

DB Plans: The Real Deal

What Vision of Retirement Income Security will Guide Policy?

NASI 21st Annual Conference
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Beth Almeida, Executive Director



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What vision of a retirement income system should guide policy?

- Fiscal responsibility, economic efficiency
- Adequate, secure benefits
- Shared responsibility among employees, employers and the government





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A Better Bang for the Buck

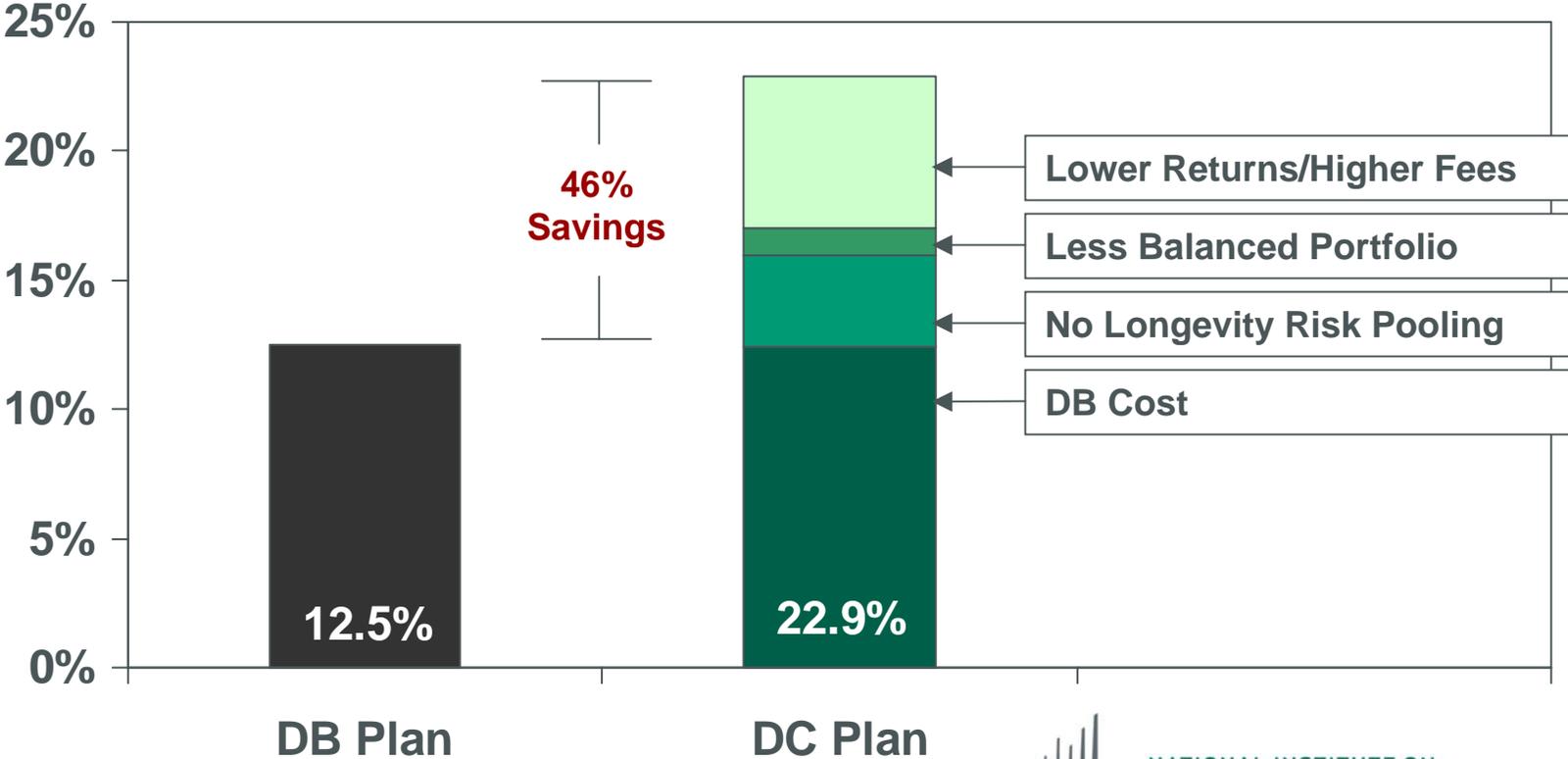
The Economic Efficiencies of Defined Benefit Pension Plans

by Beth Almeida and William B. Fornia, FSA

August 2008

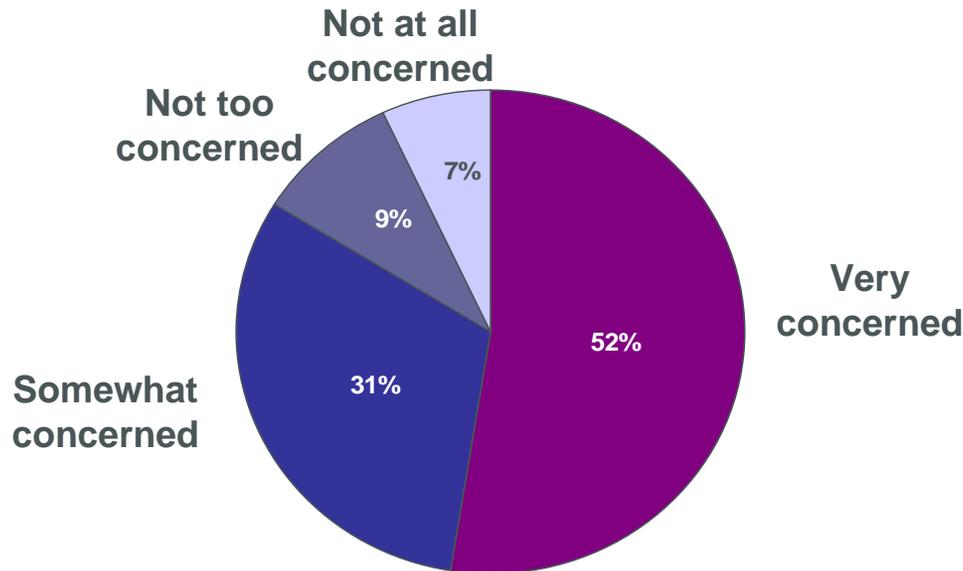
DB Plan Can Deliver Same Benefit at About Half the Cost of DC Plan

Cost of DB and DC Plan as % of Payroll



More than eight out of ten Americans are concerned that current economic conditions will affect their ability to retire.

How concerned are you about current economic conditions affecting your ability to achieve a secure retirement?



“If I had not lost a lot of money the last few weeks, I would have had a secure retirement. I just hope that it comes back.”

“A financially-secure retirement would mean that the money that I put away will actually be there for me when I do retire. The way the stock market is going, it's not there now.”

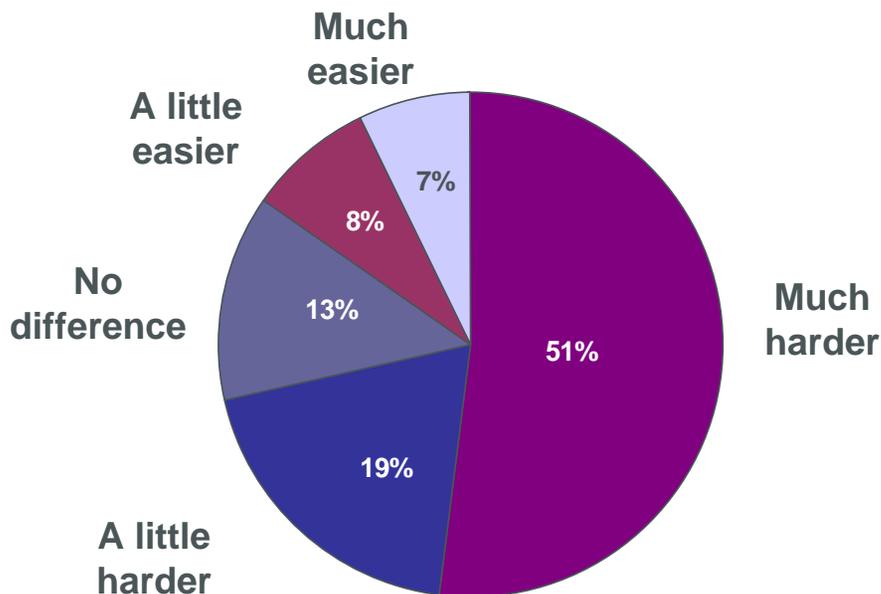
“The market returning to over 10,000 would make my retirement much more secure.”



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70% of Americans believe it is harder today to prepare for retirement than it was for previous generations – only 13% believe it is easier.

Do you feel that – compared to previous generations – it is easier or harder for people to prepare for retirement today, or is there no difference?



"It's kind of hard [to prepare for retirement] right now and I really don't want to think about it."

"If I weren't retired I would be very concerned about it. It would be hard to pay bills."

"I do not have a secure [retirement] plan or any idea how I'd get one."

"I don't believe there is such a thing [as a secure retirement] to me."

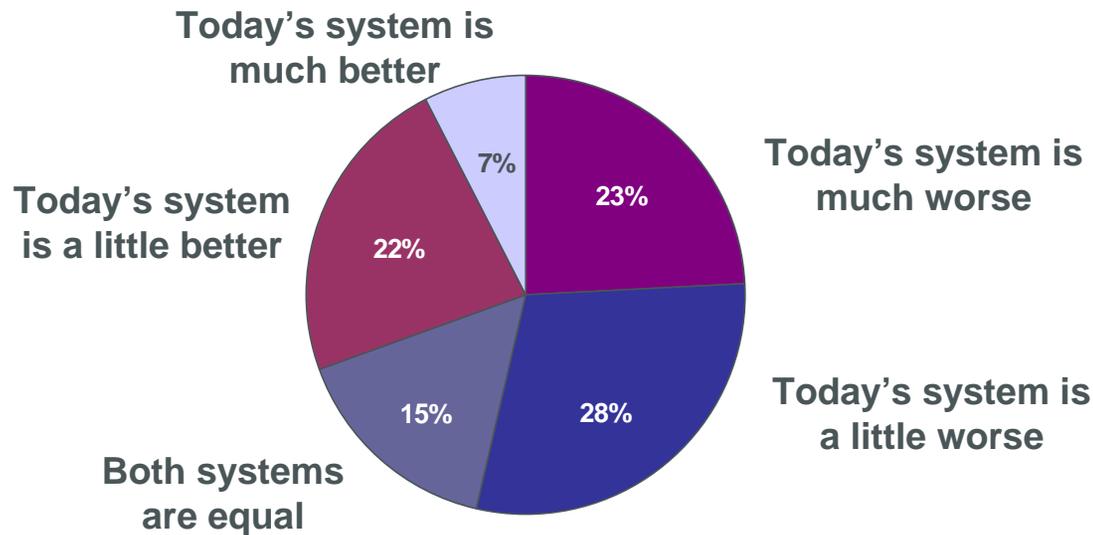


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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

Half of Americans believe the current retirement system is worse than the system of earlier generations with pensions.

Which of the following statements do you think is most true regarding today's retirement system using 401(k) accounts versus the system of earlier generations, which used more employer-provided pensions?



"A secure retirement would mean having a pension."

"A secure retirement certainly would mean having an adequate pension to carry me through."

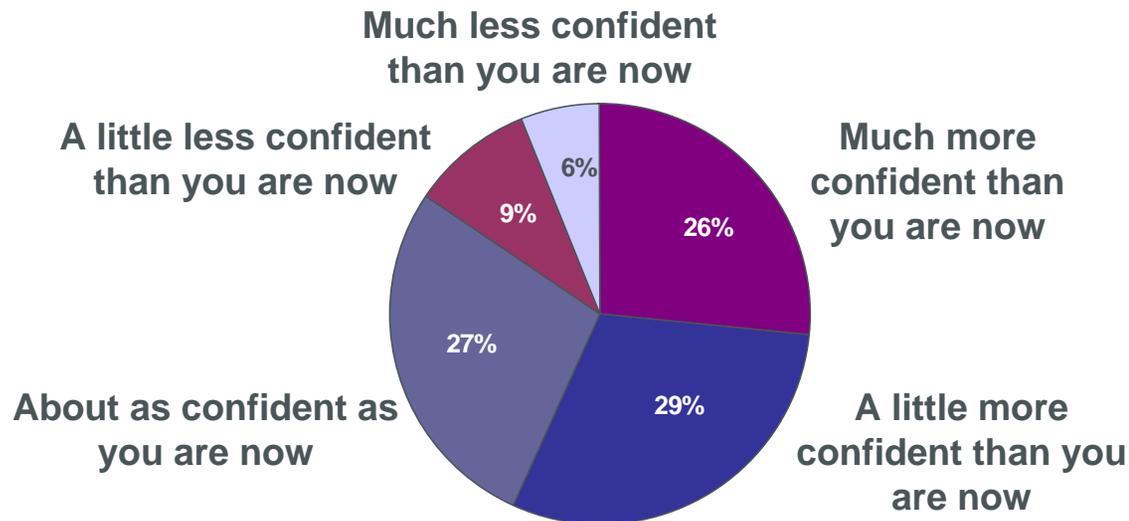
"It is the mental stability and freedom from stress – knowing exactly what you're going to get each month so you can budget accordingly."



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55% of Americans without a pension would be more optimistic about their retirement prospects if they had a pension.

*Would having a traditional pension plan at work make you feel any more or less confident about your chances of having a comfortable retirement?
(Among those who have not participated in a pension plan.)*



“A secure retirement for me would include benefits that are not affected by the stock market.”

“[A secure retirement would include] a pension, which allows you to live life as best as possible.”



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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

Nearly nine out of ten Americans believe that all workers should have access to a pension plan, and nearly as many feel the government should make it easier for employers to offer pensions.

To what extent do you agree or disagree with the following statements?



I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement



The government should make it easier for employers to offer traditional pension plans

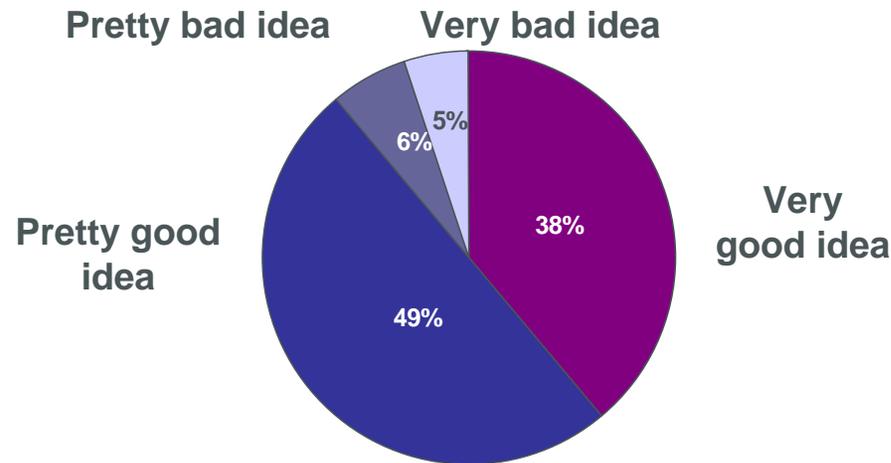


Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

Nearly nine out of ten Americans favor government incentives that would encourage small employers to band together to offer traditional pension plans.

Some believe that government should provide tax incentives or other steps to encourage small employers to band together to offer a traditional pension program that small employers or individuals can join and invest in.

Do you think that this is a...?



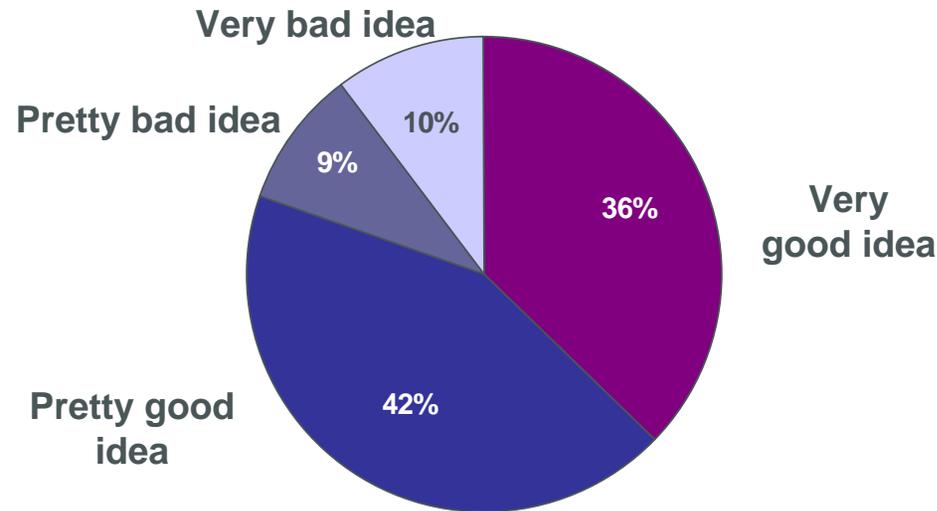
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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

Further, eight out of ten Americans support government sponsoring traditional pension plans for small employers & individuals to join.

Some believe that government should sponsor a traditional pension program that small employers or individuals can join and invest in.

Do you think that this is a...?



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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

The Case for DB Pensions

- Pensions provide a “better bang for the buck”
- Americans value pensions as a secure source of retirement income
- Pensions for the 21st century might look different than the traditional single-employer plan we know today
- Americans are supportive of government taking action to promote pensions



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