

2024 NCCMP Annual Conference

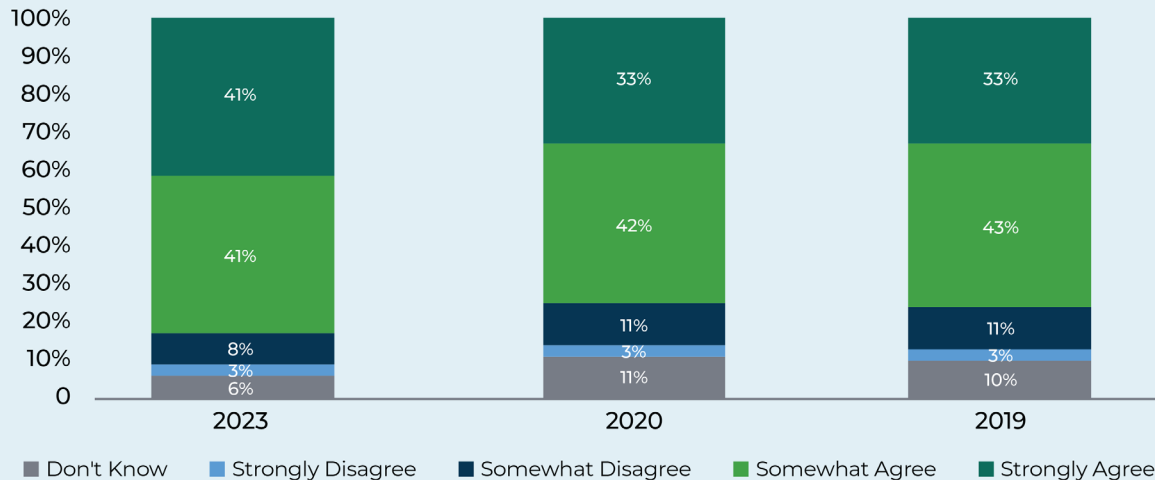
Income Adequacy in Retirement

March 8, 2024 / David Brenner, National Director of Multiemployer Consulting

"Retirement Insecurity 2024: Americans' Views of Retirement"

Figure 6: The vast majority of Americans say all workers should have a pension so they are independent and self-reliant in retirement.

To what extent do you agree or disagree: I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.



79% of Americans believe **there is a retirement crisis**, up from 67% in 2020

87% of Americans believe **government leaders do not understand** the difficulty in saving for retirement

66% of Americans are **worried about health care costs** in retirement

Why is Financial Well-being in the News?

**Financial stress
lowers health
and happiness
and increases
social isolation¹**

68% of workers are stressed about their finances²

Half of Americans feel financially worse off than they did a year ago, the highest since the Great Recession³

9.3 million more Americans are living paycheck-to-paycheck compared to the prior year⁴

The national rent-to-income ratio reached **30%** for the first time⁵

48% feel they don't have enough savings to handle an emergency expense⁶

¹ "The Cost of Financial Precarity", Carrie Leana, Stanford Social Innovation Review, Spring 2019

² "Stress, finances, and well-being", John Hancock, December 2022

³ "Half in U.S. Say They Are Worse Off", Jeffrey M. Jones, Gallup, 2/8/2023

⁴ "New Reality Check: The Paycheck-to-Paycheck Report", PYMNTS and LendingClub, January 2023

⁵ "Key Takeaways from the 4th Quarter Housing Affordability Update", Lu Chen and Mary Le, Moody's Analytics, 1/19/2023

⁶ "Inflation Taking Its Toll on Worker Financial Well-Being", EBRI, Fast Facts #452, 1/19/2023

Personal Perceptions of Savings?

■ Pre-retirees and retirees fear they may not have properly planned for the sustainability of their retirement funds.

Concerns about retirement security

% of those pre-retirees and retirees very/somewhat concerned

Underestimating the amount of money I need to save/should have saved for retirement



Overestimating how long my retirement savings will last



Underestimating my life expectancy (i.e., how long I will live)

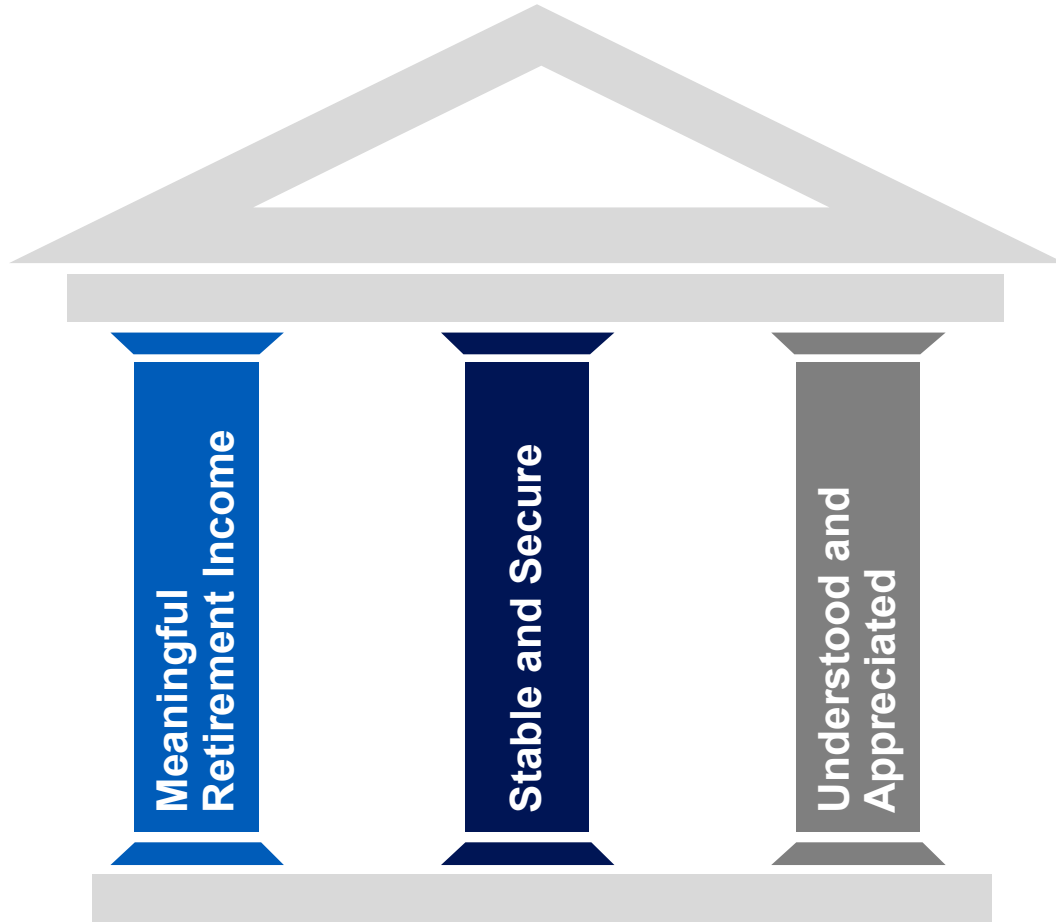


■ Pre-retirees ■ Retirees



30% of pre-retirees believe they will have to delay their retirement age beyond where they had initially thought”

How is the Retirement Conversation Shifting?



Wealth: Legacy 401(k)-only Model

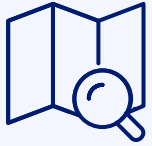
- Self-directed account balance
- Defined contribution, but uncertain income
- Complex process of converting savings into income

Income: Pension (or blended) Model

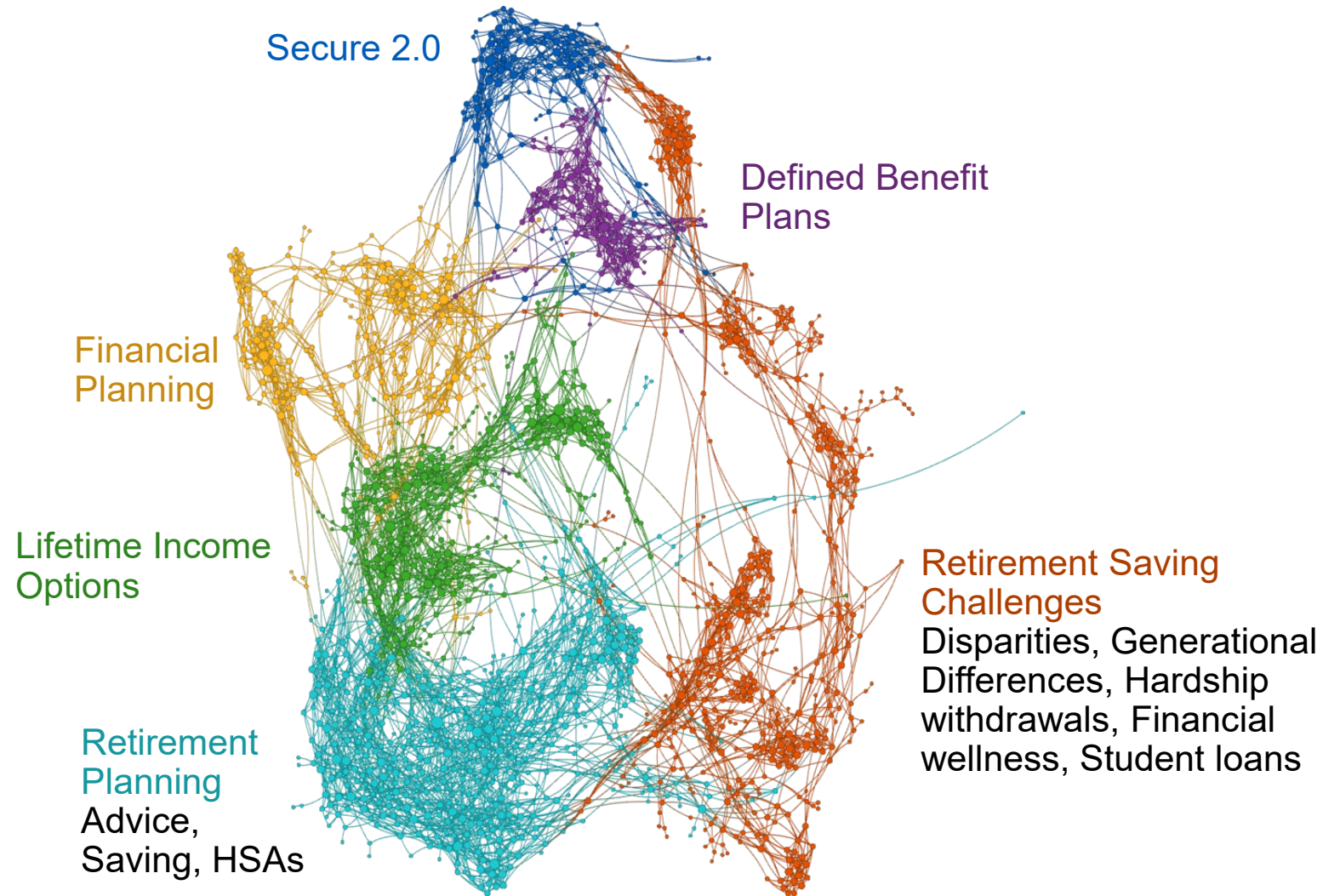
- Passive accruals
- Guaranteed income (including risk adjusted)
- Clear retirement target (i.e., replacement ratio)

Is the IBM pension announcement the beginning of a self-correction in the market toward a system of meaningful retirement income?

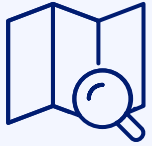
Retirement News Scan: Broad Themes



Over the past year, the news coverage of retirement issues largely focused on planning and advice, followed by saving patterns and challenges associated with gender, race and generational cohort.

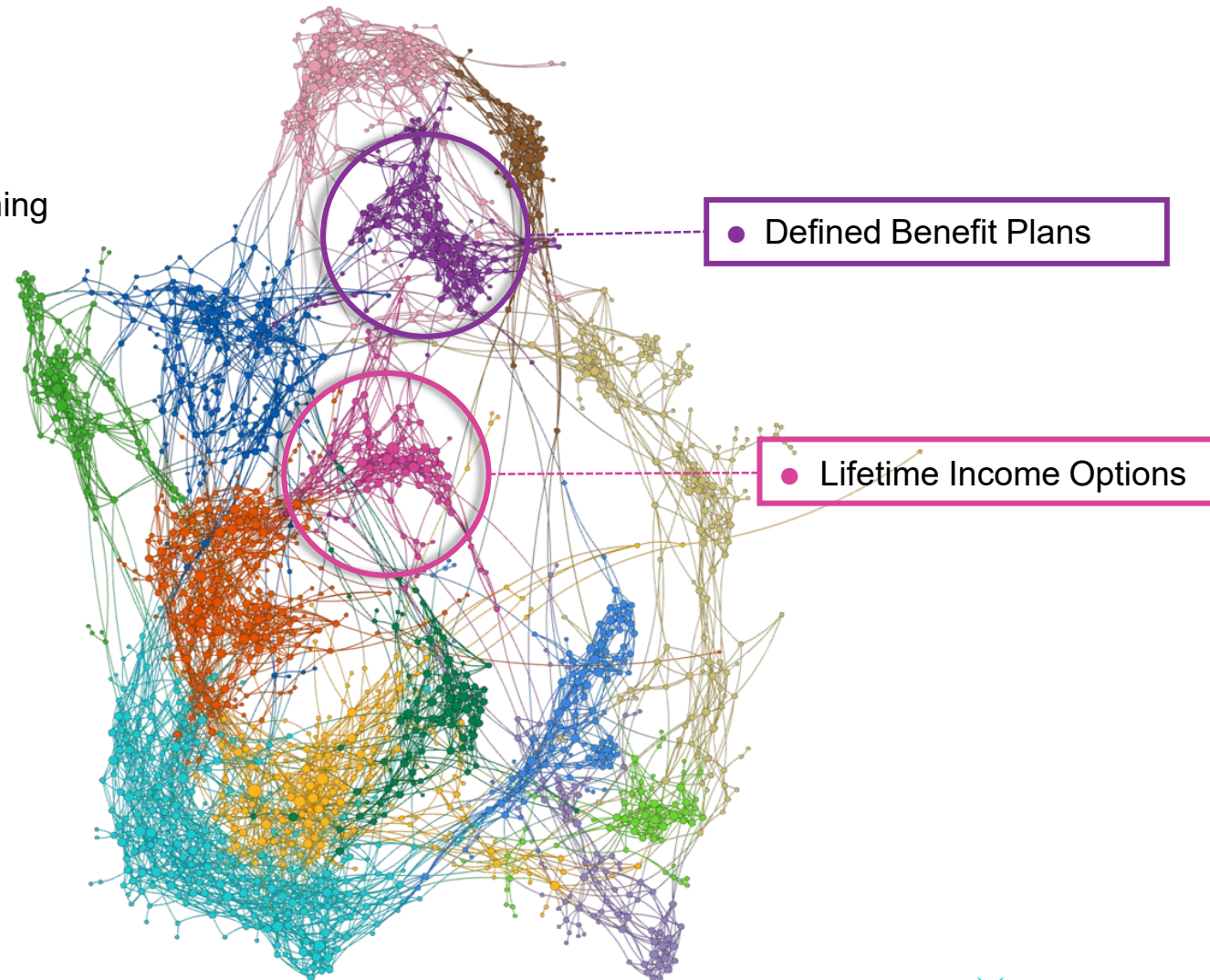


Retirement News Scan: Subtopics within the Themes



Looking at the subtopics within the themes, the conversation around Defined Benefit Plans and Lifetime Income Options are not closely connected to and are outside the central conversation around savings, income planning and advice.

- Retirement Savings
- Retirement Income Planning
- Retirement Advice
- Investment Vehicles
- Saving Disparities
- Secure 2.0
- Generational Differences
- Financial Planning
- Health Savings Accounts
- Financial Wellness
- Hardship Withdrawals
- Student Loan Payments



Strikes and Negotiations

NEWS

UPS workers approve new contract with hard-fought pay and safety gains, ending strike threat

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BUSINESS NEWS

UPS workers approve new contract with hard-fought pay and safety gains, ending strike threat

The five-year deal, with wage increases and new protections for working in high temperatures, covers 340,000 employees and could boost other labor efforts



FOX BUSINESS

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UNIONS - Published September 22, 2023 11:40am EDT

UAW strike spreads to more GM, Stellantis facilities, Ford spared amid progress in talks

The UAW's expansion of the strike brings the number of striking autoworkers to roughly 18,600 across the country

By Eric Revell | FOXBusiness |

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U.S. Stock Market Quotes

Quote Lookup

FOX BUSINESS

UAW STRIKE ENTERS ONE WEEK

MARKET CHECK

DOW FUT	34,350.00	▲13.00	0.04%
S&P FUT	4,379.75	▲7.75	0.18%
ENERGY	▲2.10	0.08%	
HEALTH	▲1.20	0.02%	
TECH	▲1.50	0.01%	
INDUS	▲0.80	0.01%	
FINANC	▲0.50	0.01%	
COMMOD	▲0.30	0.01%	
CRYPTO	▲0.10	0.01%	

JOEL SHULMAN ON UAW STRIKE: There are decades of trust on both sides

ERShares CEO Joel Shulman discusses the current state of the markets and the ongoing UAW strikes.

HAVE A NEWS TIP? NEWSLETTERS U.S. EDITION

VARIETY

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Sep 26, 2023 5:07pm PT

The Writers Strike Is Over: WGA Votes to Lift Strike Order After 148 Days

'Rogue One' Director Says 'There Is So Much Inaccuracy' Surrounding Making of 'Star Wars' Prequel: 'We All Worked Together Until the Entire Last...'

Taylor Swift Joined by Ryan Reynolds, Hugh Jackman and Blake Lively at Travis Kelce's Chiefs Game Against New York Jets

Gerard Depardieu, Indicted on Rape, Sexual Assault Charges, Pens Open Letter: 'I'm Neither a Rapist, Nor a Predator'

Tom Hanks Warns Fans About 'AI Version of Me' Promoting Dental Plan: 'I Have Nothing to Do With It'

Beyoncé Drops Trailer for 'Renaissance' Concert Film, Opens Ticket Pre-Sales for December Release

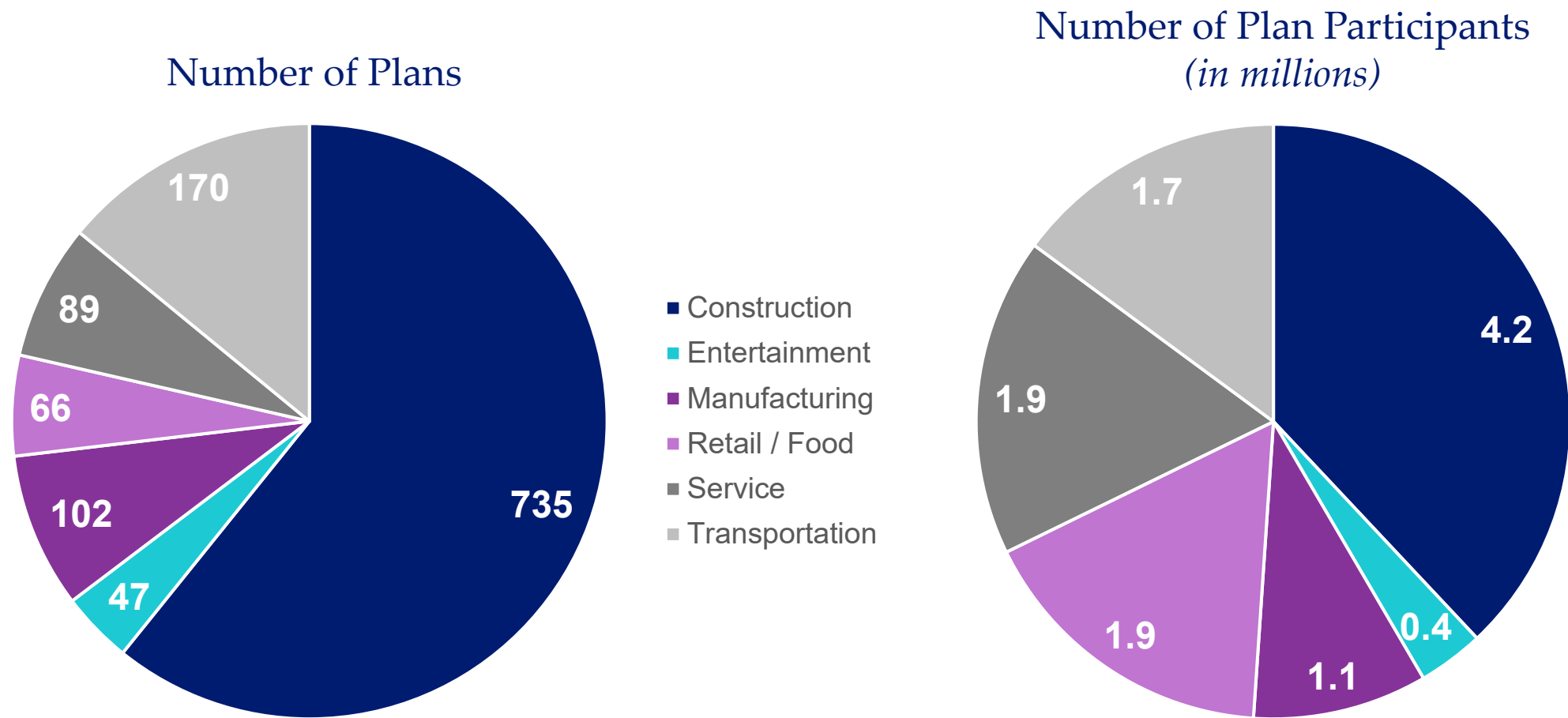
Shah Rukh Khan's 'Jawan' Surpasses 'Pathaan' to

Segal

8

The Multiemployer Defined Benefit Universe

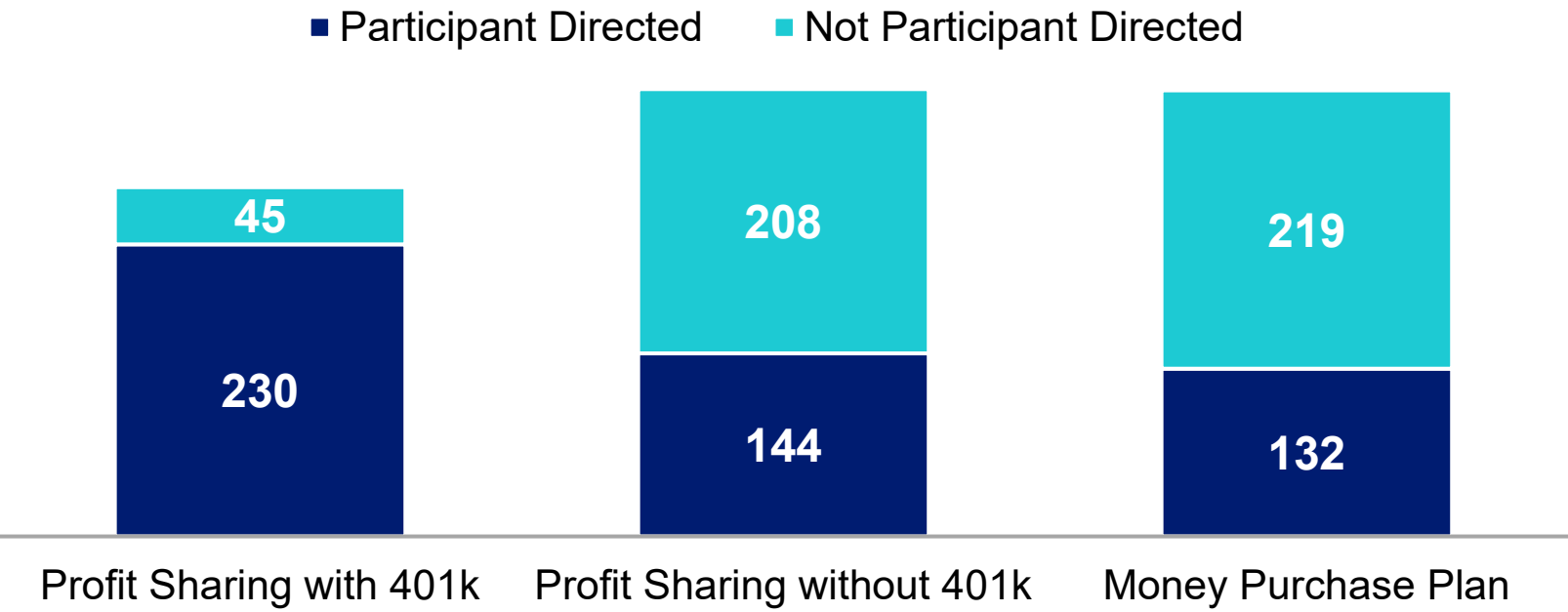
Plans by Industry



Source: Segal analysis of Form 5500 data for plan years ending in 2021.

The Multiemployer Defined Contribution Universe

Defined Contribution Plan Universe

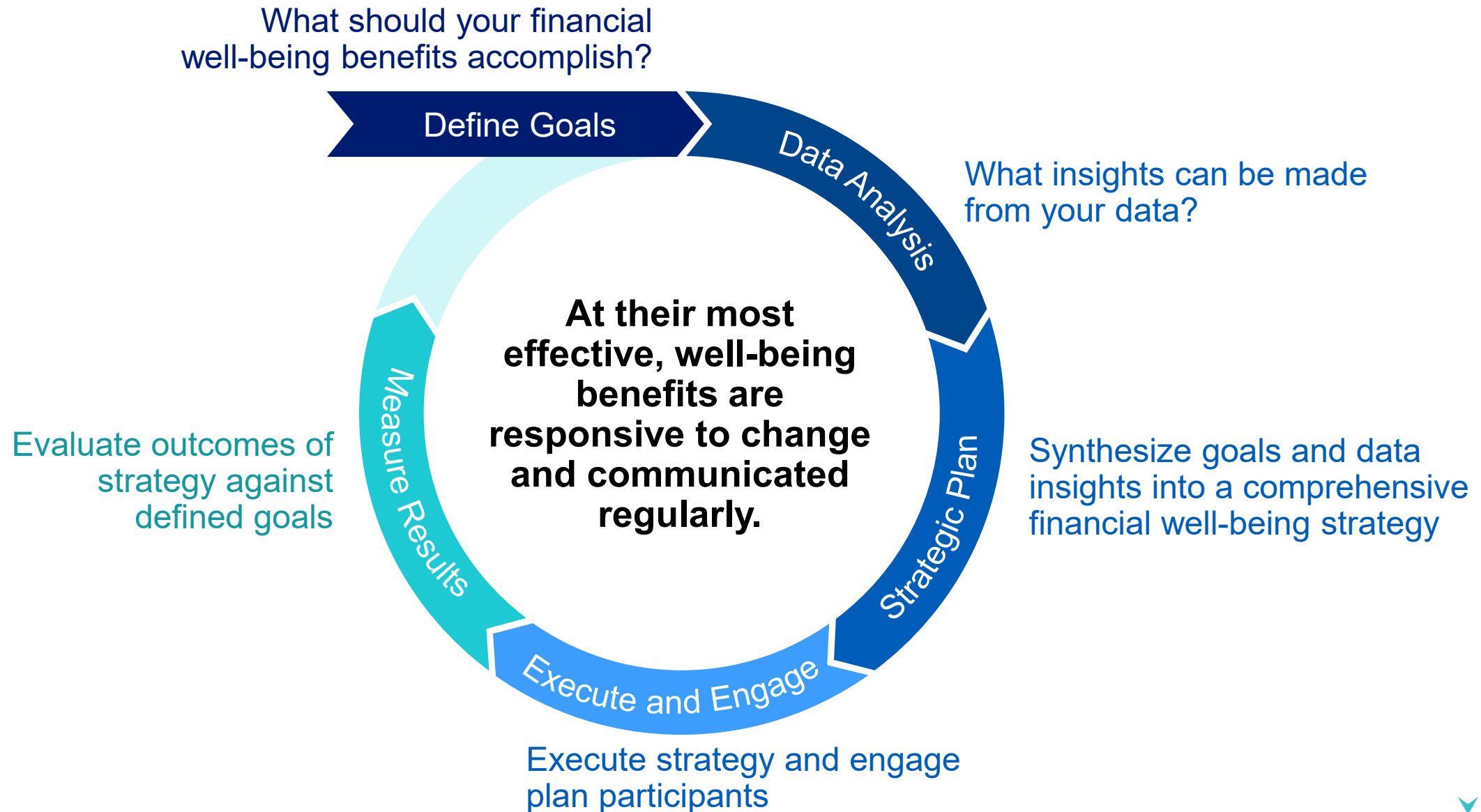


Profit sharing plans are more prevalent (627 total plans) than Money purchase plans (351)

Overall, more plans are not participant directed, however, if there is a 401k feature almost all plans are participant directed (84%)

There are over 4 million multiemployer participants with active defined contribution accounts totaling \$210.9 billion.

Creating a Financial Well-being Program



Sources of Retirement Income

Multiemployer Defined Benefit pension and Social Security provide lifetime income

Personal Savings

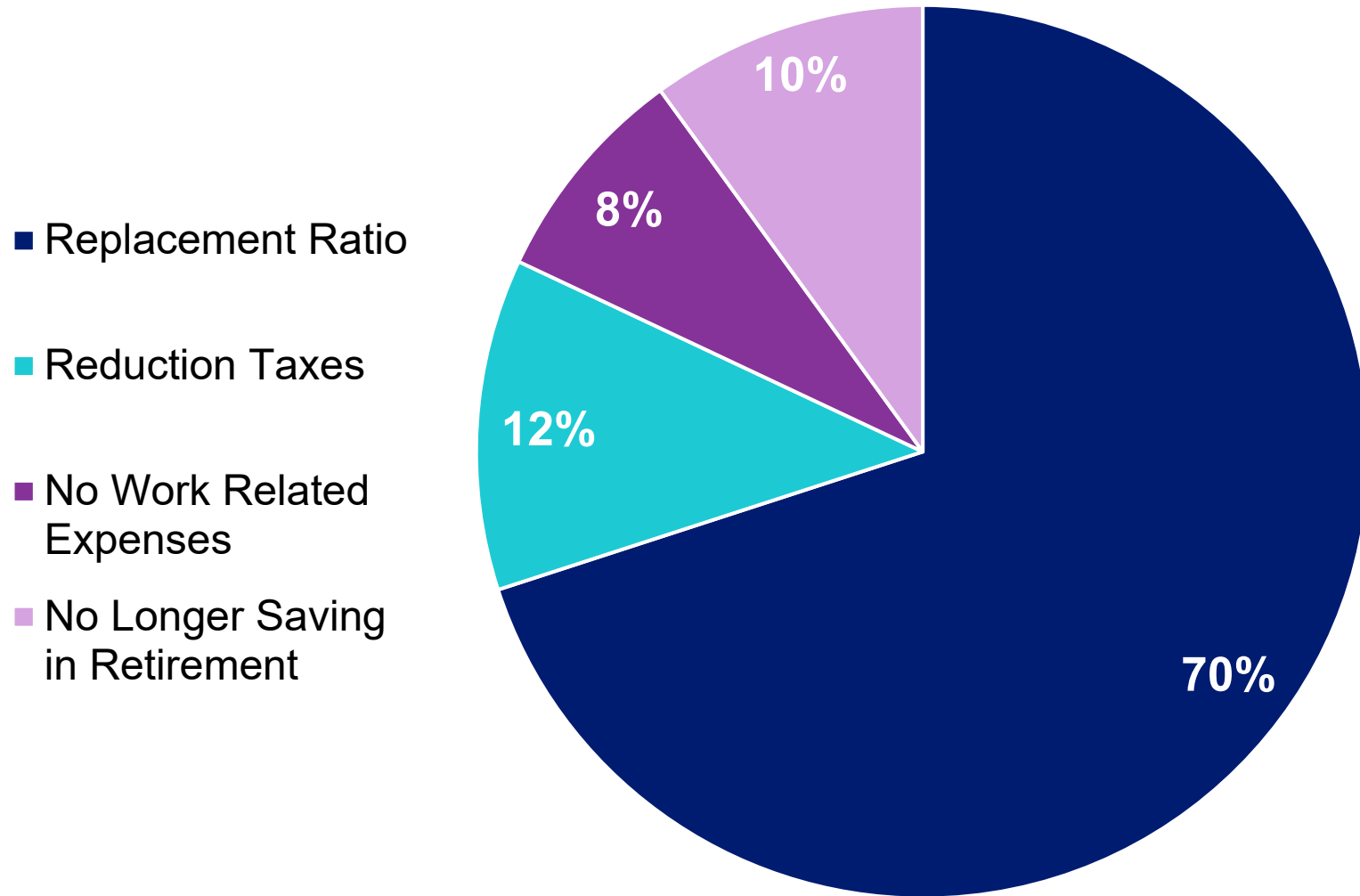
Personal savings and Defined Contribution plans can vary significantly and often do not provide lifetime income

Social Security

Employment Provided DB

Employment Provided DC

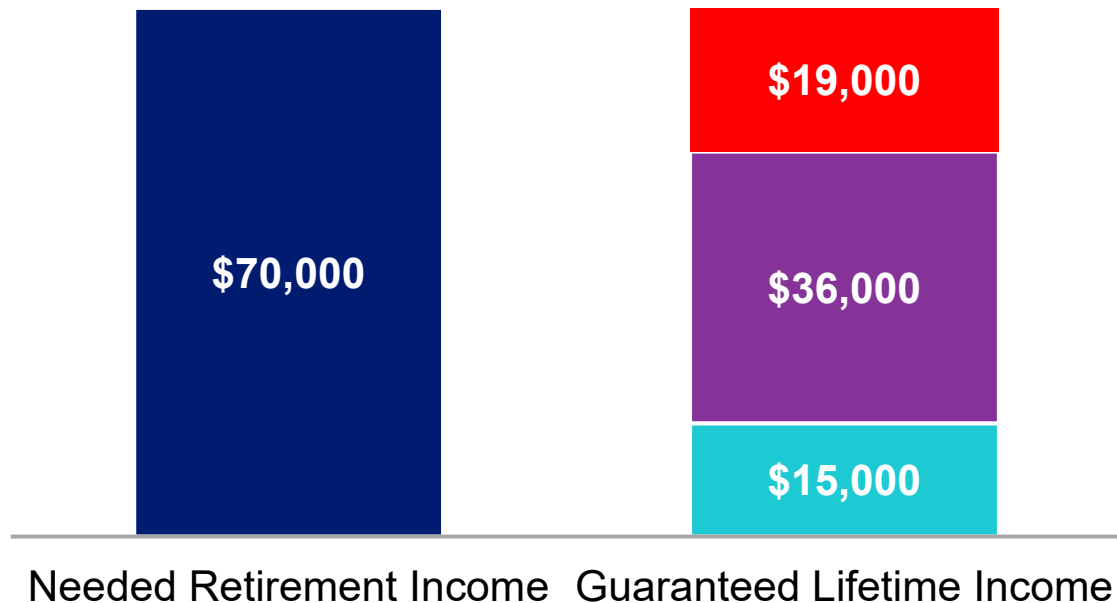
Replacement Ratio Theory Example



The right ratio is different for each person and depends on several factors

Individual Example

Lifetime Income Example



Social Security \$15,000

+

Employer Provided DB \$36,000

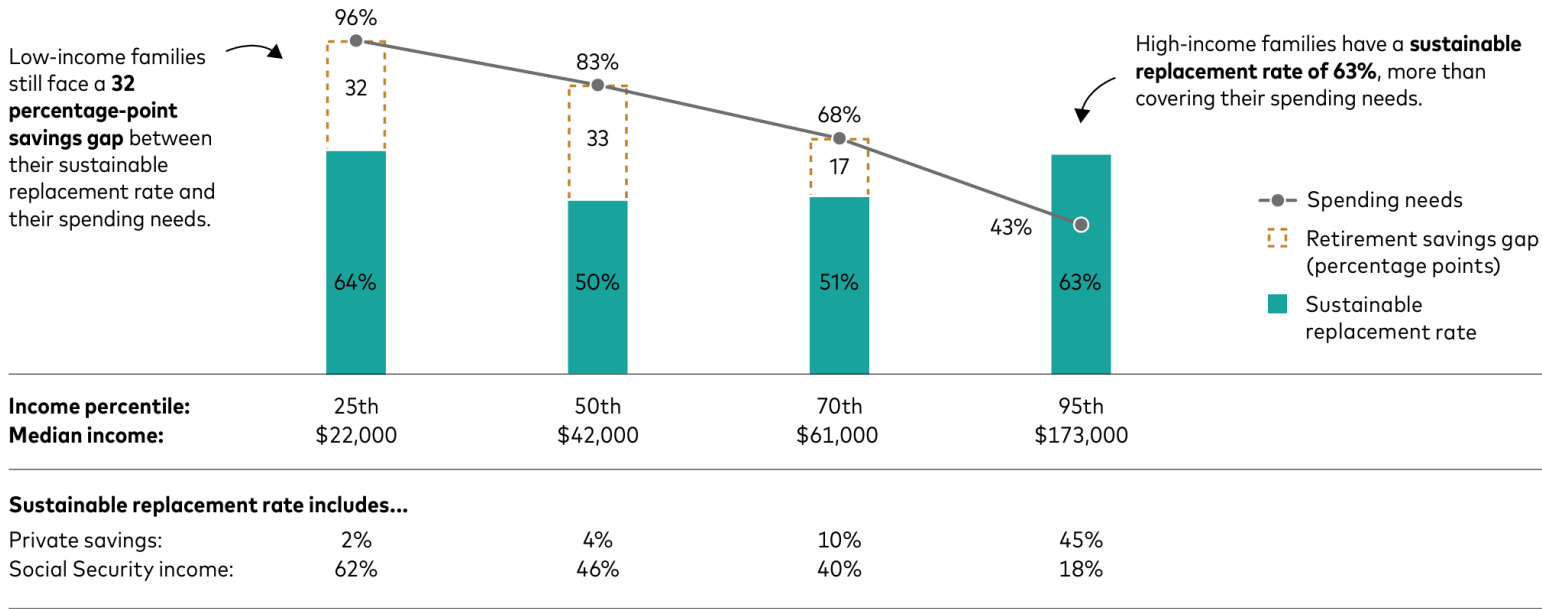
= \$48,000

How to Replace the Remaining
\$19,000?

Replacement Ratio Experience Varies with Income Levels

High-income families have a sustainable replacement rate that more than meets their spending needs, while everyone else falls short

Sustainable replacement rate for the baby boom generation, by family income



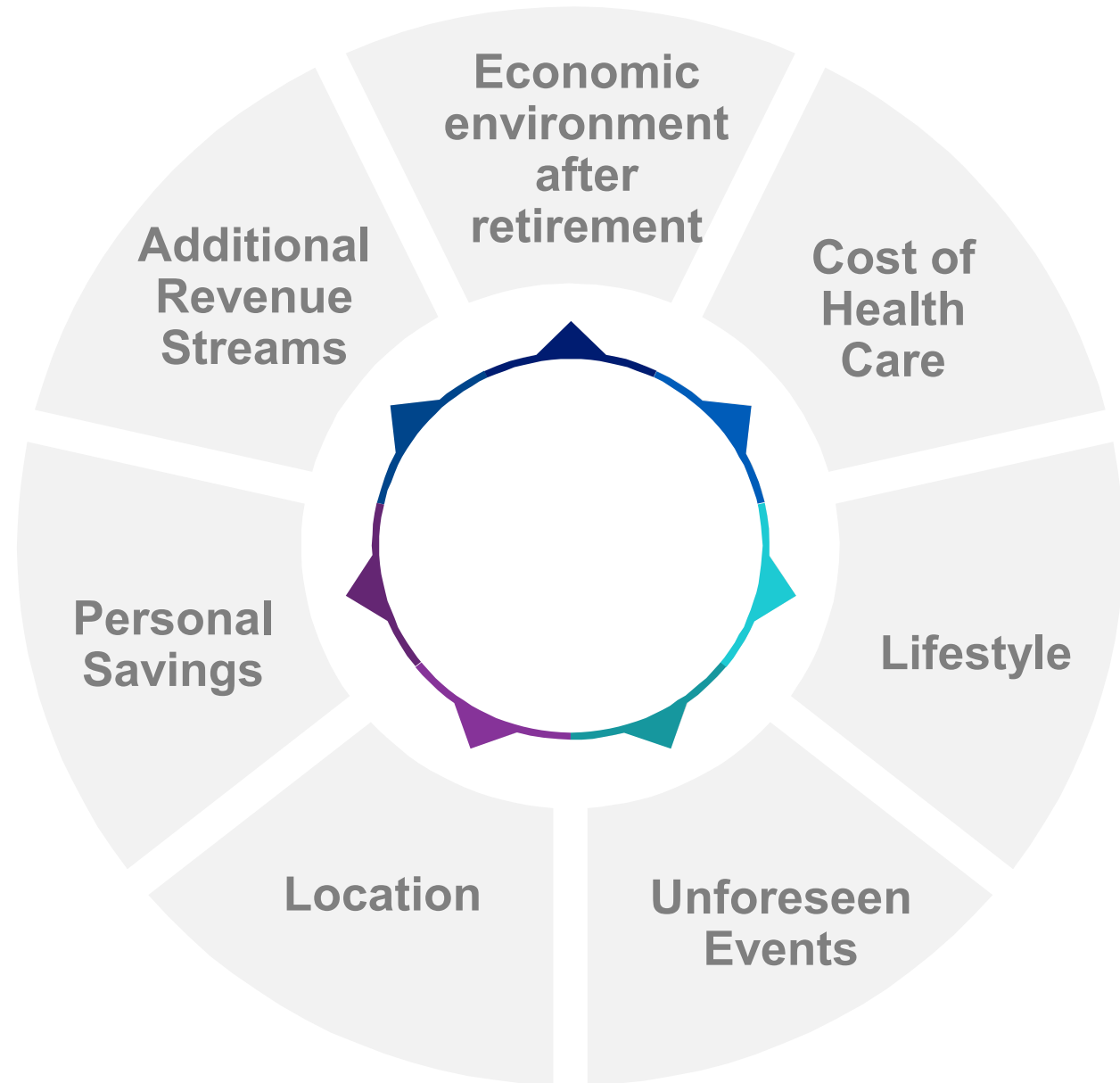
Notes: The sustainable replacement rate is the highest level of consumption as a share of pre-retirement income that can be sustained in 90% of market return/mortality scenarios. "Spending needs" measures the empirical consumption from the point of retirement as a percentage of pre-retirement income, using HRS and CAMS data. Percentages may not total 100% because of rounding.

Sources: Vanguard calculations, based on data from the Federal Reserve Board's SCF (2019), the HRS (2014), and the Social Security Administration (2019).

Higher income families generally have a sustainable replacement rate while lower income families tend to fall short

Factors That Impact the Right Ratio

Not a one size fits all approach, in many cases retirement readiness will depend on individual circumstances



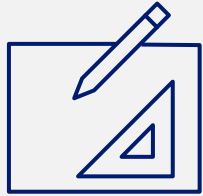


Are you evaluating your retirement program to determine how effective it is in assuring plans participant's achieve financial security or wellbeing in retirement?



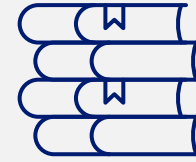
How Can Plans Help?

1



Plan Design DB Plans

2



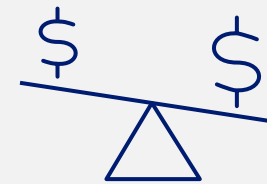
**Education –
Pre-Retirement**

3



Plan Design DC Plans

4



**Education – Form of
Payment Decisions**

How Can Plans Help?

Plan Design Defined Benefit Examples



Early Retirement Subsidy

Unreduced Benefit results in Higher Income Replacement

Encourages optimal retirement age; can be Industry specific

Can be expensive; must weigh cost versus benefit



Bridge to Social Security

Supplemental Benefit through Social Security age

Level Income Option integrates pension with Social Security for no additional cost



Post-Retirement Inflation Protection

Without protection against inflation, value of flat benefit erodes

Automatic COLA like Social Security can be expensive

Ad-Hoc COLA based on plan specific circumstance

How Can Plans Help?

Plan Design Defined Contribution Examples



Review pre-retirement withdrawal behavior

- Loans
- Hardship withdrawals
- Separation of service rules



Review rollover distribution behavior



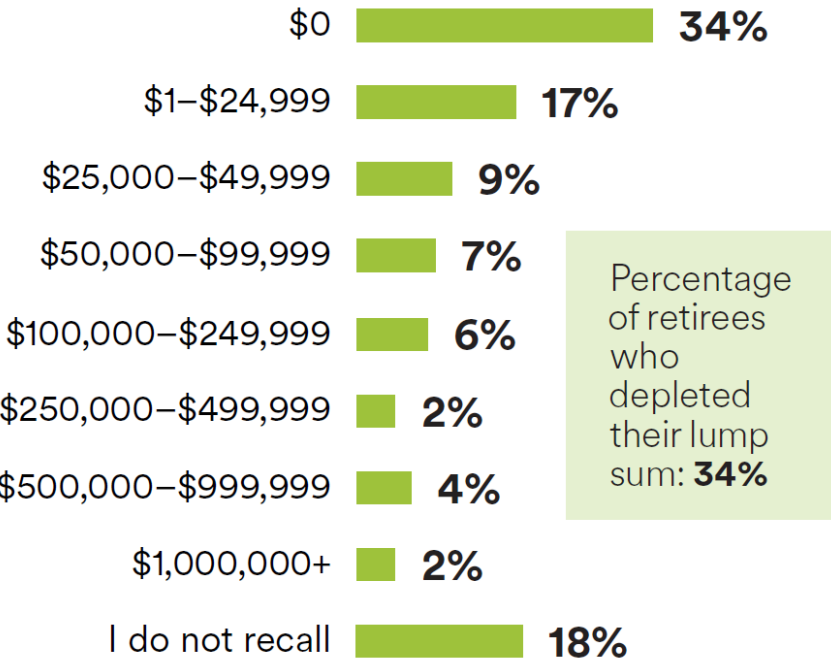
Education on when and how to withdraw

How Can Plans Help?

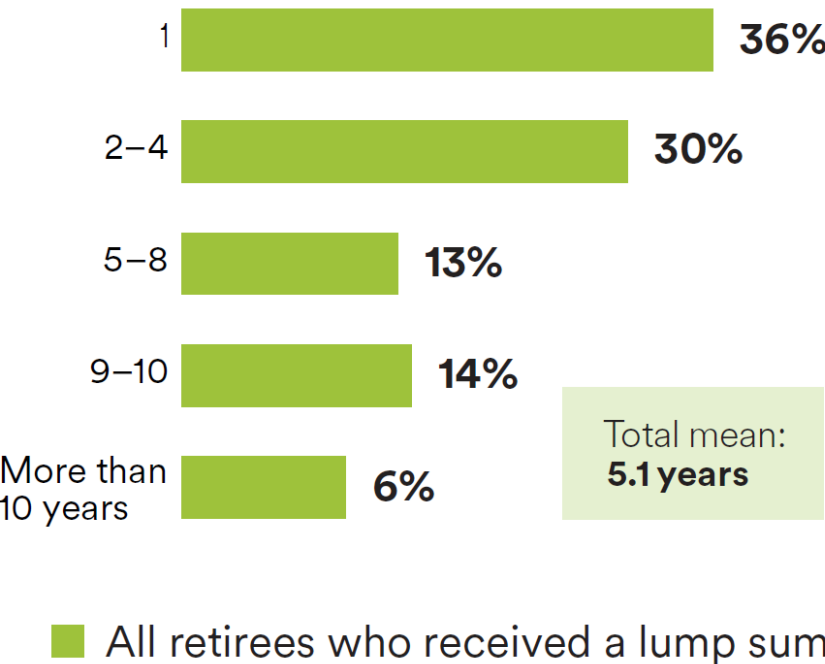
Amount of lump sum remaining and lump sum-depletion duration

Among retirees

Money left after withdrawal



Years after retirement when DC plan money ran out



The mean exhaustion time in years for DC plan money to run out is 5.1 years. For those with a companion DB plan it is slightly higher at about 6 years.

Source: "2022 Paycheck or Pot of Gold Study: The Great Retirement Decision", Metlife 2023

How Can Plans Help?

Participant Education Example

Benefit Statements

Snapshot of projected retirement income from various all sources: Defined Benefit, Defined Contribution, Social Security

Gets the conversation started: Educates on financial planning, participants can track progress year over year

Can help participants increase savings or share with financial planners to assist with retirement readiness



Increasing Participation for Voluntary Deferrals



**Build
Awareness**



**Communicate
Value**



**Drive
Engagement**

Best Practices for Deeper Understanding of a Retirement Program



Frequent and ongoing promotion needed

Participants will need to be reminded regularly



Support and endorsement from stakeholders will be key

The Trustees and the Union have power to reaffirm value to participants



Coordinated rollout will help drive adoption

Holistic approach to messaging and implementation will help create a consistent and positive user experience



Branding/co-branding a must-have

Your brand will instill trust



Peer testimonials will help increase engagement

Communication Will Drive Action

- Just-in-time approach works best
- Communicate frequently
- Use encouraging, direct language



Review your data and participant behavior



Inspire people through branded campaigns



Take a marketing approach to addressing needs

- Include simple, clear calls to action
- Target and segment
- Repeat, repeat, repeat

People Need to Visualize It

Make consequences of choices come alive

- Enhanced active choice
- Cautionary framing
- Loss aversion (FOMO)

Personalized statements

Personas

Social proof

“People like me”



Consequences “need to be felt in vivid, concrete way”

Professor Sheena Iyengar
Columbia School of Management

Thank You

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Scan for more Segal insights
on key issues facing
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and health plans.