Retirement Income Security: Beyond the Three-legged Stool

August 14, 2013

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Do you feel your employees are prepared financially for their retirement? ($N = 322$)

- Yes: 18.3%
- No: 44.1%
- Don't know: 37.6%

Source: SLGE / IPMA-HR ‘Survey Findings: State and Local Government Workforce: 2013 Trends’
The Current Environment

- **Retirement Plans:**
  - Suspended COLAs; increased contributions; reduced benefits; hybrid plan implementation; etc.

- **Retiree Health Care:**
  - Increases in overall retiree insurance costs; reductions in the number of state government units offering RHC; cost shifting/sharing from public employers to retirees.

- **Pay freezes, furloughs, and pay cuts.**

- **Reduction in workforces and underlying demographics.**

- **Changes in the overall life and financial positions of retirees and near retirees.**

See: (1) SLGE / NASRA ‘Spotlight on Retiree Health Care Benefits for State Employees in 2013’; (2) SLGE/IPMA-HR/(NASPE) S/L Gov. Workforce Surveys
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The report can be downloaded from:

www.nagdca.org
www.slge.org
Policy and Program Challenges and Opportunities

• Barriers to saving

• The role of supplemental DC plans (and other savings vehicles)

• Financial education
Regarding the challenge of employees not saving enough…

• Structure benefit offerings to account for human behavior.

• Benefit structures should aim to:
  – Increase savings
  – Match employees with suitable investment strategies
  – Limit in-service withdraws
  – Encourage communication
Supplemental DC Plans: Some key points to think about…

• **Auto enrollment.**
  – Contribution levels; adjustments over a career; the overall benefit context.

• **Investment options**
  – Varied options; manageable set of available funds; default option.

• How wide open is the **brokerage window**?

• The extent to which in-service **loans and withdraws** are allowed.
Financial Education: Some key points to think about…

- The shifting of **savings and planning responsibilities** from employer to individual.
- Variations in levels of **financial knowledge and interest** across the public workforce.
- Who offers the education, in what **format and scope**?
- **Network effects** beyond those in government.
Questions?

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