

Retirement Insights Across Public Sector Segments: Strategies for Success



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1

Speakers



Ted Grigsby
Hyas Group



Victoria Fung
T. Rowe Price



Dan Morrison
Empower




Chris Nikolich
AllianceBernstein




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2




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What is the biggest challenge you face with data and insights?

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3

Financial strains carrying over from prior year


Financial stressors abound

-  Inflation and rising interest rates
- ▼
-  Higher costs and spending
- ▼
-  Ability to save enough

Factors contributing to financial stress of government employees

Inflation and rising cost of goods	85%	
The rising costs of goods and services	82%	
Politics and political issues	73%	
Rising interest rates	68%	
Not saving enough for retirement / not being able to retire	62%	
Dipping into savings for expense / lack of savings	62%	
Growing debt	55%	
Buying a car / affording car payments	52%	
Higher home prices and elevated mortgage rates	51%	
Spiking rent prices	42%	
Student loan payments / payments resuming	37%	
Job layoffs	32%	

Source: Empower, Financial Happiness 2023



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A desire for advice from employers and organizations



70% plus of public sector and not-for-profit employees believe their employer has a responsibility to provide options to help them reach their financial goals

- Empower, Financial Happiness, 2023.




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KEY FINDINGS

Advice can help improve retirement readiness

Workplace savers who have had an advice interaction versus those who have not:



- 50%** more likely to have online accounts set up
- 47%** higher savings rate
- 2.5x** greater average account balance
- 50%** Less likely to have extreme equity allocations (defined as 0% equity or 100% equity)





Source: Empower, "How advice is boosting outcomes in tax-exempt retirement plans"

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6

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Do you agree that pension benefits alone are enough for a secure retirement for your participants?

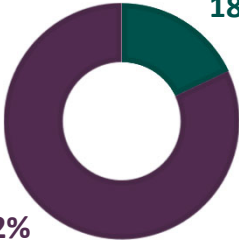
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7

The Governmental DC Landscape


DC PLAN DESIGNATION

■ Primary ■ Supplemental



Designation	Percentage
Primary	82%
Supplemental	18%

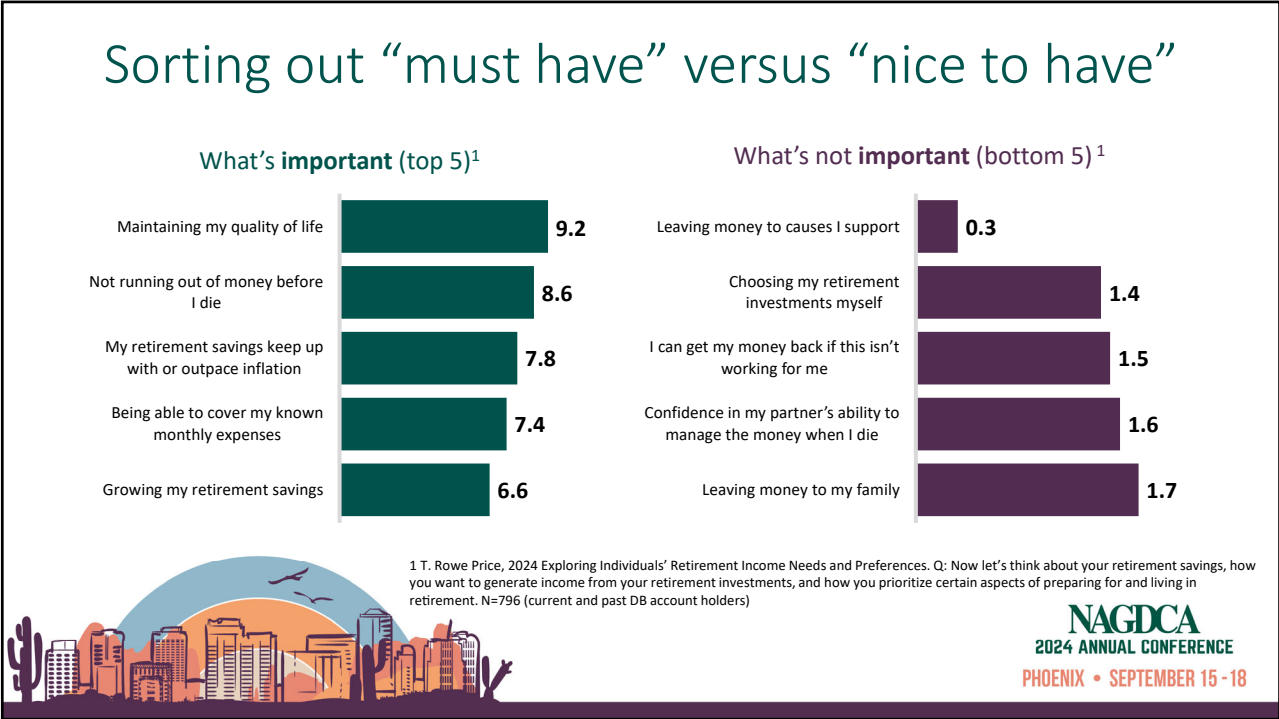
- **82%** of plan participants are eligible to participate in a defined benefit plan
- **5%** of plans report using automatic enrollment
- Account balances **\$24,247** median of reported medians



2022 NAGDCA/EBRI Public Retirement Research Lab (PRRL) Annual Report

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8



9

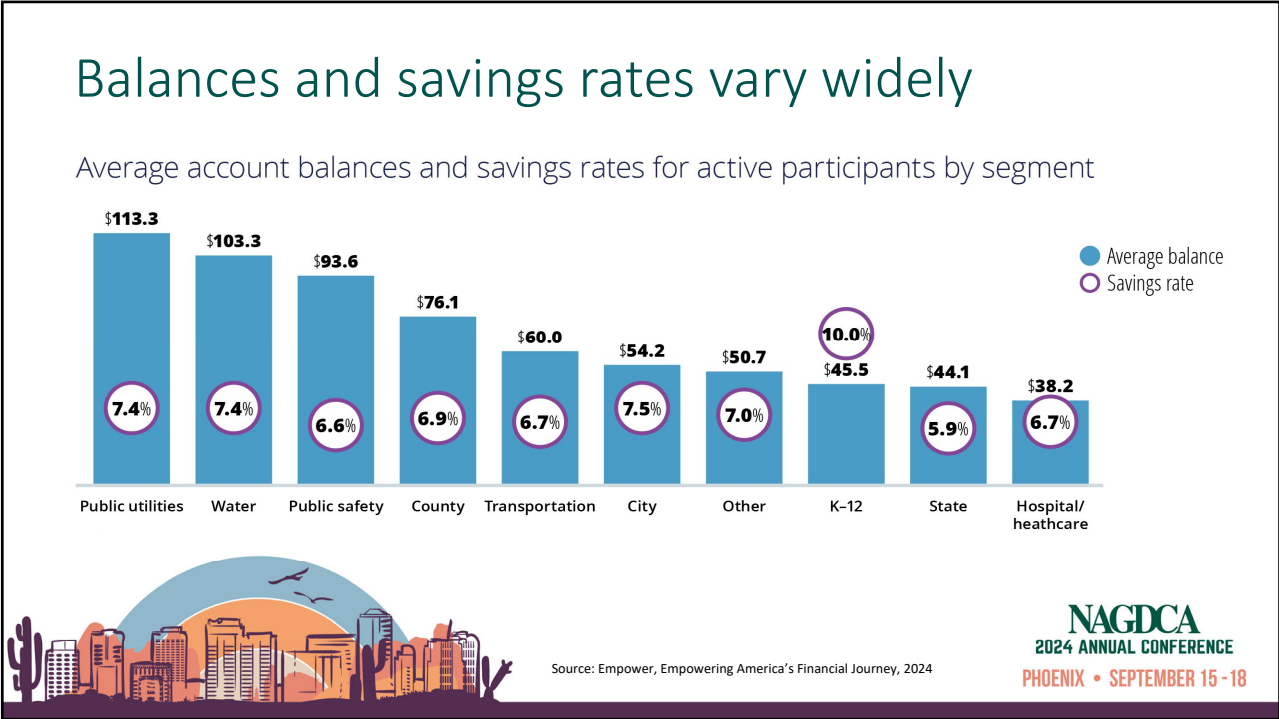
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If you are here as a plan sponsor, describe your organization.

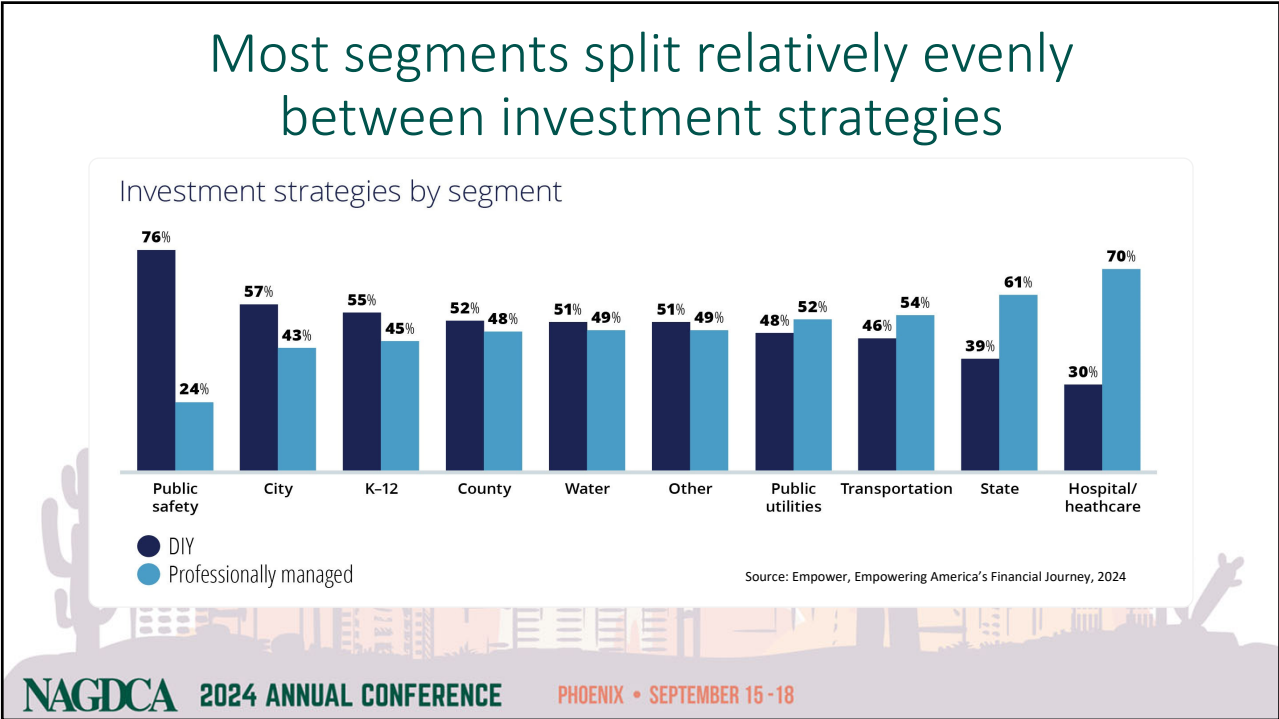
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10



11



12


Employees' Challenge: Retirement Readiness and Spending

Nearly half of respondents thought that they could sustainably withdraw **7% or more**

Spending Rates

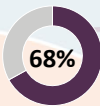
Almost one-third of respondents thought that they could sustainably withdraw **10% or more**

Growth and Liquidity: Which Would Participants Rather Have?



32%

\$50k in guaranteed annual income, but your money would not grow with the stock market and you would not have access to the principal of your account



68%

\$40k in guaranteed annual income and your money could grow with the stock market and you would be able to access the money in your account

Participants' Main Concerns with Respect to Living in Retirement


"I will not be able to maintain my current lifestyle."

"Social Security will not be as helpful as it was in the past."

"Inflation will make things harder to afford."

"I don't want to be dependent on anyone."

Source: AB, Inside the Minds of Plan Participants, fielded April 2023
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Evaluating Income Solutions for Individuals


Key issues impacting individual participants must be addressed

Consideration	Typical factors
Evaluation Perspective	Average participant
Participant Risks	Longevity risk Market risk
Metric(s) for Evaluation	Income
Cost of Insurance	Explicit Fees

Source: AB, Leveling the Retirement Income Playing Field: A Comprehensive Framework for Evaluating Diverse Lifetime Income Solutions, 2023



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Evaluating Income Solutions for Individuals

Key issues impacting individual participants must be addressed

Consideration	Comprehensive framework
Evaluation Perspective	Individual participant
Participant Risks	Longevity risk Market risk Mortality risk Growth risk (growth opportunity cost) Inflation risk
Metric(s) for Evaluation	Income Balances and liquidity
Cost of Insurance	Explicit fees Implicit costs

Factors in bold are crucial yet often omitted factors in DC income solution evaluation.



Source: AB, Leveling the Retirement Income Playing Field: A Comprehensive Framework for Evaluating Diverse Lifetime Income Solutions, 2023
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Key Features of Retirement Income Instruments

	Non-Guaranteed Drawdown Options*	Immediate Fixed Annuities	Deferred Fixed Annuities	Guaranteed Lifetime Withdrawal Benefit (GLWB)
Guaranteed Income		✓	✓	✓
Revocable Investment	✓			✓
Liquidity in Retirement	✓			✓
Growth Potential	✓			✓
Assets Passed to Beneficiaries	✓	Added Cost	Added Cost	✓
Insurance Fee	N/A	Implicit	Implicit	Explicit
Investment Exposure	Stock/Bond	Bonds	Bonds	Stock/Bond

*Refers to managed payout funds, managed accounts, self-directed drawdown of target date funds and systematic withdrawal programs. While each of these functions differently and provides varying levels of success and personalization, the features are essentially the same. Guarantees are based on the financial strength and claims-paying ability of each insurance company.

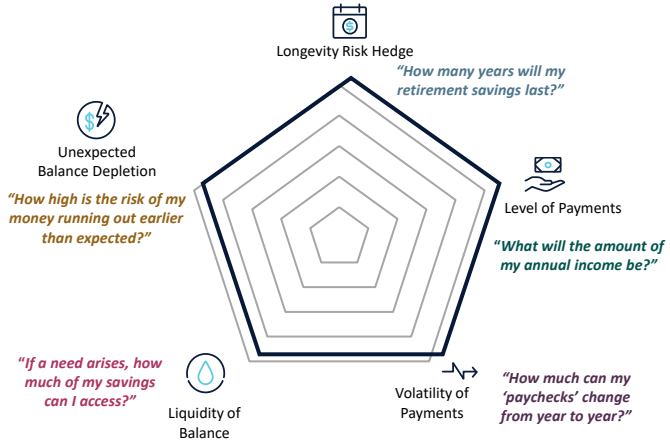


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Patent-Pending

Decumulation is 5-Dimensional

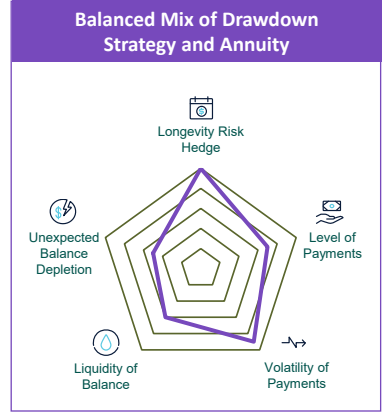
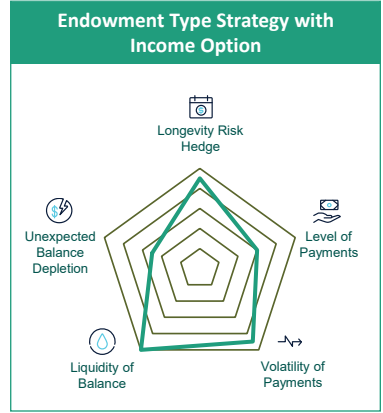
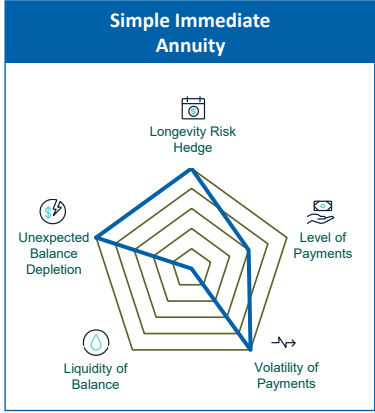


- For decumulation, **five factors** must be considered.
- To gain any additional performance on one factor, one must sacrifice benefits elsewhere.
- Example: Higher **level of payments** may require more risk, increasing the likelihood of **unexpected balance depletion**.
- Example: To hedge against **longevity risk**, one may need to sacrifice **liquidity**.

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Retirement income solutions through a 5-D lens

Hypothetical solutions with attribute scores



A 5-D approach offers a common framework to compare retirement income solutions.
Source: T. Rowe Price. For illustrative purposes only. Not representative of an actual investment. This analysis contains information derived from a Monte Carlo simulation. This is not intended to be investment advice or a recommendation to take any particular investment action. See Appendix and Additional Disclosure for important information.

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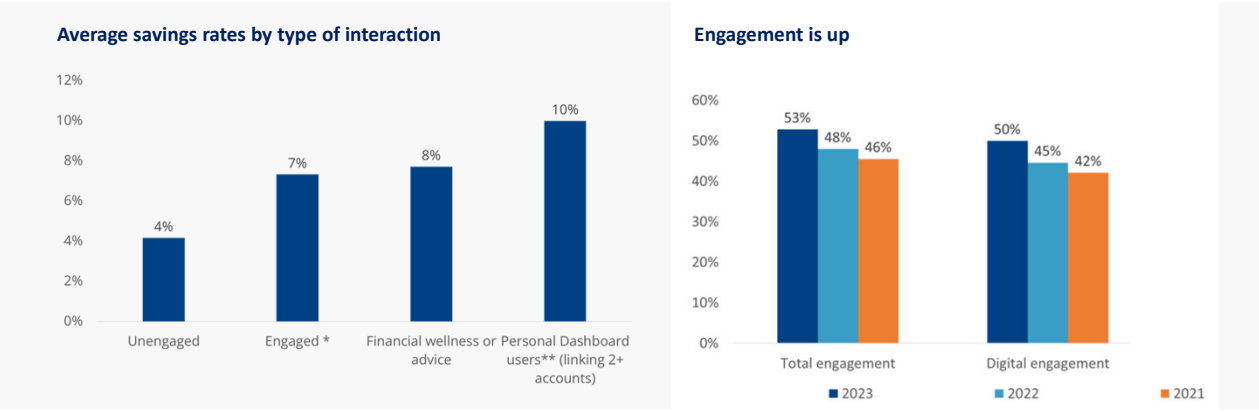
Retirement income preferences revealed



1 T. Rowe Price, 2024 Exploring Individuals' Retirement Income Needs and Preferences. Data do not add to 100% because of rounding. See Appendix and Additional Disclosure for more information. DB/Pension (N=760)

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Outcomes and engagement



* We define and measure engagement as at least one interaction with Empower's workplace savings site, mobile apps, Customer Care Center, or advisory services.
** Personal dashboard users also includes participants using financial wellness or advice.

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