



## Retirement Readiness

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# Virtuous Cycle: Creating a Savings Culture



**4. Measuring up to Retirement Security**

**3. Behavioral Economics**

**2. Big Data**

**1. Financial Capability**



# Where is the Opportunity to Create a Savings Culture?

	All State and Local Employees		K-12 Teachers		Police/Firefighters	
<b>Overall, how confident are you that you will have enough money to live comfortably throughout your retirement years?</b>						
	<b>2014</b>	<b>2012</b>	<b>2014</b>	<b>2012</b>	<b>2014</b>	<b>2012</b>
Very confident	18%	21%	15%	22%	28%	29%
Somewhat confident	56	52	58	51	59	54
Not too confident	22	17	22	20	11	11
Not at all confident	4	10	5	7	2	5

Source: Retirement Confidence Survey of the State and Local Government Workforce (2014). TIAA-CREF Institute and the Center for State and Local Government Excellence; Retirement Confidence Survey of the State and Local Government Workforce (2012). TIAA-CREF Institute and the Center for State and Local Government Excellence:



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## Why Financial Awareness?





# Financial Capability

- Key Decisions
- Building the Base
- Key Lessons
- Correlation Data





# Financial Capability: Key Decisions

- Credit
- Debt
- Savings



40% of US adults give their personal  
finance knowledge a grade C or worse



# Financial Capability: Building the Base

## The experts say...

- Teacher Training
- Create partnerships and engage the community
- Start early-integrate into all aspects and levels of education
- Teaching moments
- “Quick Bits”





# Financial Capabilities: Key Lessons

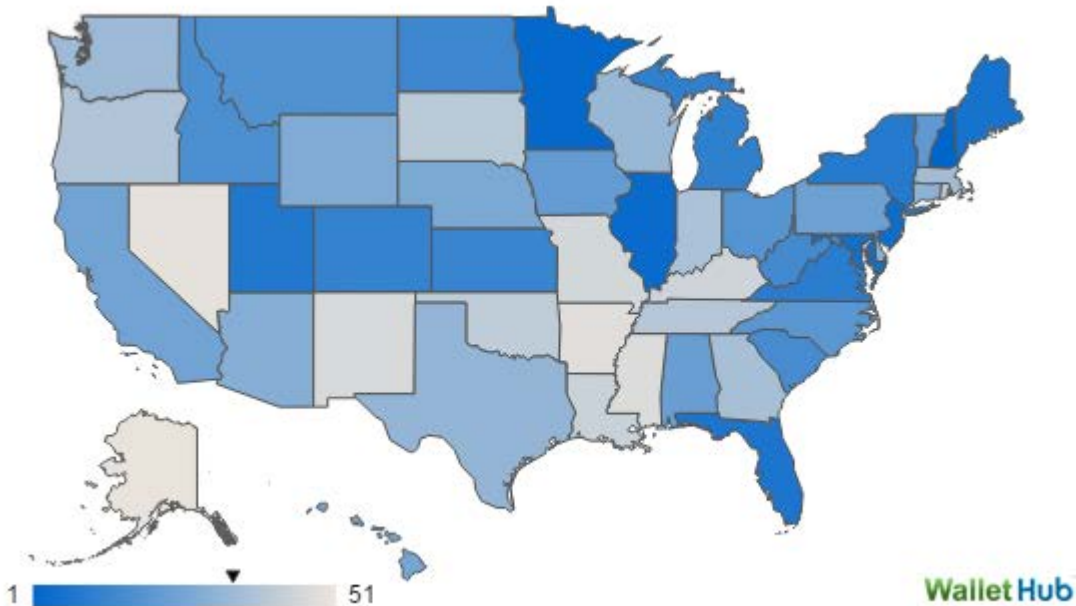
- Power of compounding
- Start now
- Long term vs. immediate need

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# Financial Capabilities: Correlation Data

Where does your state rate?

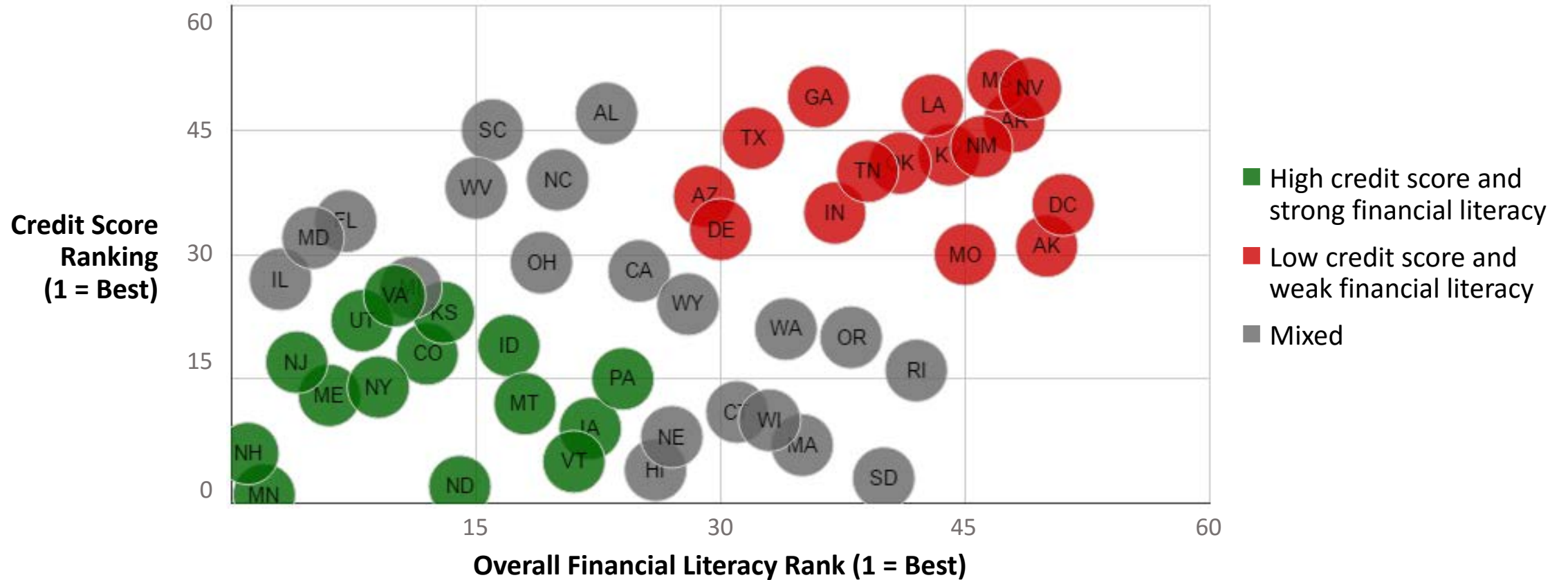


Overall Rank	State	Total Score	'Wallet Literacy' Rank	'Planning & Daily Habits' Rank	'Knowledge & Education' Rank
1	New Hampshire	69.93	16	1	6
2	Minnesota	68.12	12	16	5
3	Illinois	67.24	6	12	13
4	New Jersey	67.11	22	5	8
5	Maryland	66.95	35	4	4
6	Maine	66.79	17	7	11
7	Florida	66.69	2	14	27
8	Utah	66.46	46	6	1
9	New York	66.11	10	13	20
10	Virginia	65.86	44	25	2



# Financial Capabilities: Correlation Data

## Education vs. Credit Rate Standing





4. Measuring up to  
Retirement Security

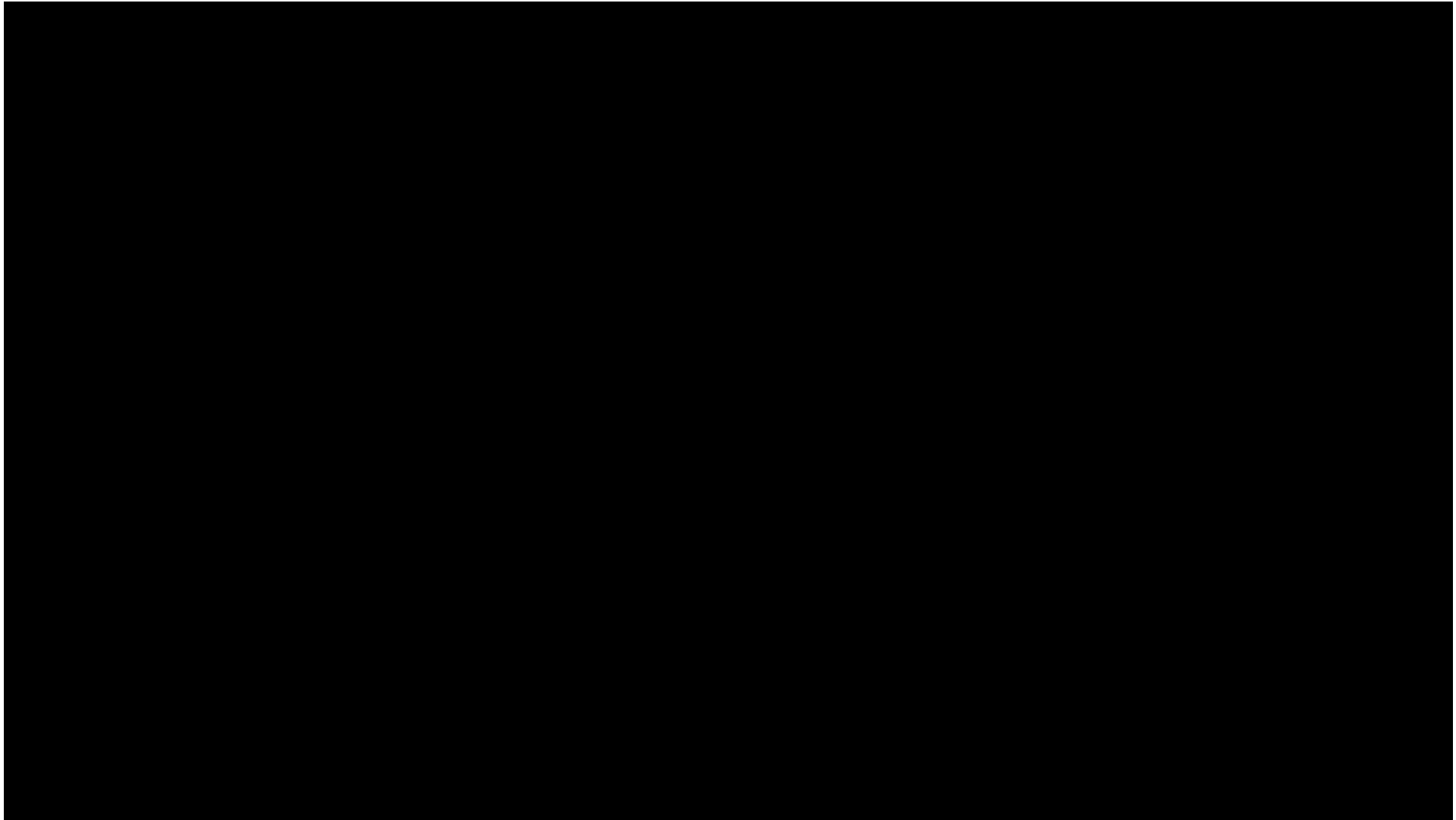
3. Behavioral Economics

**2. Navigating Big Data Material**

1. Financial Capability



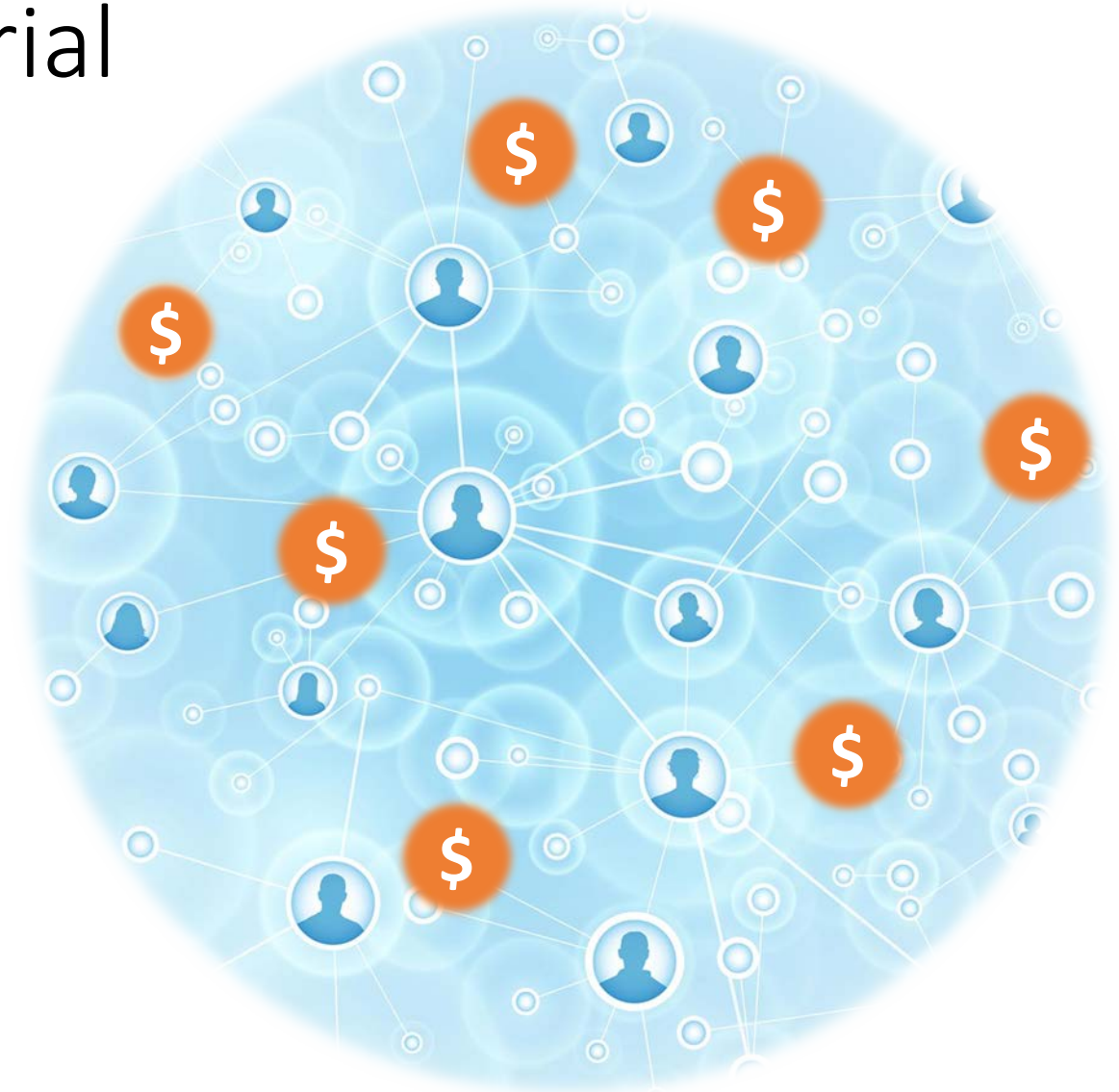
# Reid Hoffman—What's Next





# Navigating Big Data Material

- Software Transforms the World
- Human Data
- Connection among software, data and technology
- How does this apply to saving success?





# How Big Data Helps Create a Savings Culture?

- **Outreach**

- Ability to personalize
- Provide peer recognition

- **Combine Data**

- With pension plan
- Personalized Quiz
- Create goals
- High knowledge—High touch





4. Measuring up to  
Retirement Security

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2. Navigating Big Data Material

1. Financial Capability





# Behavior Economics

- Encouraging People to Save
- How to Influence Behavior
- Enhance Active Choice





# Encouraging People to Save

How do we help a 30 year old view what their life will be like at age 70?



Participants who saw their **CURRENT** selves contributed 4.4% toward retirement



Participants who saw their **FUTURE** selves contributed 6.2% toward retirement



# Employees Are Savvy Consumers; Not Savers

1. Construct a bridge between life today and in retirement
2. Focus as much on consumption as asset accumulation—draw a picture

Save **9%** of pay



Eat steak and lobster; live the good life!

Save **6%** of pay



Eat hamburger.

Save **2%** of pay



Eat processed bologna for the rest of your life.



Travel to exotic locations; live the good life!



Travel to a nearby resort.



Vacation at your local community center.



# How to Influence Behavior

## Establish Personal Relevance

Establish personal relevance through peer comparisons and communications

Engage formal and informal leaders who are admired and liked

## Trigger Emotional Reactions

Trigger emotional responses tied to:

- ✓ Shared values
- ✓ Community
- ✓ Comparisons

## Define Clear Choices and Convey Value

Define clear choices about trade-offs between financial options and quality of life

Convey value in making smart choices:

- ✓ live well
- ✓ care for others
- ✓ Independence
- ✓ Involvement

## Ask a Small Related Request

Ask employees to complete a small task related to a larger goal:

- ✓ save more tomorrow
- ✓ visit the website
- ✓ pay back the loan quickly

Look to the *NRSW* campaigns 12 quick bits

## Channel to the Best Resource

Channel employees to the best resource available:

- ✓ retirement calculators
- ✓ pre-retirement counselors
- ✓ financial advisors

Provide immediate access to take action—links, texts, apps

Treat Them Like Consumers NOT Investors



# Enhanced Active Choice

- Goes beyond auto-enrollment with opt-out policies
- Encourages ongoing engagement
- Favors one alternative by highlighting losses incumbent in the non-preferred alternative
- Flu shot test – 3 results
- Active choice succeeds because it prompts regret aversion – or I don't want the bad stuff to happen reaction



## 4. Measuring up to Retirement Security

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# Measuring Up to Retirement Security

## Set Metrics

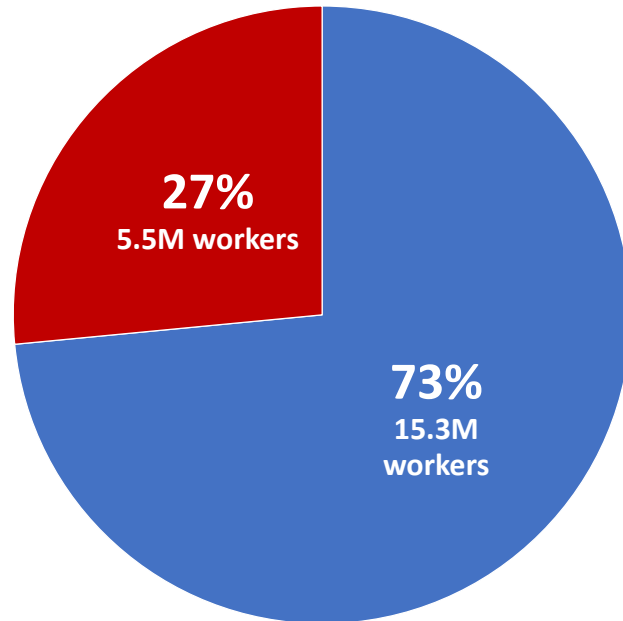
- for Participants
- for the Plan





# Public Sector Workers Plan Participation

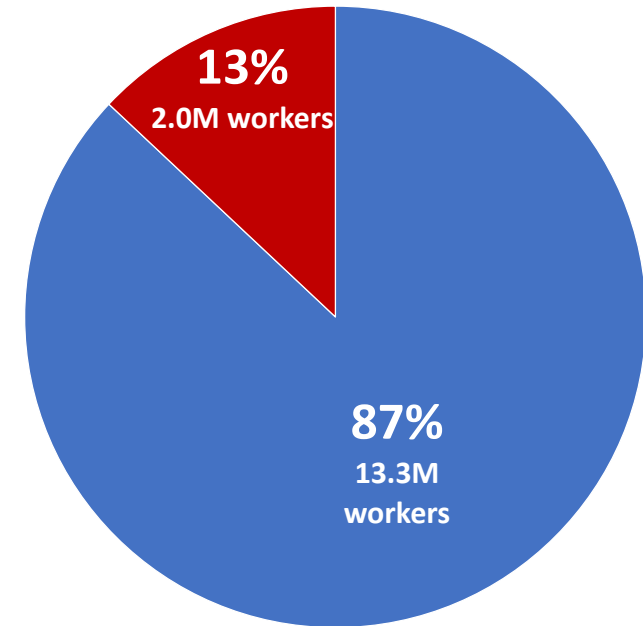
Does your employer offer a pension or retirement plan?



■ Yes  
■ No

Nearly 5.5M public sector workers do not have access to an employer-sponsored retirement plan.

Do you participate in the retirement plan?

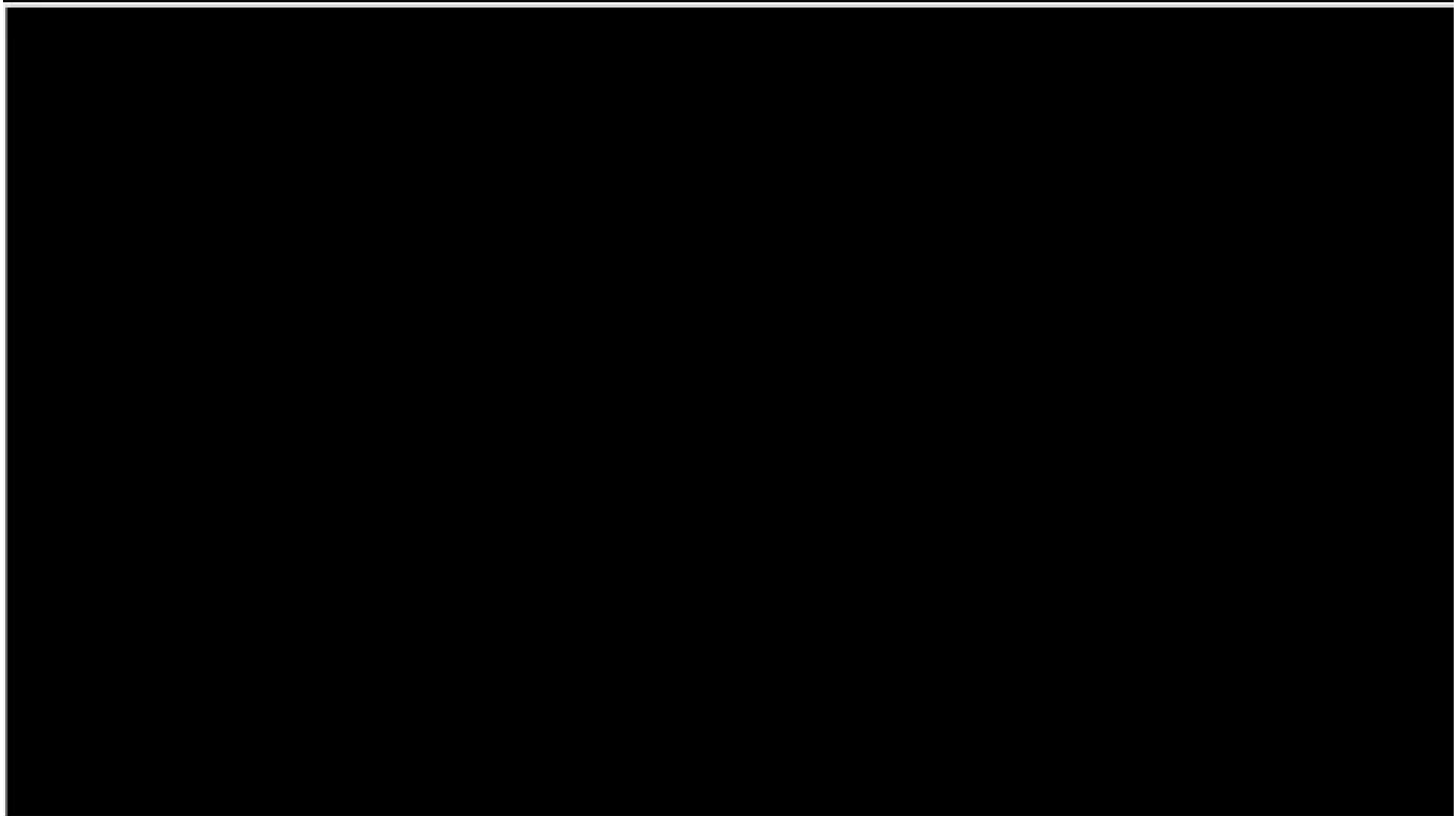


An additional 2.0M public sector workers do not participate in their employer's retirement plan.





# Measuring Up to Retirement Security: Participant





# Measuring Up to Retirement Security: Participant

- Make it Easy—Make it Fun
- Understand Interaction with Defined Benefit Plan and Social Security
- Educate on Social Security Options
- Utilization of all assets in retirement
- Remember participants are consumers so focus on what retirement security looks like...



# What Retirement Security Looks Like...

## What is the Number—Reaching Replacement

- **A 25 year employee with a:**

- Defined benefit plan with a 1.5% formula
- Social Security
- Leaving individual Savings to



replaces **38%**  
replaces **30%**  
replaces **22%**

- **What is the percentage of salary in personal savings to attain 90% replacement?**

- 25 year old needs to save 3% of salary...
- 40 year old needs to save 12% of salary...





# Measuring Up to Retirement Security: Plan

## Known Measures

- **Level of Participation**
  - Auto enrollment
- **Level of average contribution rate**
  - Auto escalation
  - Match—Highest rated reason by employees for participation
  - Second highest is the desire to save for retirement
- **Level and growth in assets**
  - Account Size
  - Correlation with fees and cost
- **Level of participants confidence**
  - Highest rated barrier to participation is lack of employee understanding
  - Affiliation to sponsoring government
  - Recruitment and retention
  - Overall benefit to sponsoring governments



# Moving the Needle: Drilling Down on the Data

- **Goal:** Increase Participation by 10%
- **Tools:** Big Data let's look at the entire workforce by groups.
- **Findings:** Where is the greatest opportunity
- **Create:** A plan of outreach that is targeted to each group—what speaks to different groups—utilized financial capability tools
  - Security to many
  - Family commitments to others
  - Life goals and flexibility for some





# Getting Results through Targeting



- Age
- Gender
- Income level
- Ethnicity



# Creating the Plan to Meet the Metrics: Defined Contribution Retirement Plan Scorecard

	Level of Importance 1 = Low; 5 = High	Current Grade 1 = Low; 5 = High	Gap Analysis (Perspectives Peer Data)	Measure Change
			50%	
<b>Categories and Metrics</b>				<b>Details and Significance</b>
<b>Plan Participation</b>				
Plan Participation (Segmented)				
Online				
Paper				
<b>Investments</b>				
Number of Investments Offered				
Percent of Participants in Stable Value				50%
Percent of Participants in Target Benefit				
<b>Communication and Education</b>				
Enrollment Materials				
Onsite New-Hire Orientation				
Employer-Conducted Meetings		Onsite by TPA		58%
Electronic Statements		Thru TPA		88%
TPA Call Center		Yes		66%
Webinars		None		76%
Email Communications		Thru TPA		20%
Printed Communications		Thru Employer		15%
Web Access		Yes		99%
Interactive retirement calculator		Thru TPA		60%
Loans				Yes



## Creating the Plan to Meet the Metrics: Defined Contribution Retirement Plan Scorecard

Categories and Metrics	Details and Significance	Level of Importance 1 = Low; 5 = High	Current Grade 1 = Low; 5 = High	Gap Analysis (Perspectives Peer Data)	Measure Change
<b>Plan Participation</b>					
Voluntary Employee Participation	50%			54%	
Auto Enrollment	None			22%	
Participation by demographics	TBD			TBD	
Loans	Yes			56%	
<b>Plan Participation (Segmented) Enrollment</b>					
Online	60%			75%	
Paper	40%			25%	
<b>Investments</b>					
Number of Investments Offered	10			22	
Percent of Participants in Stable Fund	60%			41%	
Percent of Participants in Target Date	50%			38%	
<b>Communication and Education</b>					
Enrollment Materials	Online			45%	
Onsite New-Hire Orientation	In-house TPA			20%	
Employer-Conducted Meetings	Onsite by TPA			38%	
Electronic Statements	Thru TPA			88%	
TPA Call Center	Yes			66%	
Webinars	None			76%	
Email Communications	Thru TPA			20%	
Printed Communications	Thru Employer			15%	
Web Access	Yes			99%	
Interactive retirement calculator	Thru TPA			60%	





# Creating the Plan to Meet the Metrics

Changes to meet the goal:

- Implement Auto Enrollment
- Reduce number of investment options
- Create a smart phone app
- New hire outreach by peers
- Set an overall retirement security goal, metrics for each aspect of the program, actions to reach those metrics, measure results to attain the plan's targets



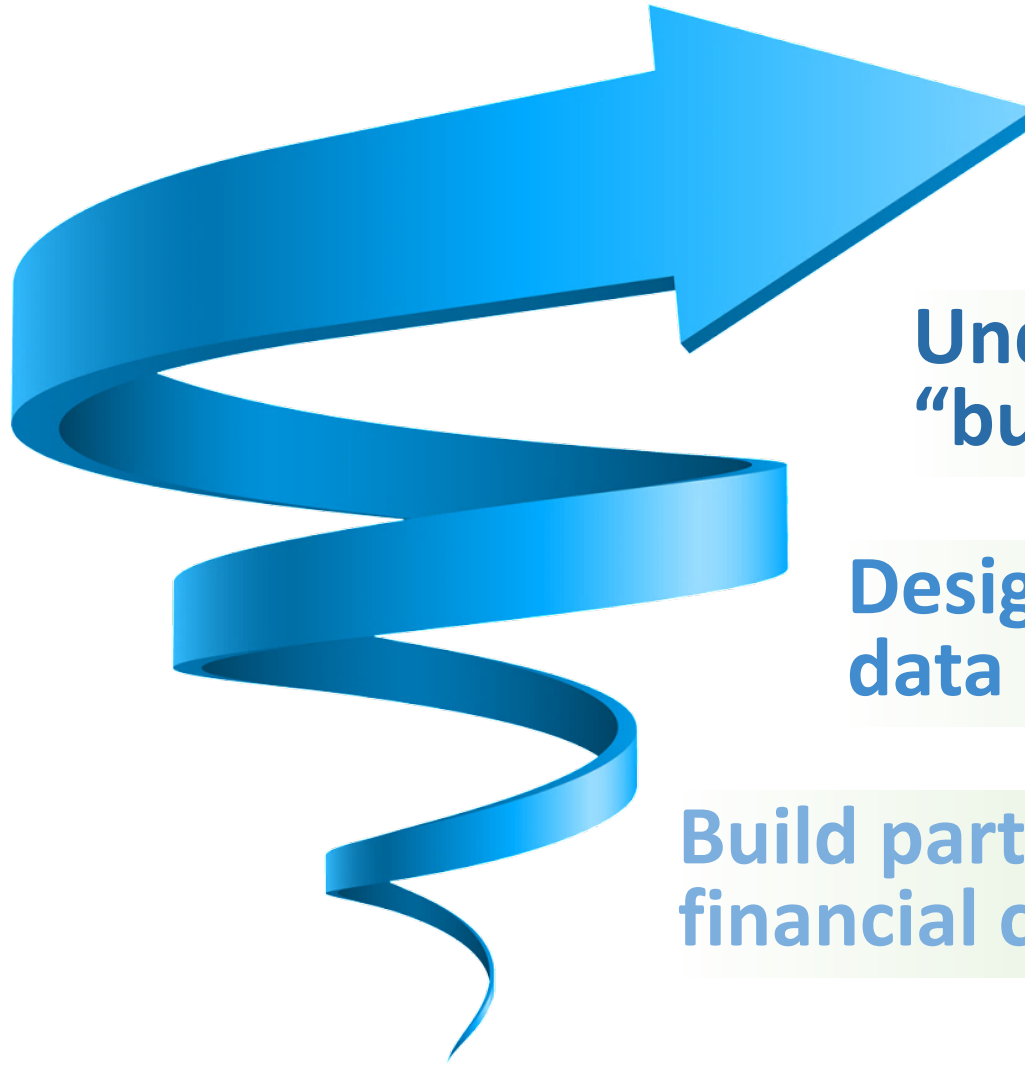
# Getting to the top of the Cycle

1. Make Financial Capability the foundation
2. Communicate in “Quick Bits”
3. Make it easy—link up with the *NRSW Campaign*
4. Set Metrics for Plan & Participants
5. Use your Big Data and Peer Data—*NAGDCA’s Perspective in Practice*
6. Measure
7. Reset Metrics

**You Have Created a Savings Culture and  
Measured Up to Retirement Security**



Tying it together...



**Drive savings culture by measurable metrics**

**Understand how and why employers “buy” retirement security**

**Design targeted outreach using big data**

**Build participant confidence through financial capability**



Thank you!

