few rolled the money into a plan with the same financial institution as their old retirement savings plan (14 percent) or their new retirement savings plan (4 percent).

Target Setting

As noted earlier, many workers remain unaware of how much they need to save for a financially comfortable retirement. Less than half of workers (46 percent) report they and/or their spouses have tried to make that calculation. This is comparable to most of the percentages measured from 2003-2012, but lower than the 53 percent recorded in 2000 (Figure 26).

The likelihood of doing a retirement savings needs calculation increases with household income, education, and financial assets. In addition, married workers (compared with single workers), retirement savers (compared with nonsavers), and participants in a defined contribution plan (compared with nonparticipants) more often report trying to do a calculation.

Figure 25
Participation in Plan With Previous Employer and Disposition of Plan Money



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

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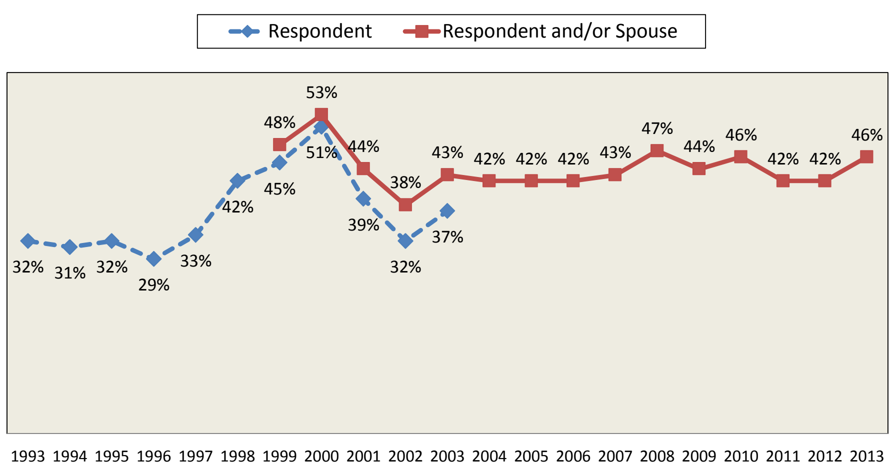
Figure 26
Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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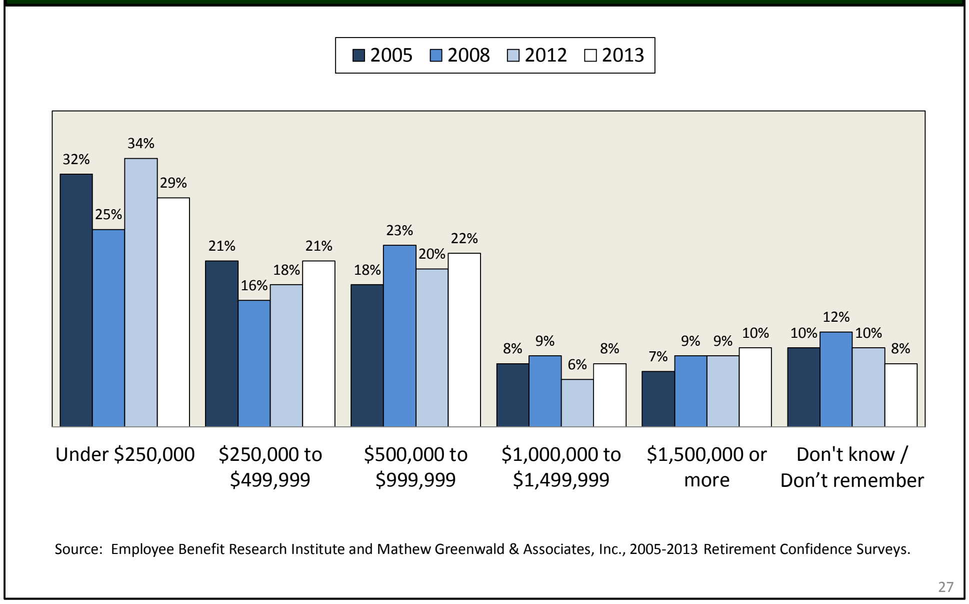
Workers often guess at how much they will need to accumulate (45 percent), rather than doing a systematic, retirement needs calculation. Eighteen percent indicated they did their own estimate and another 18 percent asked a financial advisor, while 8 percent used an on-line calculator and another 8 percent read or heard how much was needed.

Despite the aggressive savings targets put forth by many, 29 percent of workers say they need to save less than $250,000 in total, while another 21 percent mention goals of $250,000–$499,999. Twenty-two percent think they need to save \$500,000–\$999,999, while roughly 1 in 10 each believe they need to save \$1 million–\$1.49 million (8 percent) or \$1.5 million or more (10 percent) (Figure 27). Savings goals do tend to increase as household income rises.

Figure 27
Amount of Savings Workers Think They Need for Retirement



As we have seen in prior iterations of the RCS, workers who have done a retirement savings needs calculation tend to have higher savings goals than workers who have not done a calculation. Twenty-four percent of workers who have done a calculation, compared with 13 percent of those who have not, estimate they need to accumulate at least \$1 million for retirement. At the other extreme, 21 percent of those who have done a calculation, compared with 37 percent who have not, think they need to save less than \$250,000 for retirement. Additionally, and consistent with prior RCS findings, despite higher savings goals, workers who have done a retirement savings needs calculation are also more likely to feel very confident about affording a comfortable retirement (20 percent vs. 7 percent who have not done a calculation).

Most workers who state a specific amount they believe they need to save for retirement are confident that those amounts will provide them with a comfortable retirement, though they tend to be somewhat confident (57 percent) rather than very confident (22 percent). However, those who report having done a calculation are twice as likely as those who have not to say they are very confident (31 percent vs. 14 percent) and considerably less likely to say they are not confident (11 percent vs. 29 percent).

Planning by Retirees

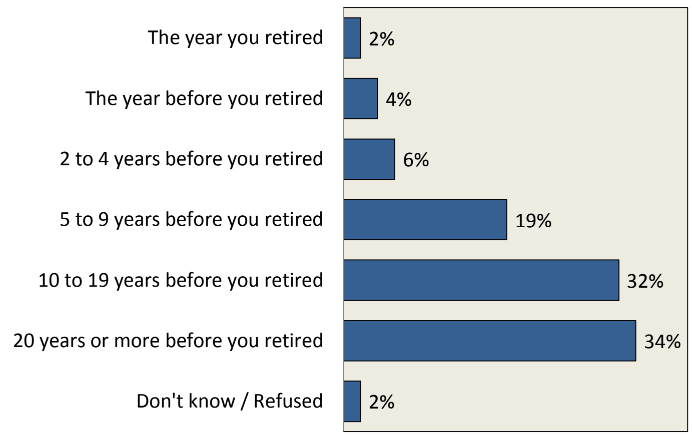
Seven in 10 retirees (69 percent) indicate they did some type of financial planning for retirement. Thirty-four percent of these retirees say they began to plan 20 years or more before they retired, while 32 percent report beginning to plan between 10 and 19 years before retirement. However, 19 percent say they did not start planning until five to nine years before retirement, and 12 percent started less than five years before that point (Figure 28).

Policy Perspectives

Fee Disclosures

Employers that sponsor a retirement savings plan are now required to provide information about the expenses connected with the various investment options offered within the plan and the amounts deducted from participant accounts to cover the cost of administering the plan. However, only half (53 percent) of plan participants report having noticed this information, and only 14 percent of those who noticed this information (7 percent of all plan participants) say they have made changes to their investments as a result of the information about fees.

Figure 28
Timeframe When Retirees Began to Plan Financially for Retirement, Among Retirees Who Planned for Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2011-2013 Retirement Confidence Surveys.

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Of those few who made changes, the most common actions were to move money out of more expensive investments or to withdraw money from the plan. However, small proportions increased the share of money going to less expensive investments, started contributing less money to the plan, or started contributing more money to the plan.[3]

Annuity Options

Just 17 percent of plan participants report that their employer's retirement savings plan currently offers an annuity option. Yet, there appears to be interest: More than half (56 percent) think they would use such an option when they retire.

Reaction is mixed to a proposal requiring that half the balance in an employer-sponsored retirement savings plan be automatically converted at retirement to an annuity. While 11 percent of plan participants say they would strongly favor the proposal and 35 percent would somewhat favor it, 30 percent would strongly oppose it, and an additional 16 percent would somewhat oppose the proposal (Figure 29). The likelihood of opposing the proposal is higher among those with at least $100,000 in assets.

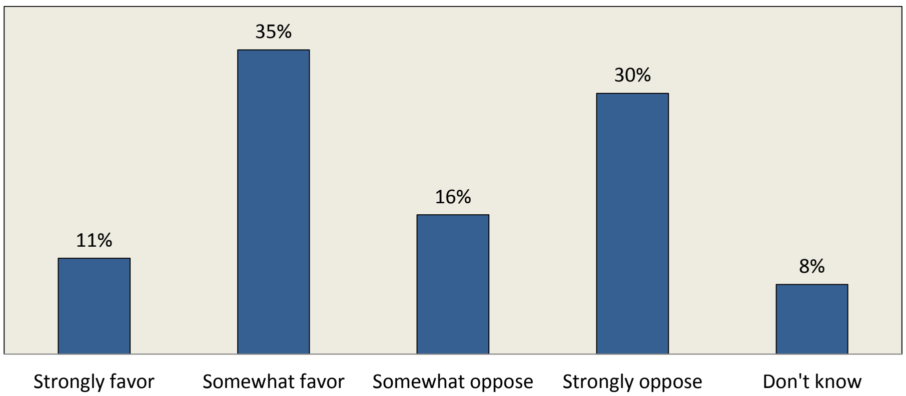
Use of Financial Advice

Twenty-three percent of workers and 28 percent of retirees report they have obtained investment advice from professional financial advisors who were paid through fees or commissions. Those with higher levels of financial assets are more likely than those with lower levels of assets to have gotten this advice, but it is unclear whether this is because higher-asset individuals feel a greater need for investment advice, because professional advice increases the likelihood of building asset levels, or because those with more assets are better able to afford it.

Those who obtained investment advice did not always follow it, however. Twenty-seven percent of workers who obtained advice say they followed all of it, but more disregarded some of the advice while following most of it (41 percent) or some of it (27 percent). Retirees are more likely to report following all of the advice (46 percent) (Figure 30). The reasons most often offered for not following all of the advice include:

- Not trusting the advice (33 percent of workers and 48 percent of retirees).
- Not being able to afford it (21 percent of workers and 12 percent of retirees).[4]
- Having their own ideas or other plans or goals (18 percent of workers and 28 percent of retirees).[5]
- Circumstances changing so the advice was no longer applicable (13 percent of workers and 3 percent of retirees).
- Getting better advice somewhere else (6 percent of workers and 5 percent of retirees).

Figure 29
Reaction to Proposal for Partial Annuitization of Retirement Plan Balance at Retirement, Among Plan Participants



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

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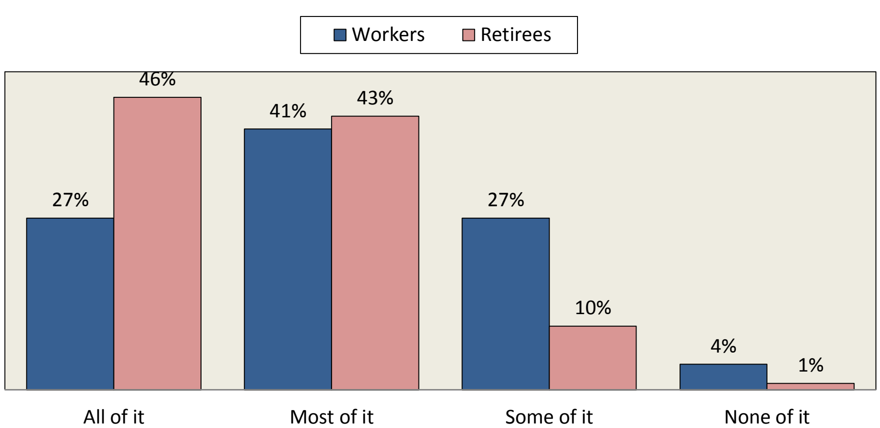
Figure 30
Follow Through on Implementing Advice, Among Those Receiving Investment Advice

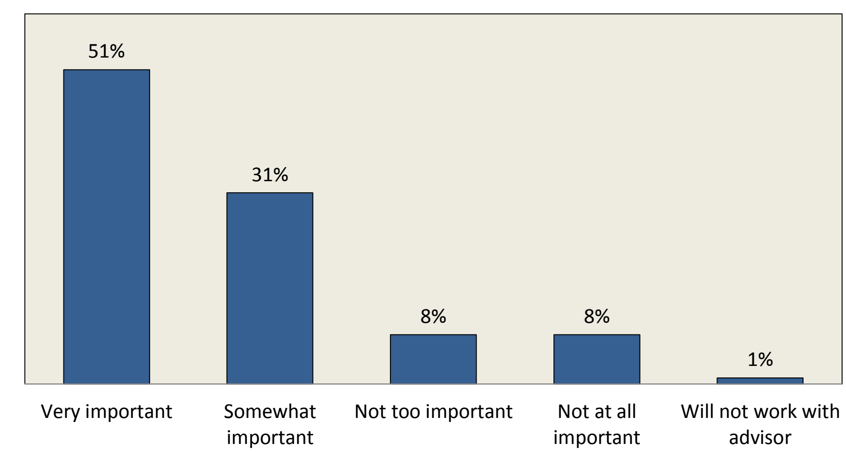


Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

30

Half (51 percent) of workers who have saved for retirement state that if they work with financial advisors as they get close to retirement it will be very important for the advisors to specialize in converting assets into retirement income, and another 31 percent indicate it will be somewhat important (Figure 31). Workers ages 25-44 are more likely than those age 55 and older to think an advisor specializing in converting assets to income is important (87 percent vs. 76 percent).

Figure 31
Importance of Working With Advisor Who Specializes in Converting Assets to Retirement Income When Getting Close to Retirement, Among Workers



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

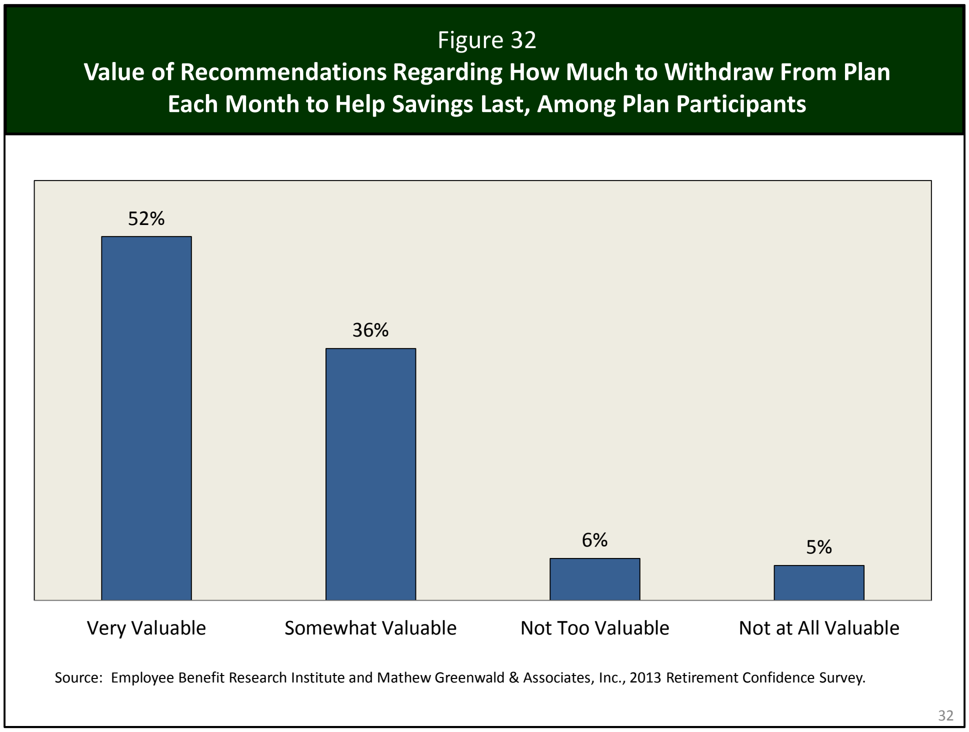
About half of plan participants (52 percent) also say that having the financial-services company that handles their retirement plan give them recommendations as to how much to withdraw from their plan each month to help savings and investments last throughout retirement would be very valuable. Thirty-six percent think it would be somewhat valuable, while 11 percent indicate it would be not too or not at all valuable (Figure 32).

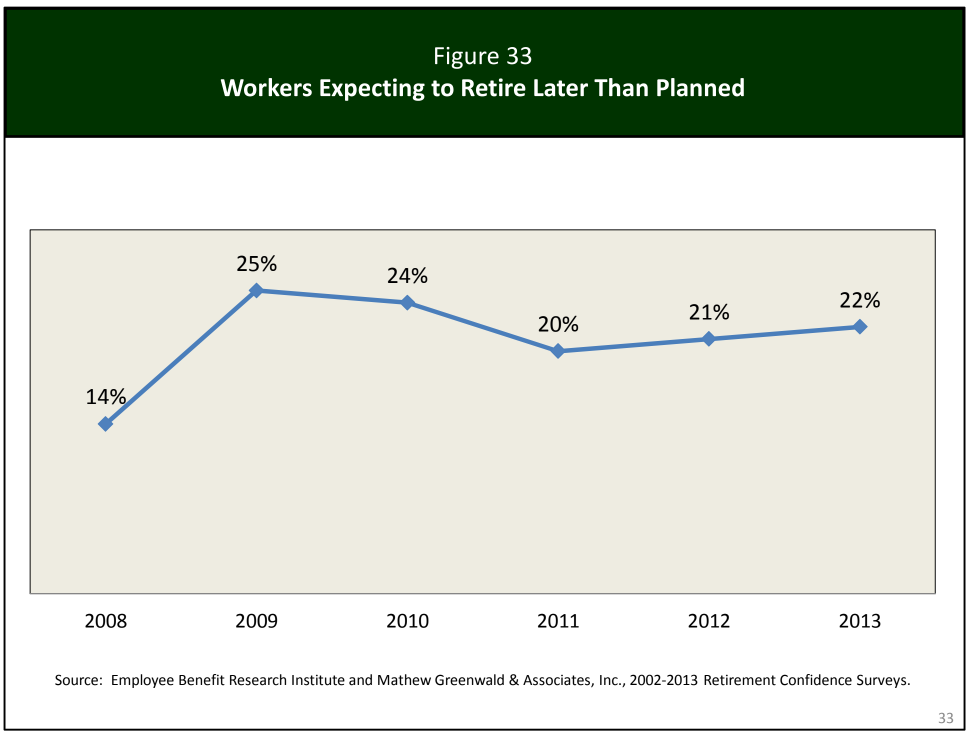
Most retirement savers have more than one savings or investment account in which they have set money aside for retirement (73 percent of workers and 51 percent of retirees). Further, most of those with multiple accounts make investment decisions about each account separately (71 percent of workers and 63 percent of retirees) rather than managing the accounts as though all of them were a single pot of money (27 percent and 33 percent). While 24 percent of workers and 15 percent of retirees with multiple accounts say they use a service or website that allows them to compile information about their different accounts in a single place (sometimes referred to as an "aggregator") to help them view and track their total financial situation, the actual percentages doing so may be lower.

Expectations about Retirement

Retirement Age

Many workers are adjusting some of their expectations about retirement, perhaps in response to the reduced level of confidence about their retirement finances. Twenty-five percent of workers in the 2013 RCS say the age at which they expect to retire has changed in the past year, and of those, the vast majority (88 percent) report that their expected retirement age has increased. This means that in 2013, 22 percent of all workers planned to postpone their retirement (Figure 33).





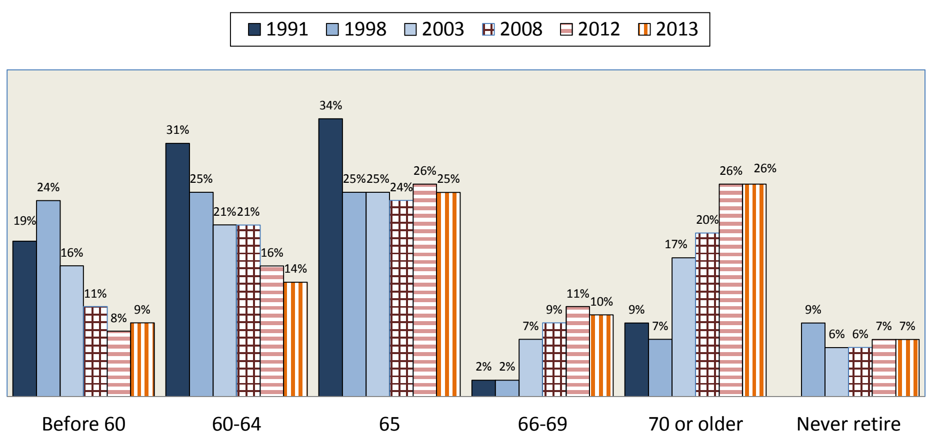
Workers planning to delay retirement gave the following reasons:

- The poor economy (25 percent).
- Lack of faith in Social Security or government (21 percent).
- Inadequate finances or can't afford to retire (21 percent).
- Wanting to make sure they have enough money to retire comfortably (16 percent).
- A change in employment situation (13 percent).
- The cost of living in retirement will be higher than expected (8 percent).

- A change in the minimum retirement age for Social Security (7 percent).
- Needing to pay for health care costs (7 percent).
- Needing to make up for losses in the stock market (5 percent).

While responses to a question asking the age at which workers expect to retire shows little change from one year to another, the long-term trend shows that the age at which workers plan to retire has, over time, crept upward. In particular, the percentage of workers who expect to retire after age 65 has increased, from 11 percent in 1991, to 24 percent in 2003, 29 percent in 2008, and to 36 percent in the 2013 RCS (statistically equivalent to the 37 percent observed in 2012) (Figure 34). Nevertheless, the median (midpoint) age at which workers expect to retire has remained stable at 65 for most of this time.

Figure 34
Trend in Workers' Expected Retirement Age



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1991-2013 Retirement Confidence Surveys.

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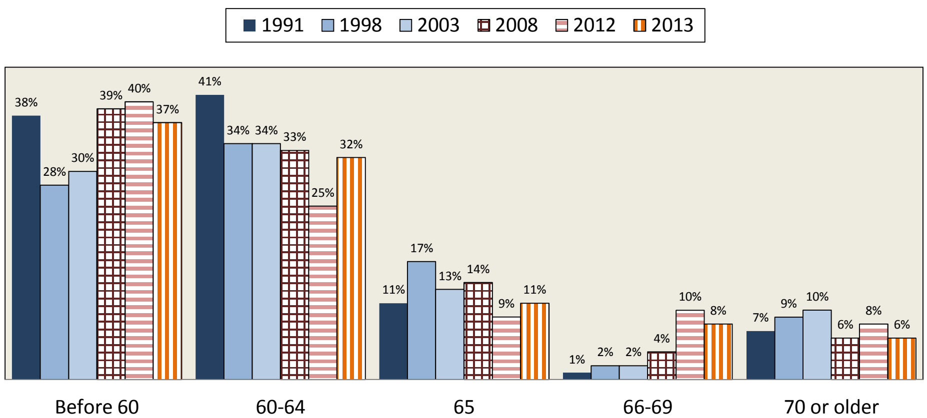
The actual retirement age reported by retirees has changed even more slowly. In 1991, only 8 percent of retirees said they retired after age 65. This percentage is 14 percent in 2013 (statistically level with the 18 percent measured in 2012) (Figure 35). In contrast, the median (midpoint) age at which retirees report they actually retired has remained at age 62 throughout this time.

The difference between workers' expected age of retirement and retirees' actual age of retirement suggests that a considerable gap exists between workers' expectations and retirees' actual experience. Consider that just 9 percent of workers say they plan to retire before age 60, compared with 37 percent of retirees who report they retired that early, and that 14 percent of workers plan to retire at ages 60–64, while nearly a third (32 percent) of retirees retired at these ages. On the other hand, 26 percent of workers say they plan to wait at least until age 70 to retire (compared with 6 percent of retirees who actually did so), and 7 percent of workers indicate they will never retire. Workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence.

One reason for this gap between workers' expectations and retirees' experiences of retirement age is that many Americans find themselves retiring unexpectedly. The RCS has consistently found that a large percentage of retirees leave the work force earlier than planned (47 percent in 2013) (Figure 36), and many retirees who retired earlier than planned cite negative reasons for doing so, including health problems or disabilities (55 percent), changes at their companies, such as downsizing or closure (20 percent), or having to care for spouses or other family members (23 percent). Others say changes in the skills required for their jobs (9 percent) or other work-related reasons (20 percent) played a role. Some retirees do mention positive reasons for retiring early, such as being able to afford an earlier retirement (32 percent) or wanting to do something else (19 percent), but just 7 percent offer only positive reasons.

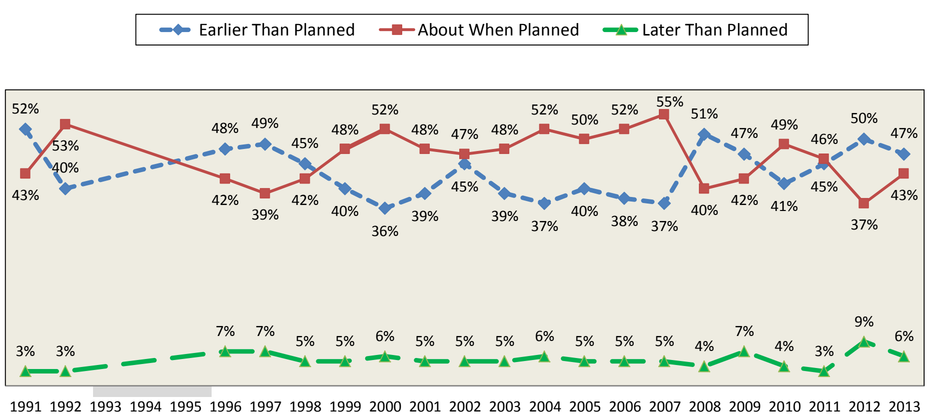
Figure 35
Trend in Retirees' Actual Retirement Age



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1991-2013 Retirement Confidence Surveys.

35

Figure 36
Timing of Retirement, Among Retirees



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1991-2013 Retirement Confidence Surveys.
Shaded area: Years of data.

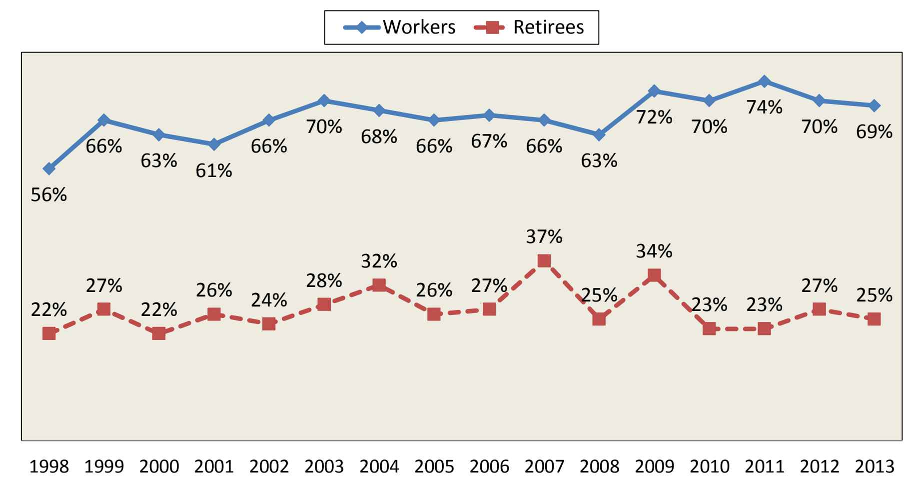
36

The consequences of an unplanned early retirement can be heavy: Those who retire earlier than planned are more likely than those who retire as planned or later to say they are not confident about having enough money for a comfortable retirement or about paying for basic expenses, medical expenses, and long-term care expenses.

Working for Pay in Retirement

The RCS has consistently found that workers are far more likely to expect to work for pay in retirement than retirees are to have actually done so. The percentage of workers planning to work for pay in retirement now stands at 69 percent, while just 25 percent of retiree respondents to the 2013 RCS report they worked for pay in retirement (Figure 37).

Figure 37
Comparison of Expected (Workers Expecting to Retire) and Actual (Retirees) Work for Pay in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994-2013 Retirement Confidence Surveys.

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While the 2013 RCS did not delve into the reasons for working for pay in retirement, almost all retirees who did work for pay in retirement in the 2010 RCS gave a positive reason for doing so, saying they did so because they wanted to stay active and involved (92 percent) or enjoyed working (86 percent). However, the percentage who at that time reported working solely for non-financial reasons was small. Ninety percent identified at least one financial reason for having worked, such as wanting to buy extras (72 percent), a decrease in the value of their savings or investments (62 percent), needing money to make ends meet (59 percent), or keeping health insurance or other benefits (40 percent).

Few retirees who have not already worked for pay in retirement anticipate returning to paid employment. Just 4 percent say it is very likely they will work for pay some time in the future, and only 6 percent say it is somewhat likely. Virtually all say a return to paid employment is not too likely (19 percent) or not at all likely (71 percent).

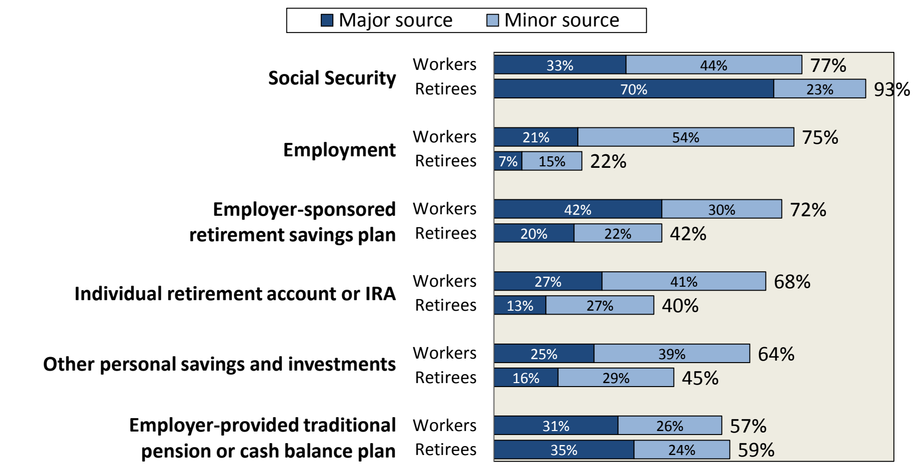
Sources of Retirement Income

While the majority of retirees (93 percent) report that Social Security provides a source of income for their and their spouse's retirement (70 percent say it is a major source of income), workers and their spouses continue to expect to piece together their retirement income from a wide variety of sources. (Social Security is the federal program that provides income support for the elderly and disability coverage for eligible workers and their dependents).

While 77 percent of workers expect Social Security to be a major or minor source of income in retirement, they believe that personal savings will also play a large role. Roughly two-thirds each say they anticipate receiving retirement income from an employer-sponsored retirement savings plan (72 percent), an individual retirement account or IRA

(68 percent), and other personal savings and investments (64 percent). Seventy-five percent expect employment to provide them with a source of income in retirement, and 57 percent expect to receive income from an employer-sponsored, traditional pension or cash balance plan. In contrast to worker expectations, current retirees are less likely to rely on any form of personal savings or on employment for their income in retirement (Figure 38).

Figure 38
Expected (Workers Expecting to Retire) and Actual (Retirees) Sources of Income in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

38

Expected sources of income in retirement among workers have changed slightly over time. Although virtually all retirees continue to report receiving income from Social Security, the percentage of workers expecting income from this source has declined from 88 percent in 1991 to 77 percent in 2013 (statistically equivalent to 79 percent in 2011 and 2012). The percentage of workers expecting to receive benefits from a defined benefit plan has also decreased slightly from 70 percent in 2002 to 56 percent in 2012 and 57 percent in 2013. However, the percentage of workers expecting a defined benefit plan to provide a major source of post-retirement income, either theirs or that of their spouse, has increased somewhat, from 27 percent in 2012 to 31 percent in the 2013 RCS.

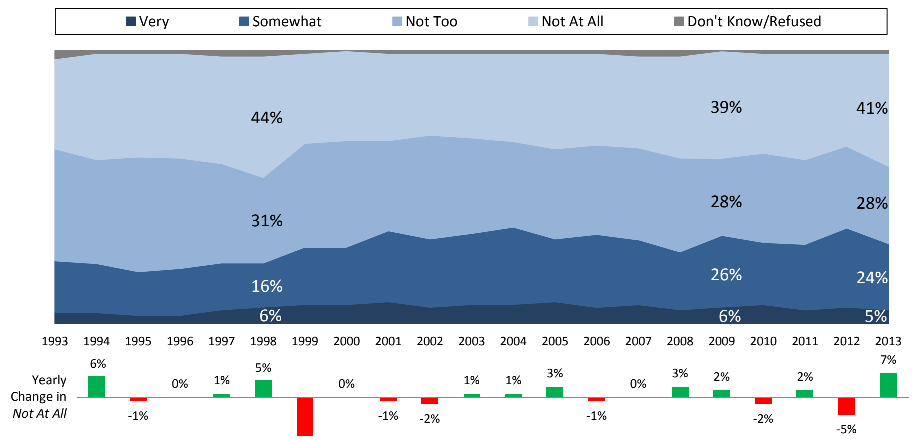
As a cautionary note, although 57 percent of workers surveyed said they (or their spouse) expect to receive benefits from a defined benefit plan in retirement, only 32 percent report that they and/or their spouses currently have such a benefit with current or previous employers.

Confidence in Entitlement Programs

The reason that workers may be less likely than retirees to expect to receive income from Social Security is because confidence in Social Security's ability to maintain the value of benefits paid to retirees is low. Just 5 percent of workers are very confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today, and only 24 percent are somewhat confident. On the other hand, 41 percent of workers are not at all confident that future Social Security benefits will match or exceed the value of today's benefits (up from 34 percent in 2012 but statistically equivalent to 39 percent in 2011) (Figure 39).

Confidence that Social Security will continue to provide benefits that are at least equal to today's value is higher among workers age 45 and older than among younger workers, and those already retired are more likely than current workers to be confident about the future value of Social Security benefits. Fourteen percent of retirees say they are very confident about the future value of Social Security benefits (Figure 40).

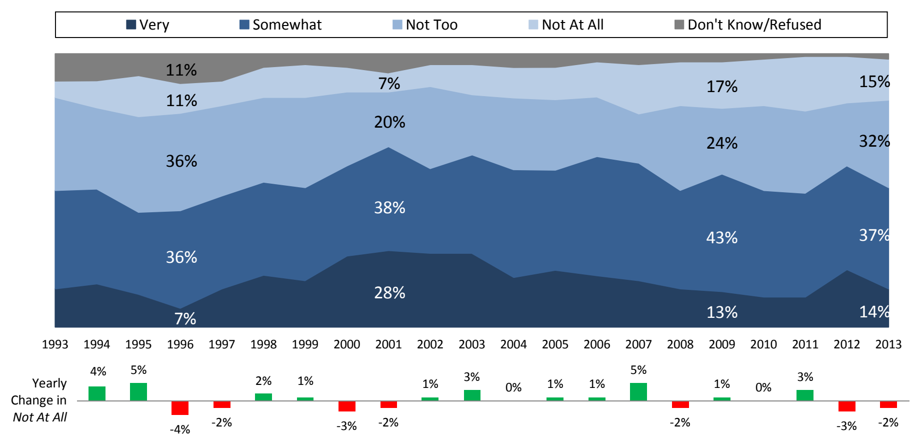
Figure 39
Worker Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

39

Figure 40
Retiree Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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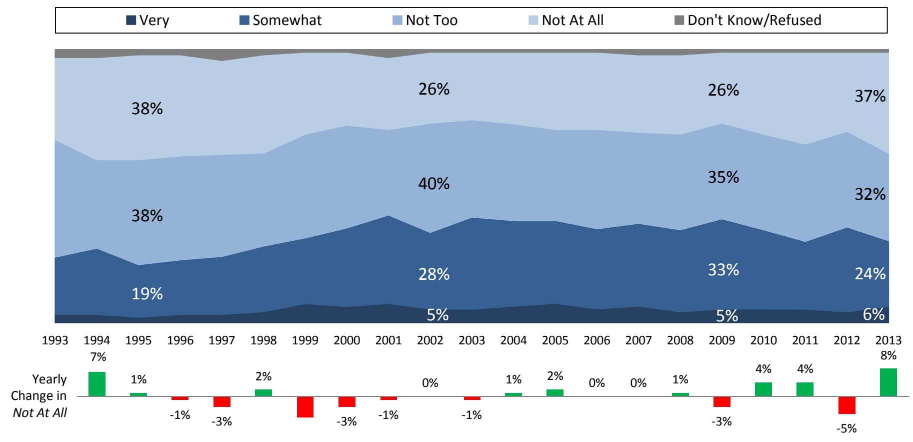
Worker confidence in Medicare's level of benefits is also low (Medicare is the federal health care insurance program for the elderly and disabled). Six percent of workers are very confident that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today, while 24 percent are somewhat confident in the system. Thirty-seven percent are not at all confident that Medicare's benefits will continue to equal or exceed the benefits received by beneficiaries today (up from 29 percent in 2012 but statistically equivalent to the 34 percent in 2011) (Figure 41).

Figure 41
Worker Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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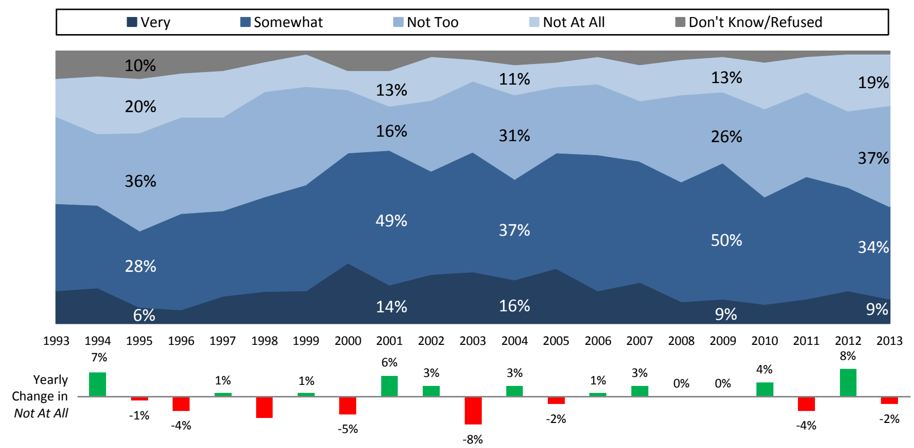
As with Social Security, worker confidence about the future value of Medicare benefits is higher among those age 45 and older, and retirees are more likely than workers to be confident in those prospects. Even so, just 9 percent of retirees are very confident in the value of the future benefits paid by Medicare, while 19 report they are not at all confident (Figure 42).

Spending in Retirement

Workers' expectations of how their spending is likely to change in retirement varies from the experience of current retirees. Fifty-eight percent of the former expect that their spending in retirement will be lower than their pre-retirement spending, compared with half (48 percent) of retirees reporting they experienced a decrease in spending. Three in 10 workers (29 percent) and retirees (30 percent) say that they expect their spending in retirement will be or is unchanged, while 11 percent of workers—and 21 percent of retirees—expect or have experienced an increase in spending (Figure 43).

In fact, retirees are more likely to describe their experience in retirement with respect to their finances to be worse than expected (35 percent, including 13 percent saying much worse) than to describe it as better than expected (21 percent). Forty-two percent report their experience has been about the same as they expected.

Figure 42
Retiree Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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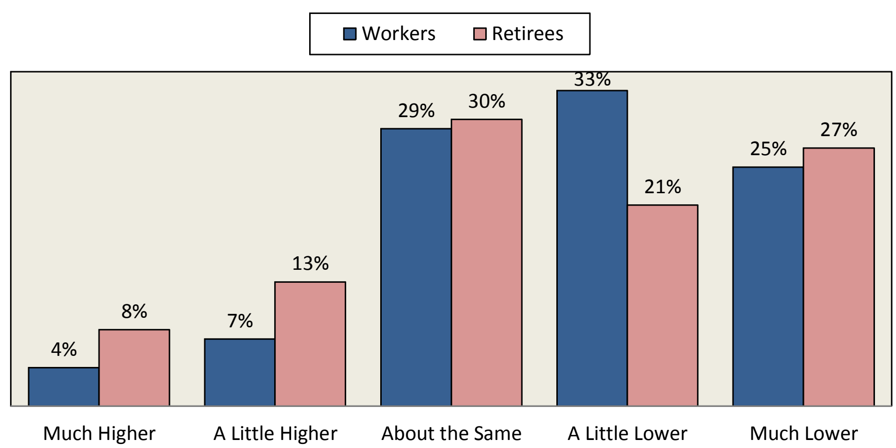
Figure 43
Expected (Workers Expecting to Retire) and Actual (Retirees) Spending in Retirement



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2013 Retirement Confidence Survey.

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RCS Methodology

These findings are part of the 23rd Annual Retirement Confidence Survey (RCS), which gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted in January 2013 through 20-minute telephone interviews with 1,254 individuals (1,003 workers and 251 retirees) age 25 and older in the United States. Random-digit dialing was used to obtain a representative cross section of the U.S. population. To further increase representation, a cell-phone supplement was added to the sample. Starting with the 2001 wave of the RCS, all data are weighted by age, sex, and education to reflect the actual proportions in the adult population. Data for waves of the RCS conducted before 2001 have been weighted to allow for consistent comparisons; consequently, some data in the 2013 RCS may differ slightly from data published in previous waves of the RCS. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, the weighted sample of 1,254 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all Americans age 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

The RCS was co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan, public-policy-research organization; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2013 RCS data collection was funded by grants from about two dozen public and private organizations, with staff time donated by EBRI and Mathew Greenwald & Associates. RCS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/surveys/rcs/

Endnotes

[1] In the RCS, retirees refer to individuals who are retired or who are age 65 or older and not employed full time. Workers refer to all individuals who are not defined as retirees, regardless of employment status.

[2] Bricker, Jesse, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus. "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin.* vol. 98, no. 2 (June 2012): 1–80.

[3] The base size for this question was too small to allow for reporting of percentages.

[4] Revised August 2013.

[5] Revised August 2013.

Issue BRIEF

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Exhibit D

Indiana Private Sector Retirement Trust

Things to Consider…

Indiana Private Sector Retirement Trust

I, Richard Mourdock, support the enactment of a state retirement plan for private workers providing that:

The state assumes zero liability for permanent funding

The state bears no costs in managing the plan

Participation in the plan be fully voluntary by eligible employers / employees

Enabling language would have to include employer liability protection

Indiana Private Sector Retirement Trust

Precedent:

IRS Code 401(a) would allow for such a plan

California has enacted the "Secure Choice Retirement Savings Trust" in 2012, similar to the proposal under consideration (Note: Plan is not yet operational)

Indiana Private Sector Retirement Trust

Private Savings Fund Model:

Indiana's highly successful CollegeChoice 529 Plan

The plan is available to all savers

Funds are managed by private sector fund managers

Plans are simple to select on an "age of investor" basis

All cost of managing the plan paid by investors

Size of plan allows for economy of scale cost savings

Eligibility requirements

Private sector employees only

Employers CAN'T offer any other form of retirement plan

<u>Suggestion:</u> Private sector employees who work for companies < fifty employees

Indiana Private Sector Retirement Trust

Start Up / Operational issues

Appointment of Board

One employee would manage “Indiana Private Sector Retirement Trust”

Start-up costs of the IPSRT for two years are estimated at $250,000 per year

Start-up funds would be paid back to Indiana within five years (possibly at the time of contracting with selected money manager)

Indiana Private Sector Retirement Trust

Why?

Hoosier workers continue to see reductions in traditional benefits (this is a pro-employee benefit)

Hoosier employers are attempting to reduce G&A management costs (this is a pro-employer benefit)

The plan would be completely portable

The State of Indiana should be encouraging individual savings as with the CollegeChoice 529 Plan

Short Term Disability Benefit Program

Introduction

The following summary describes the benefit features of Your Employer's Short Term Disability (STD) income program (called "Program" in this summary).

Your Employer **Delaware County Government** self-insures this Program. In this summary, Your employer is referred to as "Company." **Anthem Life Insurance Company** is the claims administrator for the Program, and does not underwrite or insure the Program. In this summary, the claims administrator is called "We" or "Us."

"You" and "Your" means an Eligible Employee covered under this Program.

We will administer claims in accordance with the agreement between the Company and Us.

Schedule of Benefits for Short Term Disability Benefit Program

Class 2: All Other Eligible Employees

Benefit Percentage: 66.67 %

Weekly Earnings means Your weekly wage or salary as of the date of Disability. Any commissions, bonuses, overtime pay or other compensation will be excluded when determining this wage or salary.

Elimination Period: Benefits begin on:

- day **31** of Disability due to Injury
- day **31** of Disability due to Illness

Maximum Benefit Period: **13** weeks

Occupational disabilities are not covered. If You have a work-related injury or illness, You must apply for Workers' Compensation Benefits. You are not eligible for benefits under this STD program.

Disabilities caused by pregnancy-related conditions, as well as complications of pregnancy, are eligible for benefits.

Sun Life Financial®

Group Long Term Disability Benefits

for Employees of Delaware County

Class 1: All Administrative Employees, excluding elected officials, public health, safety, laborers, foreman, bailiffs, jail staff, probation officers and truck drivers.

Disability Can Happen to Anyone.

Want to know more about your chances of becoming disabled? Sun Life Financial is a founding member of the Council for Disability Awareness. Visit **www.disabilitycanhappen.org** and find out your Personal Disability Quotient.

Benefits

- Available to all full-time employees working 35 or more hours per week.
- Coverage for accidents and sicknesses.
- Benefits are 50% of monthly earnings up to a maximum of $5,000 per month.
- Benefits may begin after the elimination period of 120 days of absences due to a covered accident or sickness.
- Maximum Benefit Period is based on SSNRA.
- Employees must meet the definition of disability as defined in the policy to be eligible for the benefits described here.
- Benefits are not payable for pre-existing conditions as defined in the policy.

No cost to you

- Your employer pays your Group LTD premium.

How to enroll

- LTD coverage begins automatically when you meet the eligibility requirements.

For complete plan details

- This highlight flyer is intended to provide an overview of the benefits available from your employer and is not a complete description of plan provisions. Receipt of this flyer does not certify eligibility for benefits under this plan.
- Your employer will provide you with the Sun Life Financial Group booklet containing complete plan details.

This overview is preliminary to the issuance of the policy and booklet certificate. It does not describe the specific benefits under the policy. This policy provides disability income insurance only. It does not provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department.

Group insurance policies are underwritten by Sun Life and Health Insurance Company (U.S.) (Wellesley Hills, MA) in all states under Policy Forms Series GP-A and GP-D. Product offerings may not be available in all states and may vary depending on state laws and regulations.

XGR/2857
SLPC 21850 05/10 (exp. 05/12)

Exhibit F

Information in black is current as of May 2010. Information in red highlights

State	Intermediate Appellate and/or General Jurisdiction Trial Court Judges	Do your judges participate in a defined benefit retirement program that includes all state employees?	Do your judges participate in a defined benefit retirement program that is exclusive to judicial officers?	What is the percent of salary or dollar amount that judges are required to contribute towards their retirement?	If your state pays any or all of the judge's share of the retirement cost, what is the percent or amount?	Do your retirement programs vary by jurisdiction?	Describe your state's defined benefit retirement formula, or formulas.	How many years are required until a judge is vested in the retirement system?	How many years must a judge serve before they may collect retirement?	What is the minimum age before a judge can collect retirement, if applicable?	What is the mandatory retirement age for judges, if applicable?	What is the maximum amount and/or percent of salary a judge can receive upon retirement?	What is the maximum amount and/or percent of salary a judge can receive for disability retirement?	Do your state judges participate in social security?	Additional Comments
Wisconsin	Both	Yes	Yes - as subcategory of public employee plan	5.5%. Increased in 2011 to 7.0% in 2013 and 7.75% in 2014.	No	No.	Final average monthly earnings * years of service * multiplier. Multiplier for judges is 0.02165 if hired before 2000, 0.020 if hired after 2000 and before 2010 and 0.016 if after 2010.	5 years	5 Years	Age 62	Cannot run for reelection after age 70	70% of final earnings.	40% of applicable salary.	Yes	
Kentucky	Both	Yes	Not for new members after 7/1/13.	5%	No	No.	2.75% of applicable salary for each year of service	5 years	5 years	-	-	-	-	Yes	Kentucky employs a cash balance retirement plan for public employees (new hires*) with a 4% contribution from the employer for most employees. The guaranteed interest credit is 4% per year with interest credited to the account balance annually. Additional interest credits will be made each year equal to 75% of the 5-year average investment return in excess of 4%. Most employees pay 5% per year. When member retires, the member may elect to receive a lump sum or monthly benefit based on the form of payment selected by member. The annu9ity amount is determined by the annuity conversion factors selected by the board in effect on the member's retirement date. Automatic 1.5% COLAs for grandfathered judicial retirement system members were eliminated in 2013.
Illinois	Both	No	Yes	7.5% retirement annuity; 1% automatic annuity increase; 2.5% survivor's annuity	n/a	No	Hired prior to 1/1/11: 3.5% for first 10 years, then 5% for each year after 10 years with a maximum of 85% of final salary. Hired on/after 1/1/11: 3% for each year with a maximum of 60% of final avg compensation, not to exceed the maximum final avg compensation	No vesting requirement	10 years at age 60 Hired prior to 1/1/11: 6 years at age 62 26 years at age 55 10 years at age 55 w/reduction. Hired on/after 1/1/11: 8 years at age 67 8 years at age 62 w/reduction		n/a	Hired prior to 1/1/11: 85% of final salary Hired on/after 1/1/11: 60% of max final avg comp	Temporary disability is 50% of salary at time of disability; permanent disability equals the earned retirement benefit	No	In Illinois, final average compensation is the average of the highest 96 months salary over the last 10 years of service. The maximum final average compensation for calendar year 2011 is $106,800. For years hereafter, this figure will be increased or decreased by a percentage equal to the percentage change in the consumer price index-u during the preceding calendar year.
Indiana	Both	No	Yes	6% first 22 years	n/a	No	50% for 12 years of service 1% increase per year of service for years 13 - 21 60% for 22+ years of service 33% for 11 years of service 27% for 9 years of service 24% for 8 years of service 30% for 10 years of service	8 years	Rule of 85: years of service plus age = 85 8 years at age 65 30 years at age 55		Age 75 (court system is not unified and age restrictions may vary)	60% of the applicable salary	60% of the applicable salary	Yes	Indiana has two judicial retirement plans; one for judges who began service before 9/1/85 & one for judges who began service on/after 9/1/85.
Michigan	Appellate	No	Yes	5%	n/a	No	3% of final comp per year of service if less than 12 years; 50% of final comp, plus (2.5% of final comp * years of service) if over 12 years but less than 16	8 years	18 yrs (last 6 continuous) at age 55 25 yrs (last 6 continuous) at any age 8 years at age 60		Cannot run for reelection after age 70	60%	60%	Yes	In Michigan, there are two retirement plans for judges. Judges appointed or elected prior to 3/31/97 are members of the defined benefit plan, unless they elected to transfer to the 401(k) plan and those appointed or elected on/after 3/31/97 are members of the 401(k) defined contribution plan. Trial court judges in the defined benefit plan had the option of including $2,250 of their local salary supplement or 40% of their local supplement in their pension contribution & final pension amount. Some trial court
	Trial	No	Yes	3.5% - 7%	n/a	No	3% of final comp per year of service if less than 12 years; 50% of final comp, plus (2.5% of final comp * years of service) if over 12 years but less than 16	8 years	25 yrs (last 6 continuous) at any age 18 yrs (last 6 continuous) at age 55 8 years at age 60		Cannot run for reelection after age 70	60%	60%	Yes	
Minnesota	Both	No	Yes	8%	n/a	No	Prior to 7/1/80: 2.7% of high-five average salary for each year of service After 7/1/80: 3.2% of high-five average salary for each year of service	5 years	5 years	Age 65 or 60 w/reductions	Age 70	76.8%	1 yr salary & 25% of high-five avg salary to max age of 70	Yes	In Minnesota, if a judge retires before age 65, the monthly benefits are reduced by 6% for each year before age 65.

State	Intermediate Appellate and/or General Jurisdiction Trial Court Judges	Do your judges participate in a defined benefit retirement program that includes all state employees?	Do your judges participate in a defined benefit retirement program that is exclusive to judicial officers?	What is the percent of salary or dollar amount that judges are required to contribute towards their retirement?	If your state pays any or all of the judge's share of the retirement cost, what is the percent or amount?	Do your retirement programs vary by jurisdiction?	Describe your state's defined benefit retirement formula, or formulas.	How many years are required until a judge is vested in the retirement system?	How many years must a judge serve before they may collect retirement?	What is the minimum age before a judge can collect retirement, if applicable?	What is the mandatory retirement age for judges, if applicable?	What is the maximum amount and/or percent of salary a judge can receive upon retirement?	What is the maximum amount and/or percent of salary a judge can receive for disability retirement?	Do your state judges participate in social security?	Additional Comments
Ohio	Both	Yes	No	At least 10%	n/a	No	2.2% of final average salary for each year of service up to 30. For any years of service over 30, add an additional 2.5% per year. Changed in 2012 so that for new hires after date of legislation it is 2.2% of final average salary for each year of service up to 35. For any years of service over 35, add an additional 2.5% per year, not to exceed 100% of final average salary.	5 years	65 (current) 66 (for those retiring within 10 years of date of legislation) and 67 for hires after date of legislation.		–	100%, but only for new hires after date of 2012 legislation.	No less than 45% of final average salary and no more than 60% of final average salary.	No	–

Sources:

Most of the data were collected from, and verified by each state's Administrative Office of the Courts in the survey of judicial retirement programs conducted by the California Administrative Office of the Courts and distributed by the National Center for State Courts in May 2010.
Recent legislative changes are derived from the NCSL Pensions and Retirement Plan Enactments in 2011 and 2012 State Legislatures Affecting Judicial Retirement Plans
Wisconsin information was obtained from the August 2013 Wisconsin Department of Employee Trust Fund brochure "Calculating Your Retirement Benefits".
Kentucky information obtained from the Kentucky Legislative Research Commission. This information only speaks to new (2013) judicial retirement benefits and not to the old Judicial Retirement System plan.
Ohio information obtained from Ohio PERS, www.opers.org.

* A cash balance plan is a defined benefit plan that defines the benefit in terms that are more characteristic of a defined contribution plan. In other words, a cash balance plan defines the promised benefit in terms of a stated account balance (http://www.dol.gov/ebsa/FAQs/faq_consumer_cashbalanceplans.html).

John Doe/Jane Doe Employee		
Years of Service		20
Salary to Use for Calculation	$	133,744.00
Current Trial Court Judge Salary	$	133,744.00
Average Public Employee Compensaion	$	41,000.00

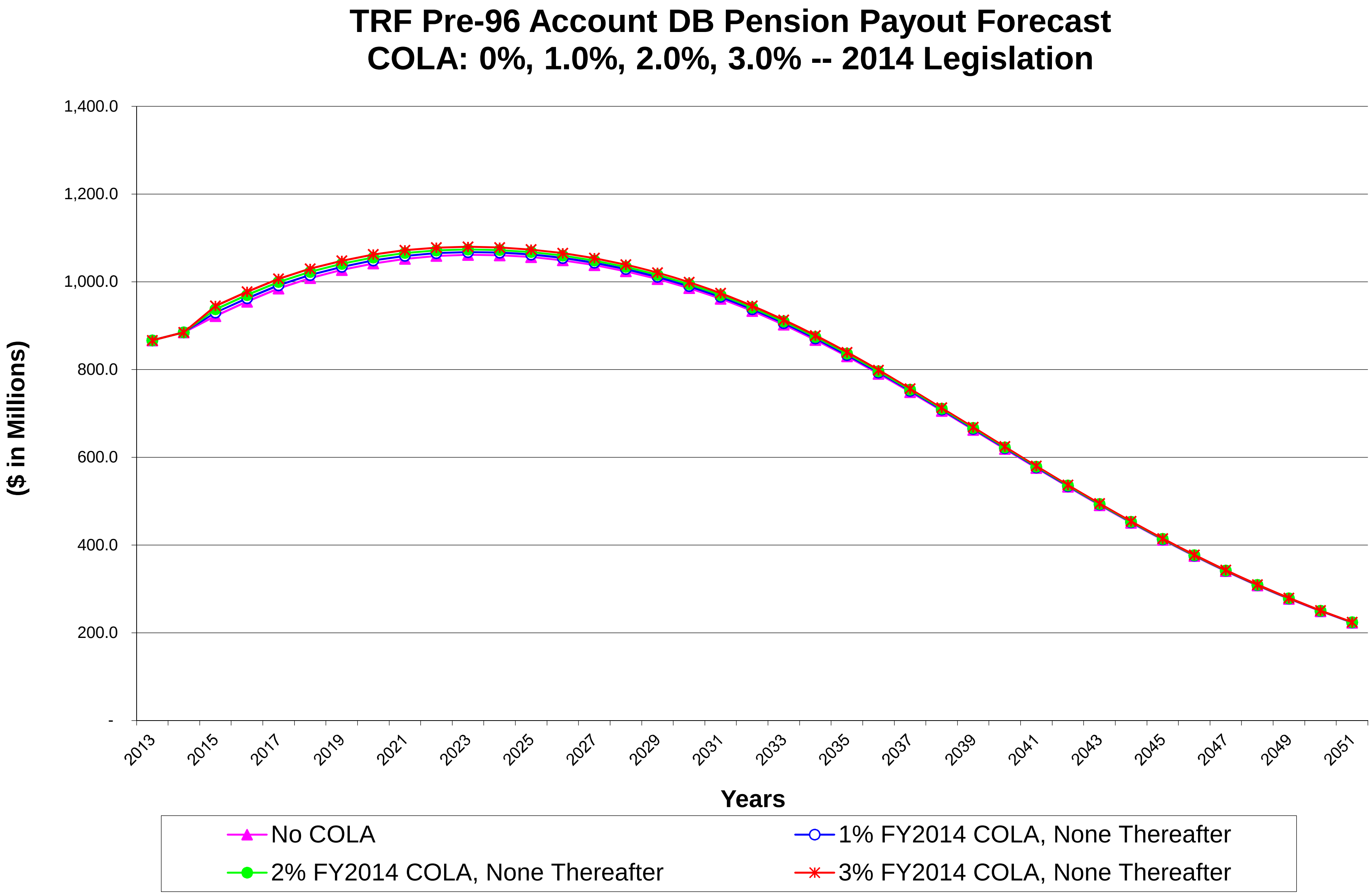
Exhibit G

Fund	Estimated Normal (Unreduced) Retirement Annual Defined Benefit Pension[1]	Age and Service Requirements for Normal Retirement	Years to Vest	Benefit Formula for Normal Retirement	Survivor Benefits	Estimated Annual Survivor Benefit Amount	COLAs	COLA History (Since 2006)	Employee Contribution[2]
PERF	$ 29,423.68	Age of 65 with 10 YOS; Age of 60 with 15 YOS; Age 55 with Rule of 85.	10	Average of the Annual Compensation[3] x 0.011 x Years of Service	Reduced member benefit during member's lifetime, if member opts to select benefit options that provide some benefit to survivors. Children receive until 18 or disability period.	Full decreased retirement benefit or two-thirds or one-half of that benefit.	Ad Hoc	COLA - 2006 (1.5%-2%), 2007 (2%), 2008 (2%), 2009 (2%-2.5%); 13th Check - 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.	3%
TRF	$ 29,423.68	Age of 65 with 10 YOS; Age of 60 with 15 YOS; Age 55 with Rule of 85.	10	Average of the Annual Compensation[3] x 0.011 x Years of Service	Reduced member benefit during member's lifetime, if member opts to select benefit options that provide some benefit to survivors. Children receive until 18 or disability period.	Full decreased retirement benefit or two-thirds or one-half of that benefit.	Ad Hoc	COLA - 2006 (1%-2%), 2007 (1%-2%), 2008 (1%-2%), 2009 (1%-2%); 13th Check - 2009, 2010, 2011, 2012, 2013.	3%
Prosecutors	$ 77,571.52	Age of 62 with 8 YOS; Age of 55 with Rule of 85.	8	Highest annual salary multipled by a percentage(ranging from 24% to 60%) based on total years of service.	Greater of 50% or $12,000 for life for spouse. Children receive until 18 or disability period.	$ 38,785.76	Ad Hoc		6% for 22 years
Judges (1985 System)[4]	$ 77,571.52	Age of 62 with 8 YOS; Age of 55 with Rule of 85.	8	Current salary of office participant held at the time of separation from service multipled by a percentage (24% to 60%) based on total years of service.	Greater of 50% or $12,000 for life for spouse. Children receive until 18 or disability period.	$ 38,785.76	Built into Benefit Formula - adjusts whenever salary of office which participant held at separation from service adjusts.	Salary increased in 2006 (4.3%), 2007 (4%), 2008 (4.8%), 2011 (1.1%), 2012 (1.3%), 2013 (2.2%).	6% for 22 years

1. Does not include any defined contribution plans.
2. Employer pick-up allowed (required for PERF state employees).
3. Average of the annual compensation for PERF is the average of the 20 calendar quarters of service in a covered position before retirement in which the member's annual compensation was the highest. For TRF, it is the average annual compensation for the five years of
4. For the purposes of this analysis, the salaries of trial court judges are always used.

f service before retirement in which the member's annual compensation was the highest.

Exhibit H



LSA Request COLA Graphs -- To LSA 08-12-13.xls
Graph 1

TRF Pre-1996 Account Pension Payout Projections

Fiscal Year	1% Annual COLA	No COLA	1% FY2014 COLA, None Thereafter	2% FY2014 COLA, None Thereafter	3% FY2014 COLA, None Thereafter	GF Appropriation - No COLA
2006	554.9	554.9	554.9	554.9	554.9	554.9
2007	597.6	597.6	597.6	597.6	597.6	588.2
2008	630.3	630.3	630.3	630.3	630.3	623.5
2009	661.4	661.4	661.4	661.4	661.4	662.6
2010	714.1	714.1	714.1	714.1	714.1	687.3
2011	769.4	769.4	769.4	769.4	769.4	704.3
2012	823.9	823.9	823.9	823.9	823.9	725.4
2013	866.6	866.6	866.6	866.6	866.6	747.2
2014	885.0	885.0	885.0	885.0	885.0	769.6
2015	929.9	922.2	929.9	937.5	945.2	792.7
2016	971.1	955.0	962.5	970.0	977.5	816.5
2017	1,009.7	984.9	992.2	999.6	1,006.9	841.0
2018	1,041.9	1,008.4	1,015.5	1,022.7	1,029.8	866.2
2019	1,069.5	1,027.1	1,034.1	1,041.0	1,048.0	892.2
2020	1,093.3	1,041.9	1,048.7	1,055.5	1,062.3	919.0
2021	1,112.7	1,052.5	1,059.0	1,065.6	1,072.2	946.5
2022	1,127.9	1,058.9	1,065.3	1,071.6	1,078.0	974.9
2023	1,139.0	1,061.5	1,067.6	1,073.8	1,080.0	1,004.2
2024	1,146.3	1,060.5	1,066.4	1,072.4	1,078.3	1,034.3
2025	1,150.2	1,056.5	1,062.2	1,067.9	1,073.6	1,056.5
2026	1,150.1	1,048.9	1,054.4	1,059.9	1,065.3	1,048.9
2027	1,146.4	1,038.2	1,043.4	1,048.6	1,053.9	1,038.2
2028	1,138.8	1,024.1	1,029.0	1,034.0	1,039.0	1,024.1
2029	1,127.0	1,006.4	1,011.2	1,015.9	1,020.6	1,006.4
2030	1,111.4	985.8	990.2	994.7	999.1	985.8
2031	1,091.5	961.5	965.7	969.8	974.0	961.5
2032	1,067.4	933.8	937.7	941.6	945.5	933.8
2033	1,038.7	902.3	906.0	909.6	913.3	184.8
2034	1,005.8	867.6	870.9	874.3	877.7	2.5
2035	969.2	830.1	833.2	836.3	839.4	1.9
2036	929.3	790.3	793.2	796.0	798.8	1.3
2037	886.8	748.8	751.4	754.0	756.5	0.9
2038	842.2	706.1	708.4	710.7	713.0	0.6
2039	795.9	662.6	664.7	666.8	668.8	0.4
2040	748.6	619.0	620.8	622.7	624.5	0.2
2041	700.9	575.6	577.2	578.8	580.5	0.2
2042	653.2	532.8	534.2	535.7	537.1	0.1
2043	606.1	491.1	492.3	493.5	494.8	0.1
2044	559.9	450.7	451.8	452.8	453.9	-
2045	515.3	412.0	413.0	413.9	414.8	-
2046	472.4	375.3	376.1	376.9	377.7	-
2047	431.5	340.7	341.4	342.1	342.8	-
2048	392.8	308.1	308.7	309.3	309.9	-
2049	356.3	277.7	278.3	278.8	279.3	-
2050	322.0	249.4	249.9	250.3	250.8	-
2051	290.0	223.2	223.6	224.0	224.3	-