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Employee Benefit
Research Institute

Future of Retirement Security

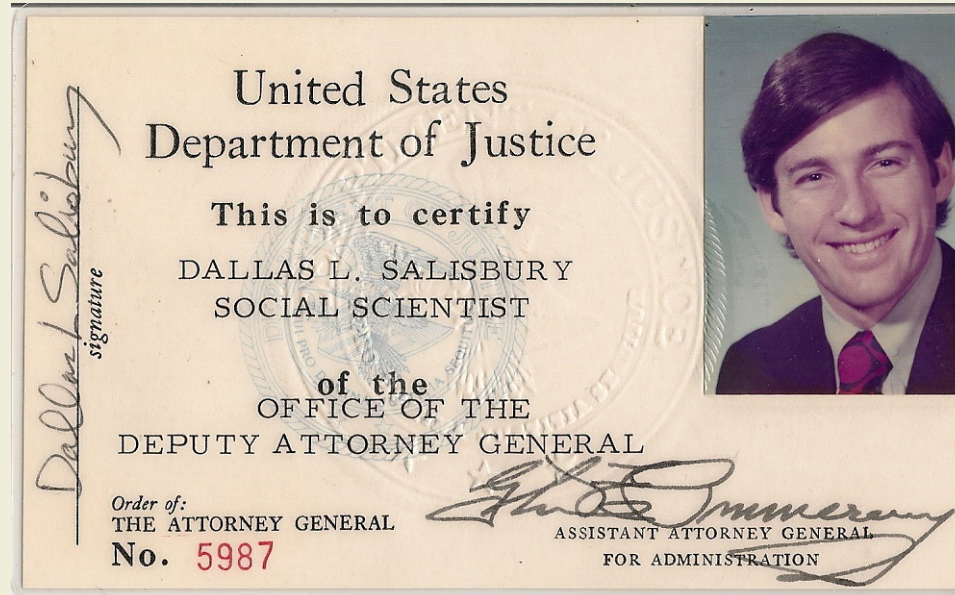
For NCTR
Dallas L. Salisbury
EBRI President and CEO

October 10, 2011

*To those of your firms that are EBRI members, and help fund our work.
THANK YOU! To those who are not – please join at www.ebri.org*

DC May 1974 – Pre ERISA, DOL and PBGC – Age 24

In the beginning





The Future of Retirement

- *Over age 65 income in 1975 and 2010*
- *How we work*
- *The issues of revenue, expense , debt and behavior*
- *Employer plans matter*
- *The wild card: Longevity*

Percentage of Income By Source 1975

%	100 %	42 %	8.7 %	4.4 %	87 %
Income Source	All Over 65	Fully Retired	Private Pension	Public Pension	No Pension
SSA	20 %	54 %	40 %	23 %	47 %
Pension	9 %	18 %	31 %	51 %	0 %
Asset Income	12 %	22 %	17 %	16 %	21 %
Work	55 %	0 %	10 %	9 %	26 %
Median <small>2010 \$</small>	\$19,017	\$12,305	\$24,444	\$26,892	\$11,454
Average <small>2010 \$</small>	\$27,070	\$15,446	\$30,262	\$34,103	\$15,704

Source: EBRI tabulations of the March 2010 Current Population Survey

Percentage of Income By Source 2010

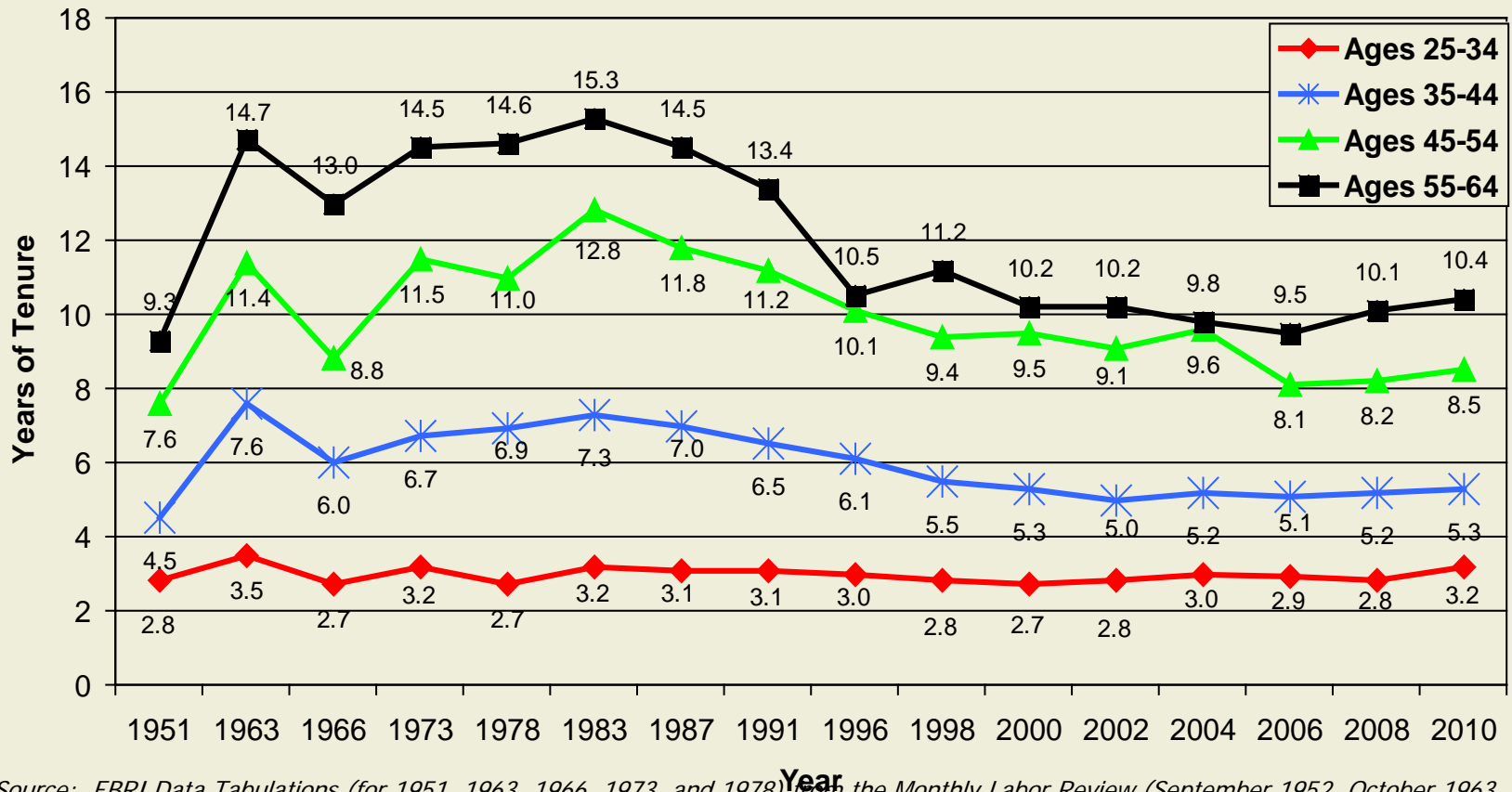
%	100 %	79 %	20.6 %	12.8 %	67.1 %
Income Source	All Over 65	Fully Retired	Private Pension	Public Pension	No Pension
SSA	39 %	55 %	40 %	23 %	44 %
Pension	18 %	26 %	34 %	61 %	0 %
Asset Income	12 %	15 %	12 %	11 %	12 %
Work	27 %	0 %	11 %	11 %	40 %
Median <small>2010 \$</small>	\$18,700	\$15,941	\$28,077	\$35,456	\$14,357
Average <small>2010 \$</small>	\$28,824	\$21,254	\$36,964	\$45,671	\$23,627

Source: EBRI tabulations of the March 2010 Current Population Survey

The Future of Retirement

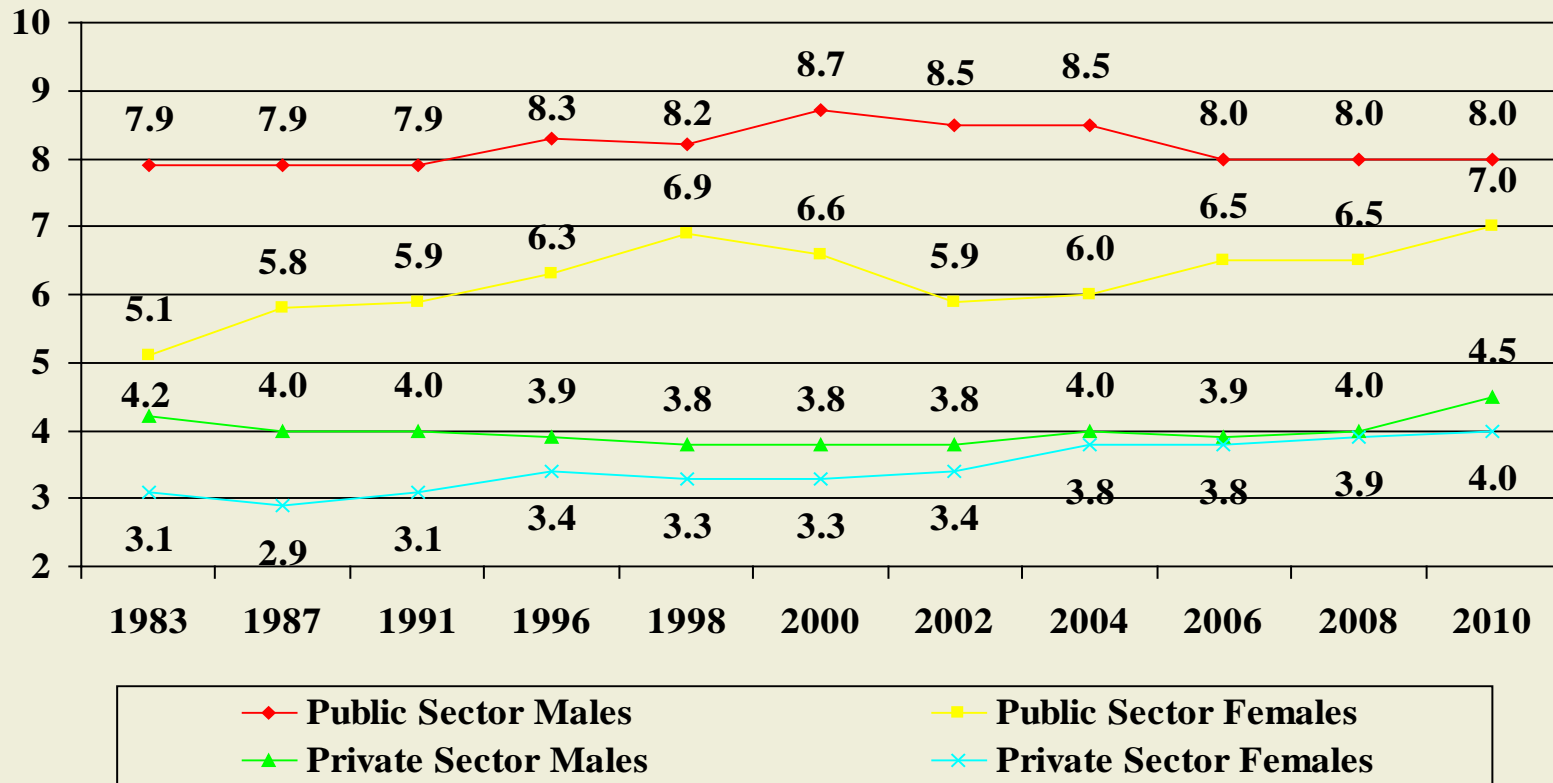
- *Over age 65 income in 1975 and 2010*
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Male Prime-Age (25-64) Workers Median Tenure Trends, By Age, 1951-2010



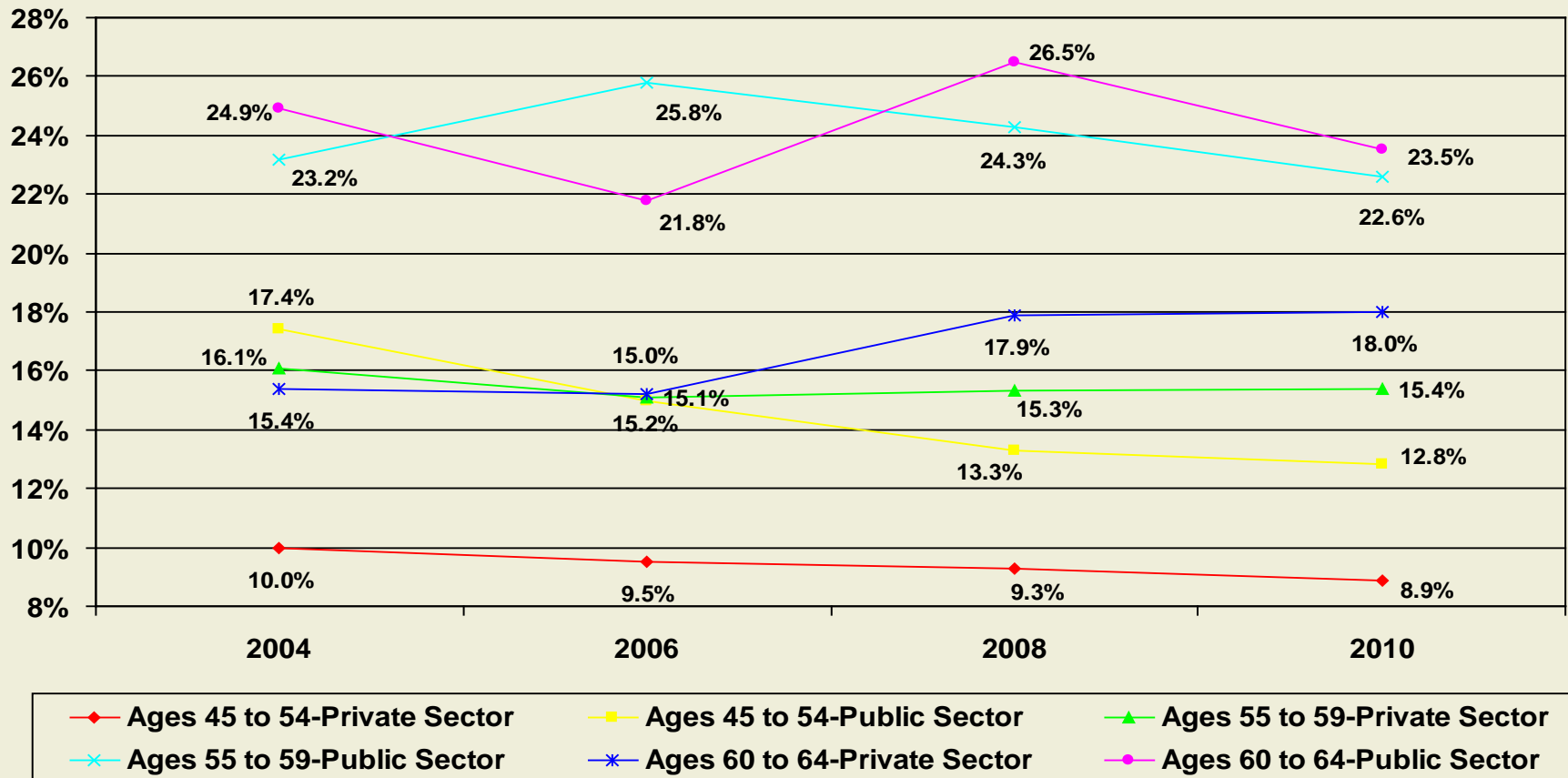
Source: EBRI Data Tabulations (for 1951, 1963, 1966, 1973, and 1978) from the Monthly Labor Review (September 1952, October 1963, January 1967, December 1974, and December 1979); from press releases (for 1983, 1987, 1991, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010) from the U.S. Department of Labor, Bureau of Labor Statistics.

Median Years of Tenure for Wage and Salary Workers, Ages 20 and Older, by Sector and Gender, 1983-2010



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," and Employee Benefit Research Institute estimates from the January 2004, 2006, 2008, and 2010 Current Population Surveys.

Percentage of Wage and Salary Workers Ages 45-64 Who Had 25 or More Years of Tenure, by Age and Sector, 2004-2010



Source: Employee Benefit Research Institute estimates from the January 2004, 2006, 2008, and 2010 Current Population Surveys.

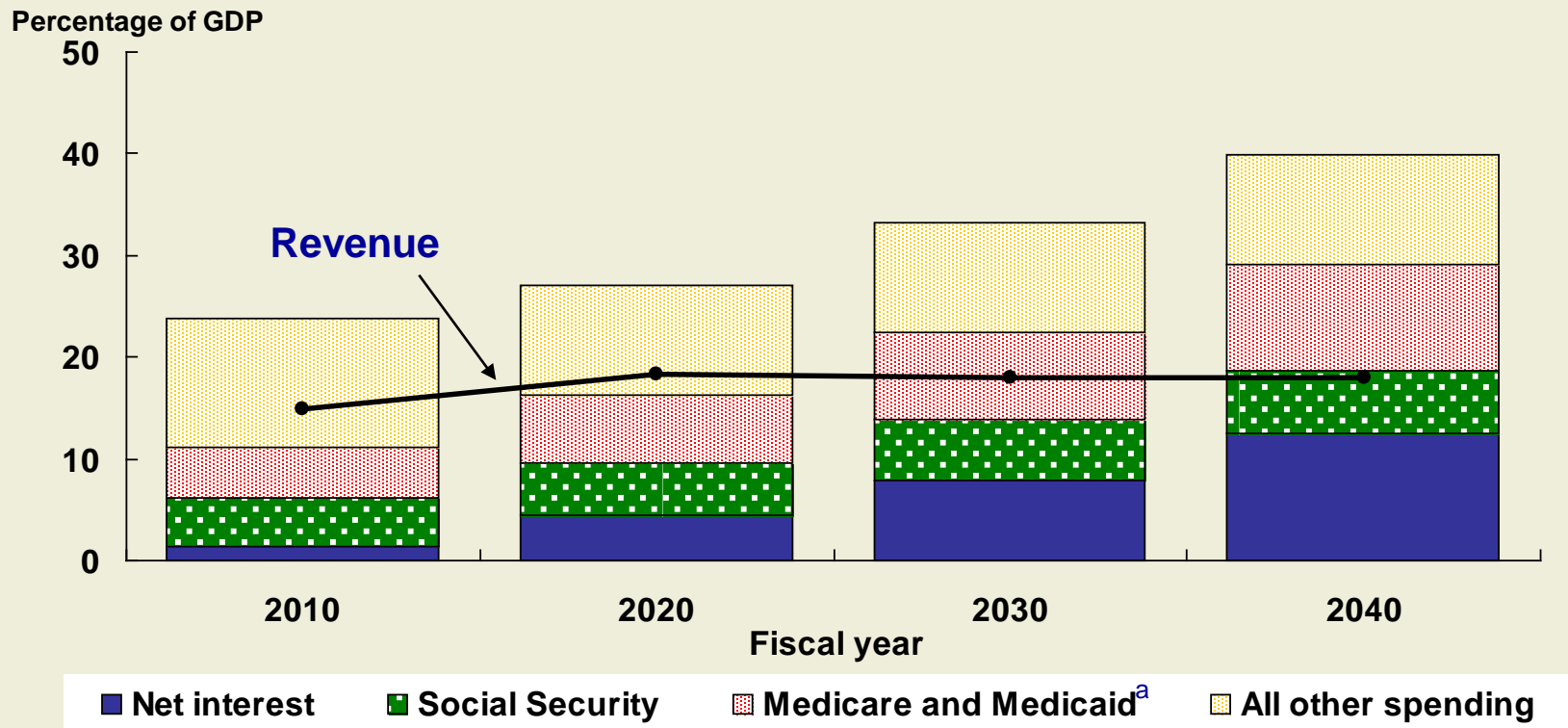
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Potential Fiscal Outcomes

Revenues and Composition of Spending under Alternative Simulation

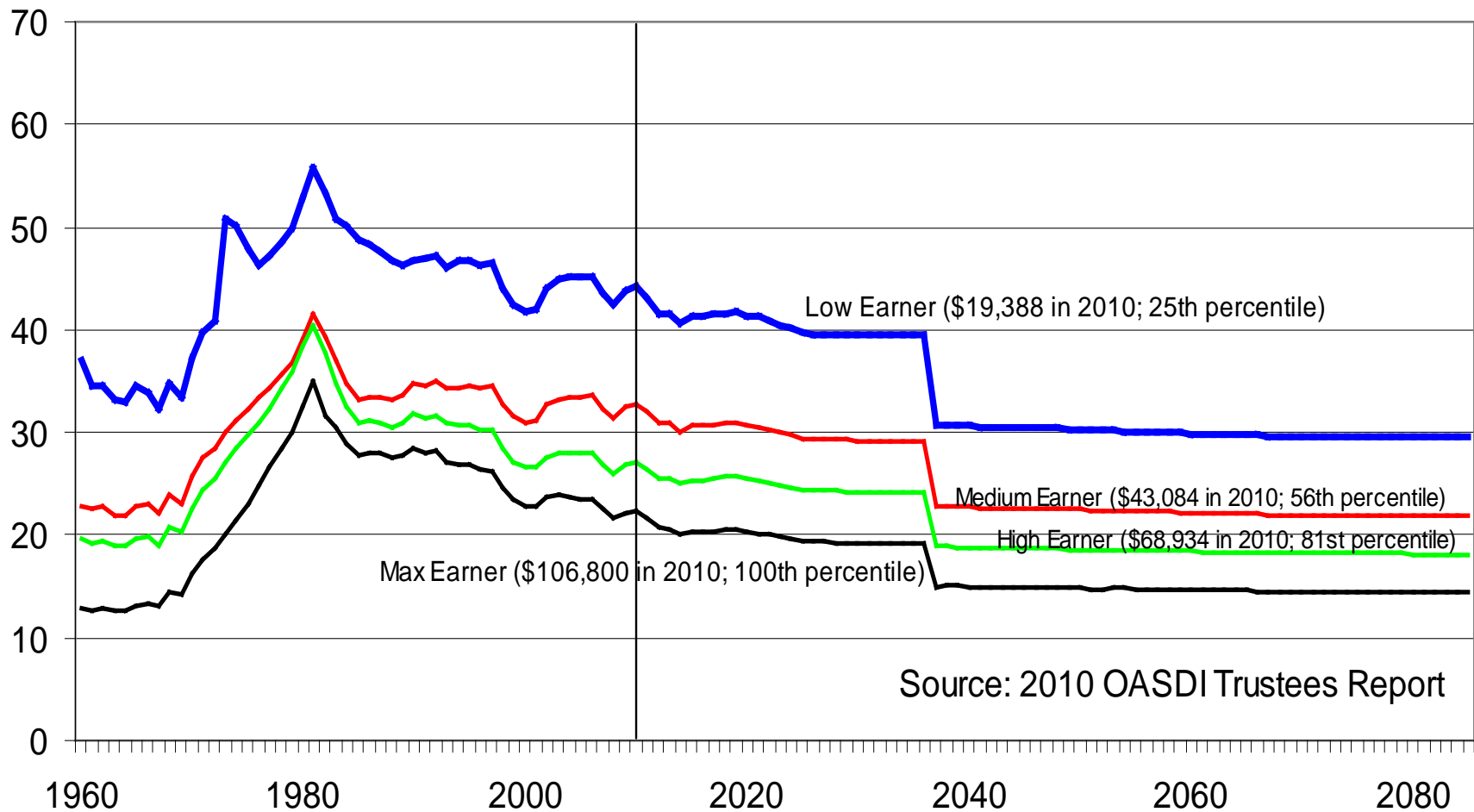


Source: GAO.

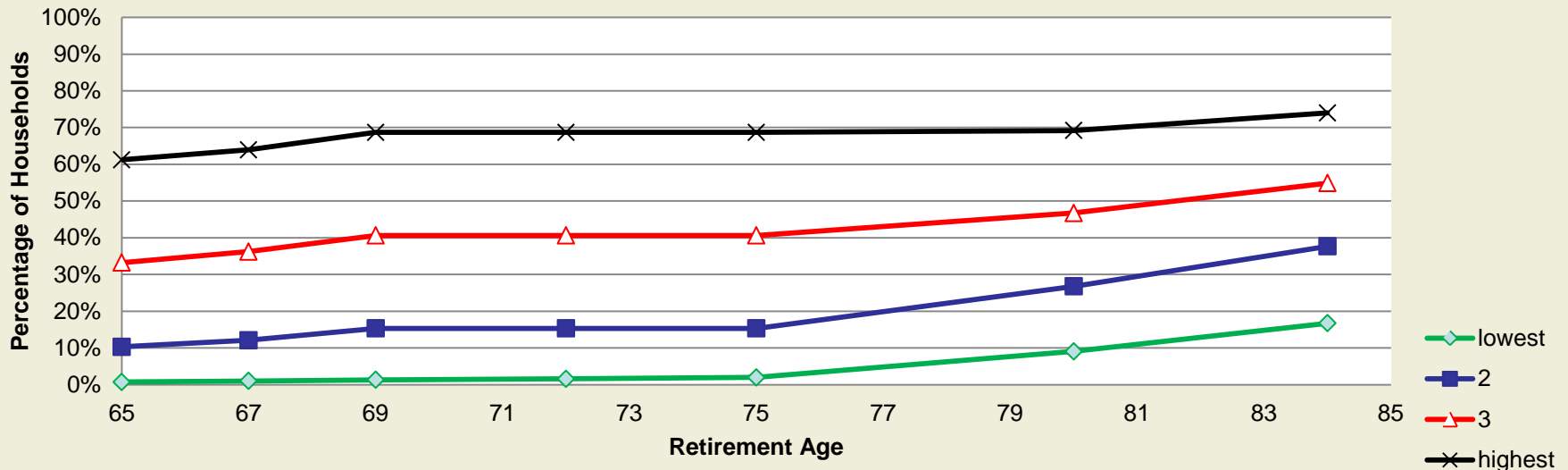
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and CMS Actuary's alternative assumption for Medicare.

^aThis also includes spending for insurance exchange subsidies and CHIP.

PAYABLE Monthly Benefit Levels as Percent of Career-Average Earnings by Year of Retirement at age **62**



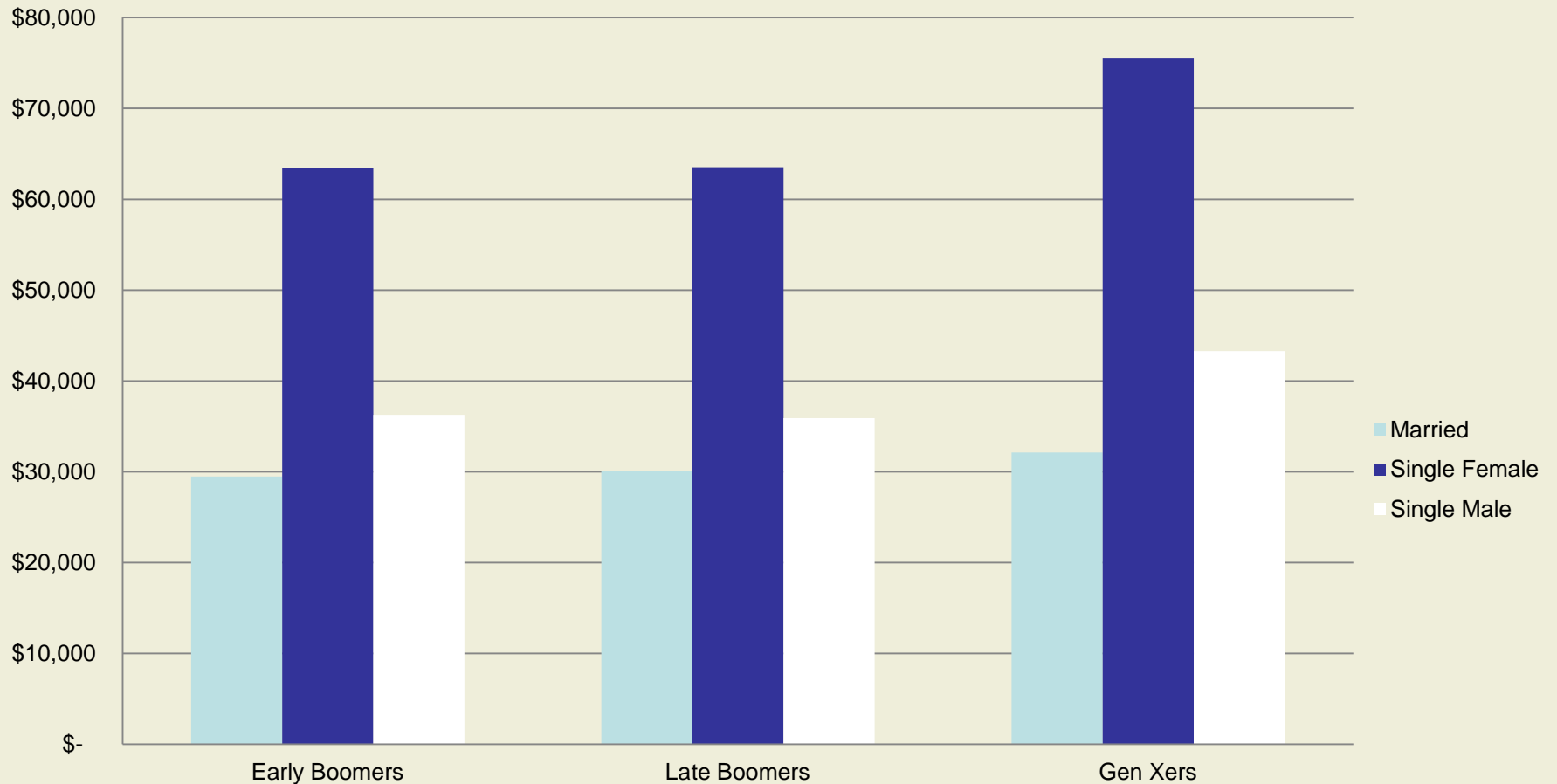
Percentage of Baby boom and Gen X Households Simulated to Have Adequate* Retirement Income for at Least 80 Percent of Simulated Life Paths After Retirement Age by Pre-Retirement Income Quartiles



Source: EBRI Retirement Security Projection Model® versions110410i.

* An individual or family is considered have "adequate" retirement income in this version of the model if their aggregate resources in retirement are sufficient to meet aggregate minimum retirement expenditures defined as a combination of deterministic expenses from the Consumer Expenditure Survey (as a function of income) and some health insurance and out-of-pocket health related expenses, plus stochastic expenses from nursing home and home health care expenses (at least until the point they are picked up by Medicaid). The resources in retirement will consist of Social Security (either status quo or one of the specified reform alternatives), account balances from defined contribution plans, IRAs and/or cash balance plans, annuities from defined benefit plans (unless the lump-sum distribution scenario is chosen) and (in some cases) net housing equity (either in the form of an annuity or as a lump-sum distribution). This version of the model is constructed to simulate "basic" retirement income adequacy; however, alternative versions of the model allow similar analysis for replacement rates, standard of living and other ad hoc thresholds.

Average Individual Retirement Income Deficit by Gender, Martial Status and Age Cohort (in 2010 \$) – Current Policy

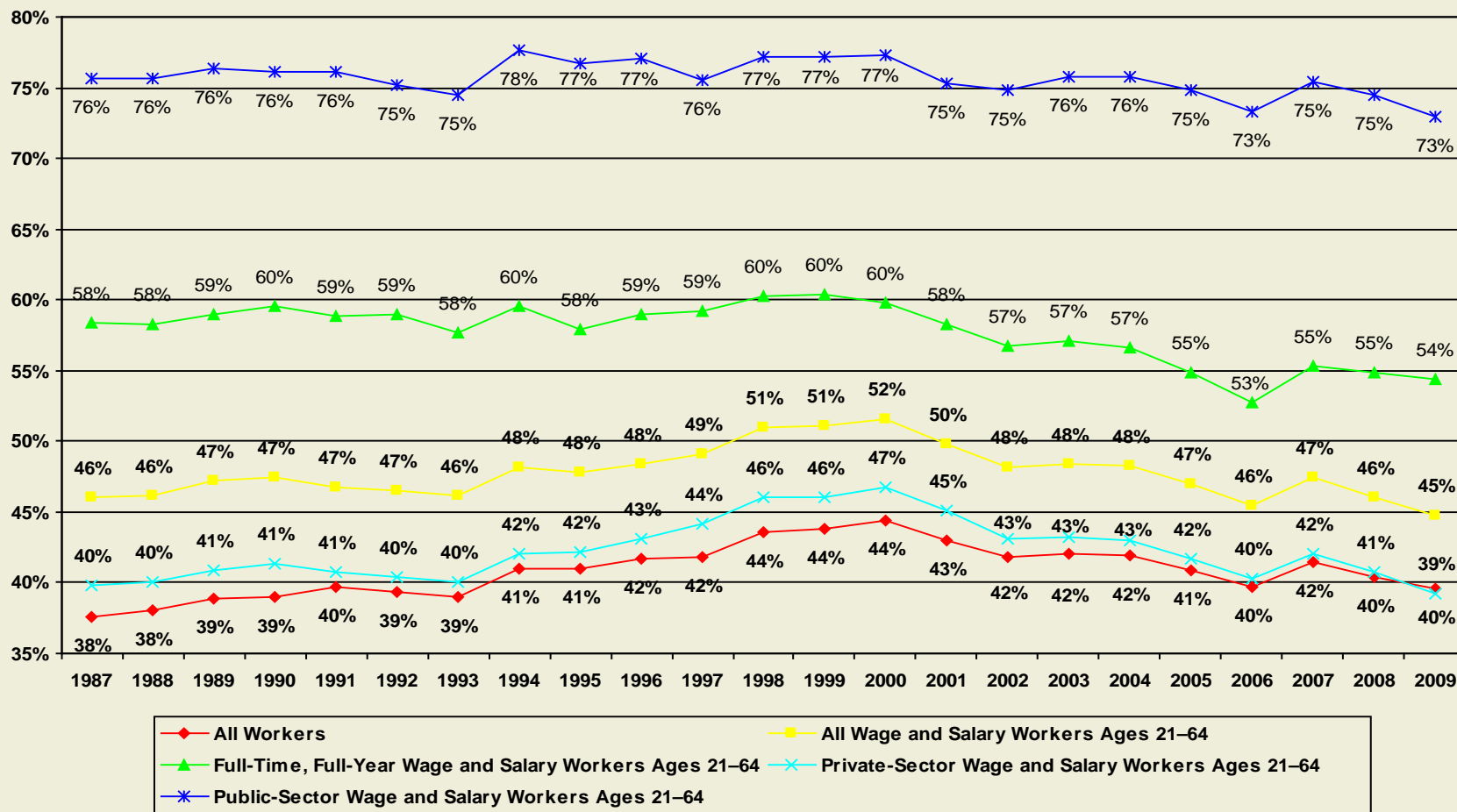


Source: EBRI Retirement Security Projection Model™ version 100920f1.

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Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, 1987-2009



Source: Employee Benefit Research Institute estimates from the 1988-2010 March Current Population Surveys.

Few Households Contribute to IRAs

Percentage of U.S. households, 2008

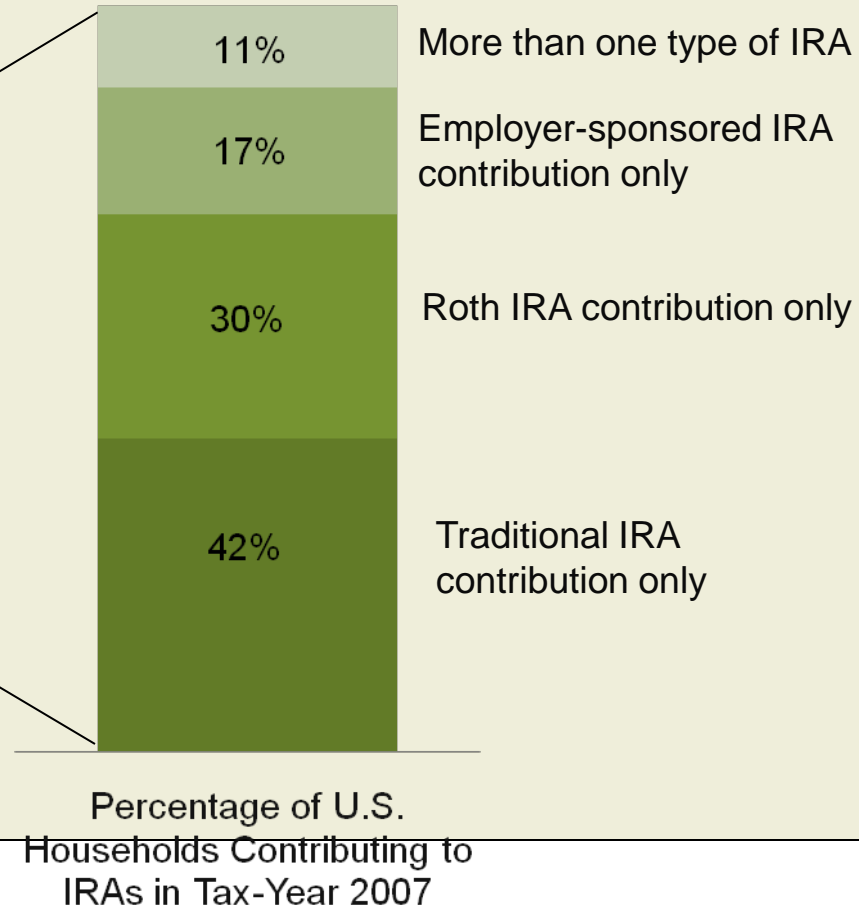
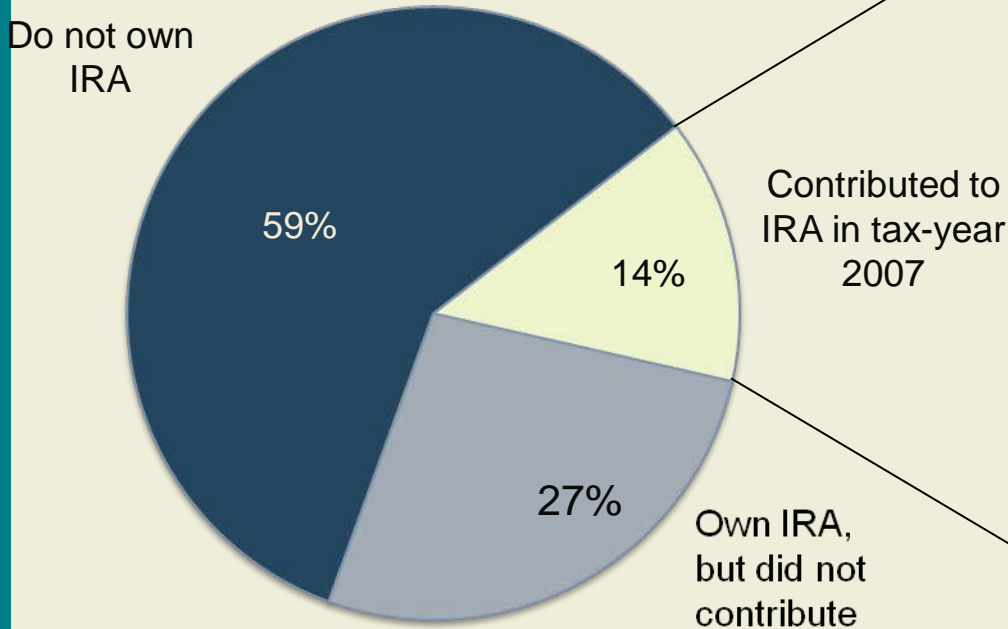
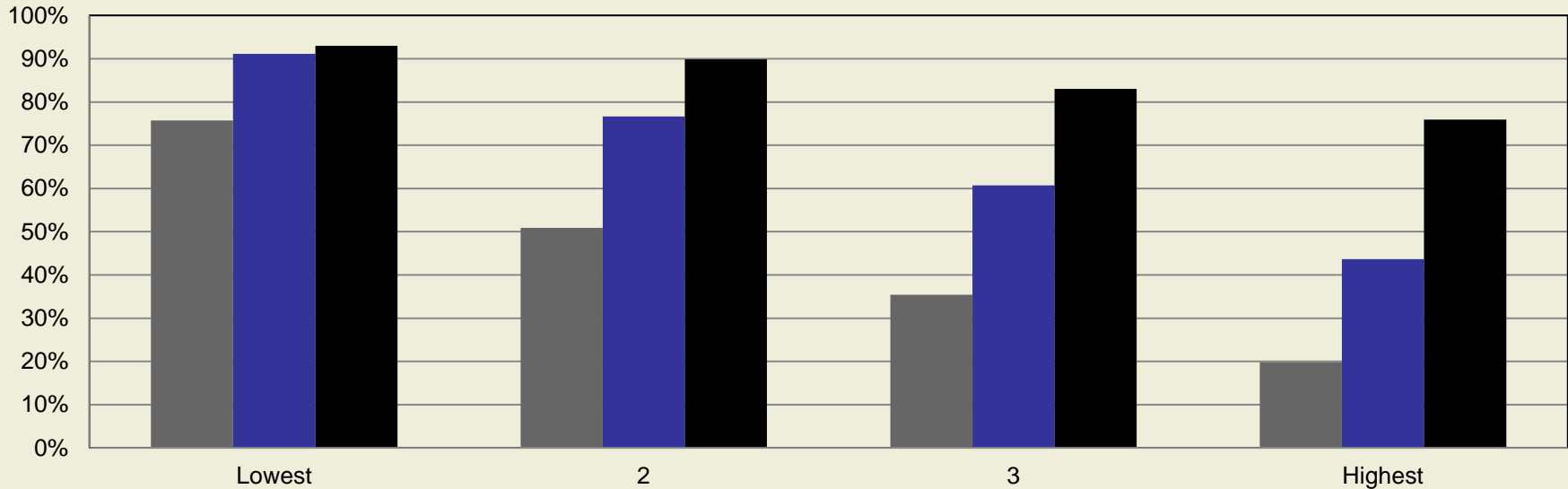
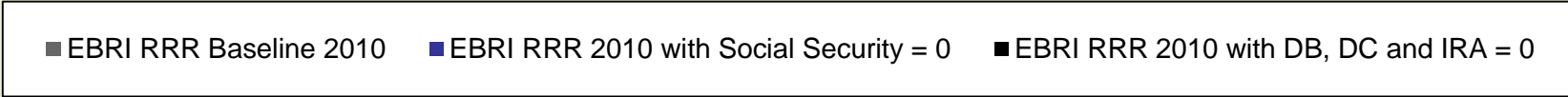


Figure 1
EBRI 2010 Retirement Readiness Rating™ (RRR)
Baseline (Status Quo for Social Security) vs. Social Security set to 0 vs. DB, DC and IRA set to 0
Percentage of population “at risk” for inadequate retirement income, by age-specific remaining career i



Source: EBRI/ERF Retirement Security Projection Model™ versions 100504e and 100930e



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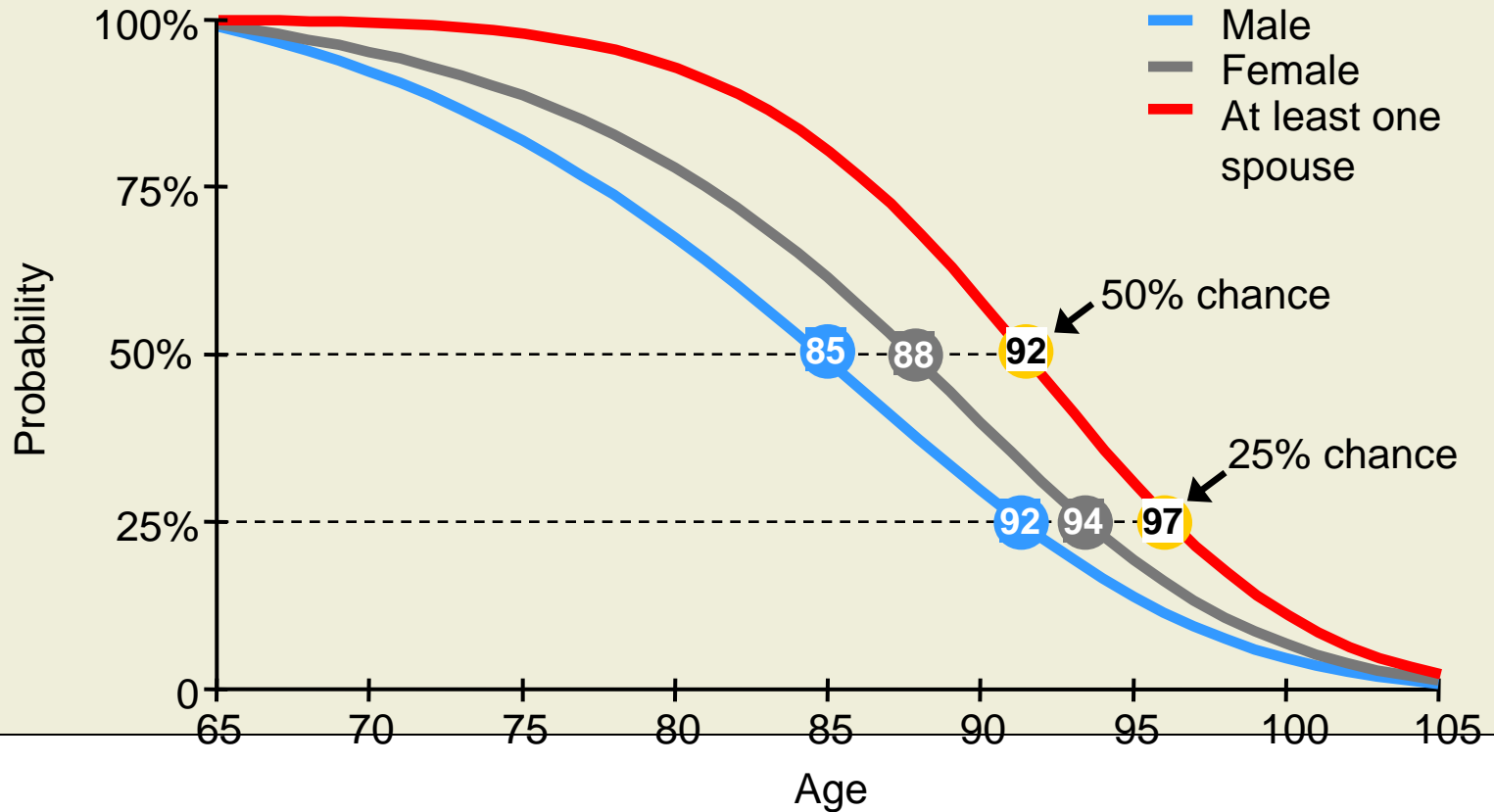
Dad at 93 – ----- Mom at 90
1913-2007 1916-2010

Think about/communicate policy and data and programs in the context of family.

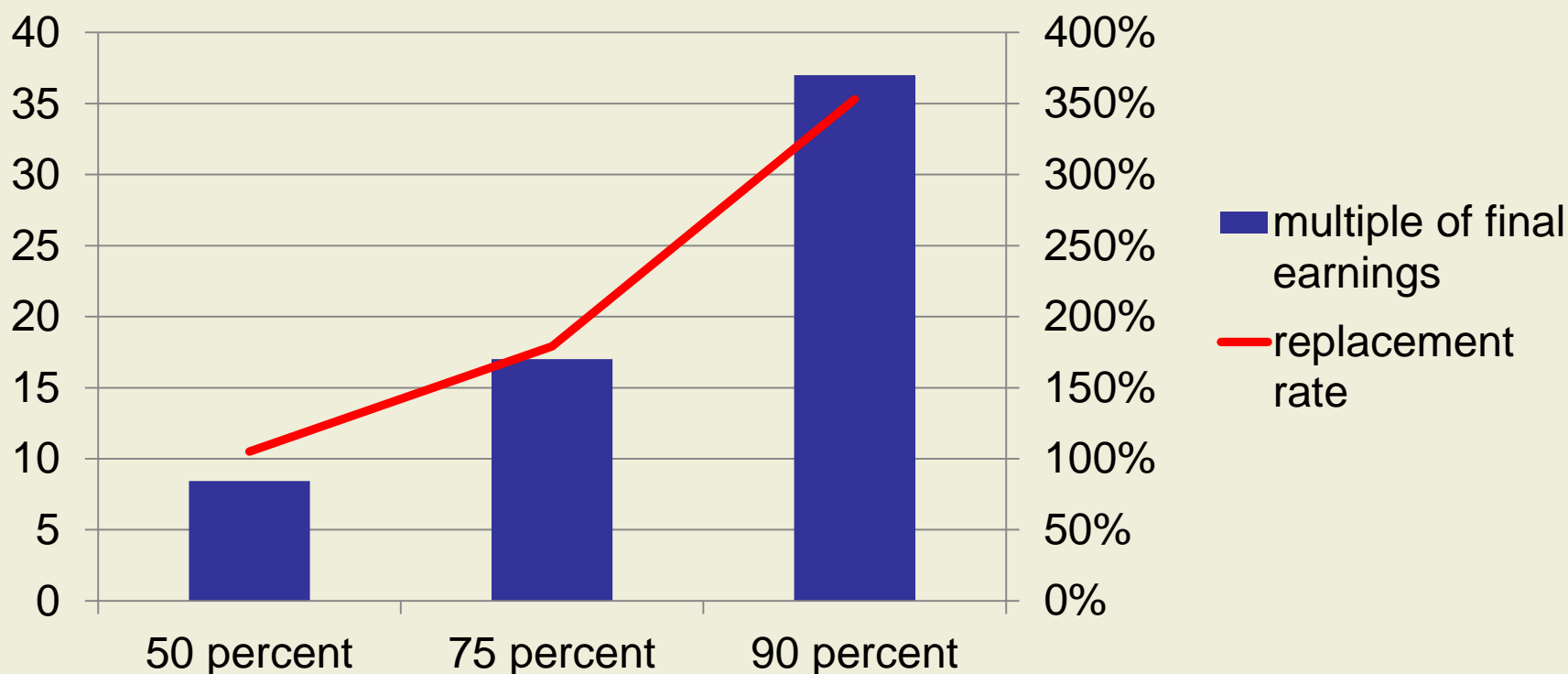
Longevity “Risk” “Reward”

The most significant risk that retirees face is longevity risk – the risk of outliving their assets. This risk is not hedged by traditional investment strategies (MPT).

Probability of a Healthy 65-year-old Living to Various Ages



Final Earnings Multiples and Replacement Rates for Various Probabilities of Retirement Income "Adequacy"



Putting the Future Into Perspective: Income Distribution of those age 65 or older in 2010

Percentile	Income	SS %	Not SS	IMA.com \$	3%W	4%W
10%	\$6,159	80%	\$1,231	18K	41K	31K
25%	\$10,757	92%	\$860	12.5K	28K	21.5K
50%	\$18,000	84%	\$2,880	42K	96K	72K
75%	\$33,600	57%	\$14,448	210K	481K	361K
90%	\$61,357	30%	\$42,949	624K	1.4M	1.07M
95%	\$89,102	19%	\$72,172	1.05M	2.4M	1.8M

14.4 % had income of \$50,000 or more.

IMA.com quotes on 9/13/2011 for female age 65 in GA – not inflation indexed – no guaranteed period – no survivor benefit

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The Future of Retirement ?



Or? The Future of Retirement ?

Planning – and action - can lead to the Nirvana of sunshine and calm waters!



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THANK YOU! To those who are not – please join at www.ebri.org*

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