

# DB Plans: The Real Deal

*What Vision of Retirement Income Security will Guide Policy?*

NASI 21<sup>st</sup> Annual Conference

January 29, 2009 – Washington, DC

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

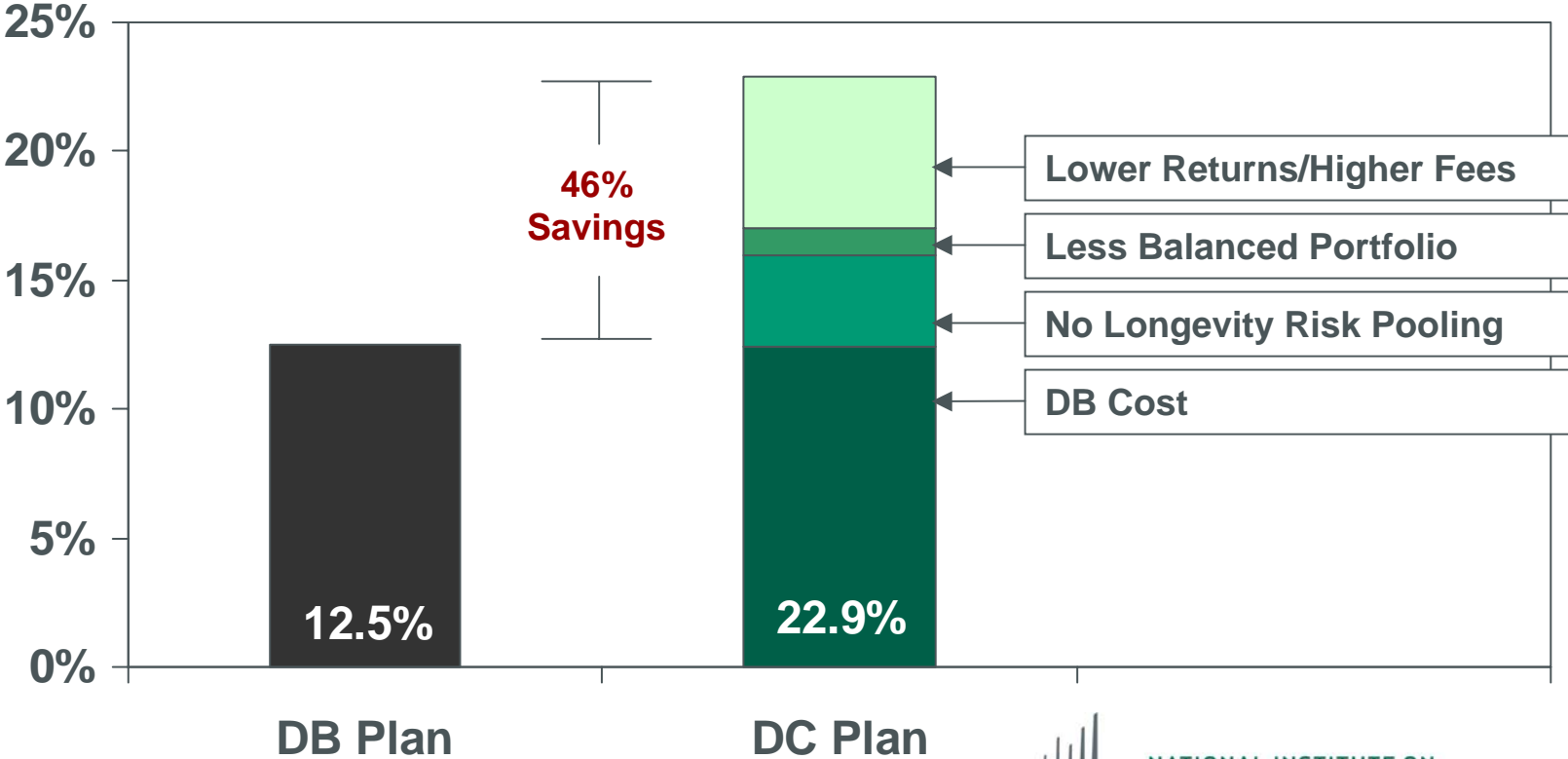
The Economic Efficiencies of Defined Benefit Pension Plans

by Beth Almeida and William B. Fornia, FSA

August 2008

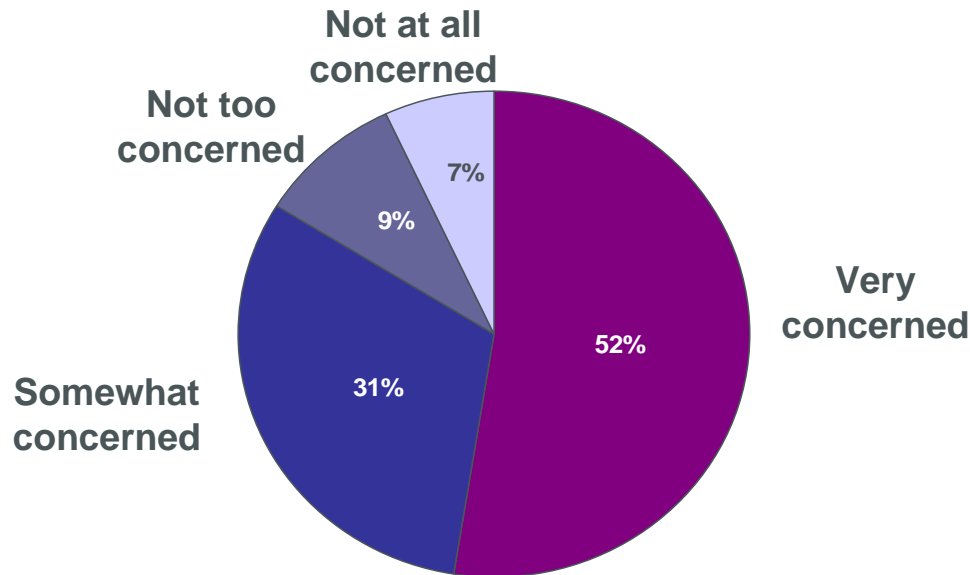
# DB Plan Can Deliver Same Benefit at About Half the Cost of DC Plan

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.”

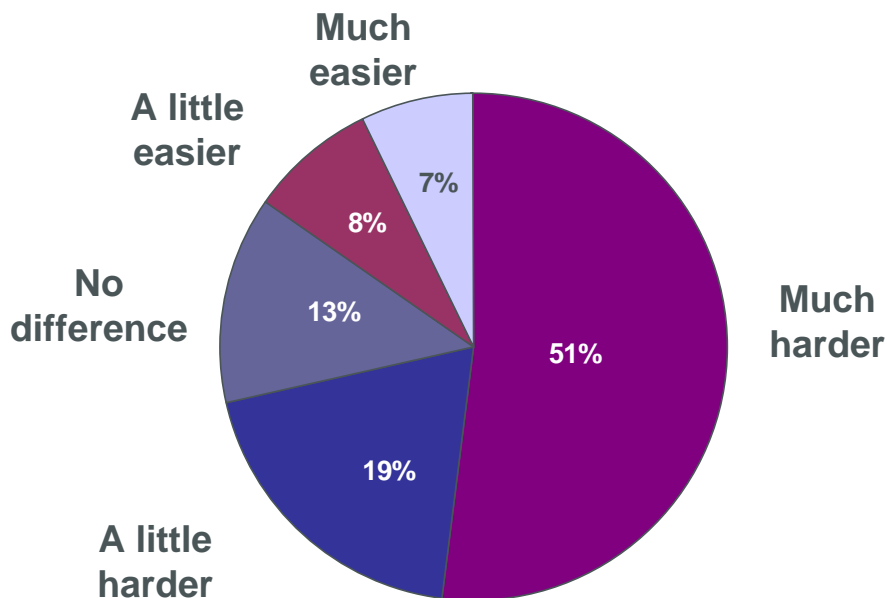


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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

# 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."

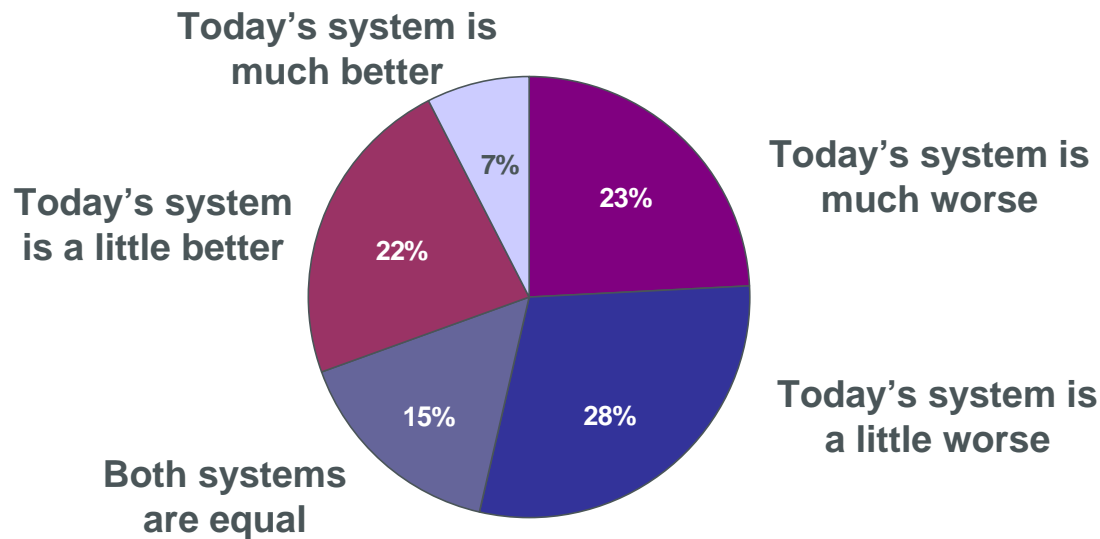


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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

# 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."

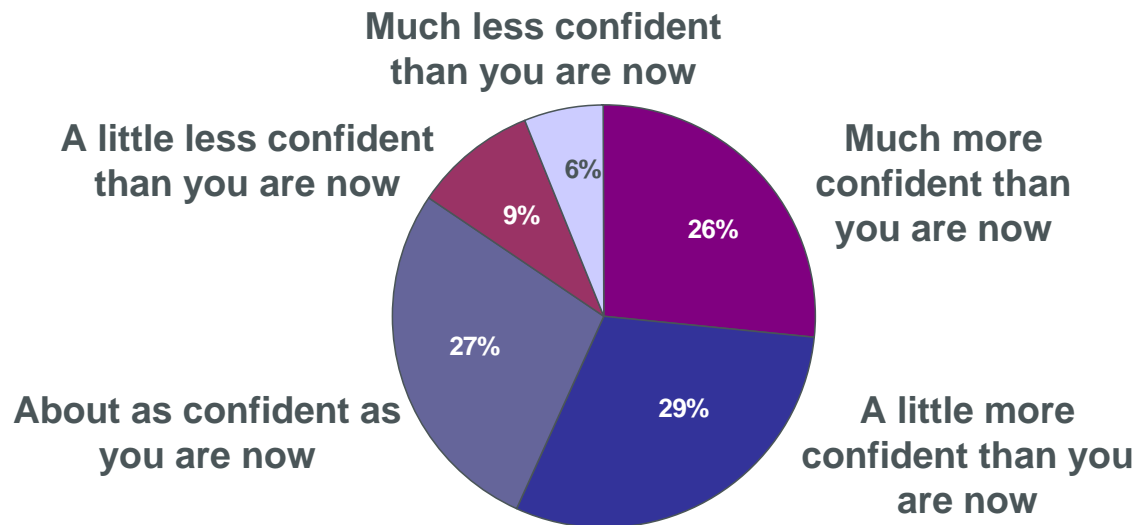
"It is the mental stability and freedom from stress – knowing exactly what you're going to get each month so you can budget accordingly."



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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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# 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.

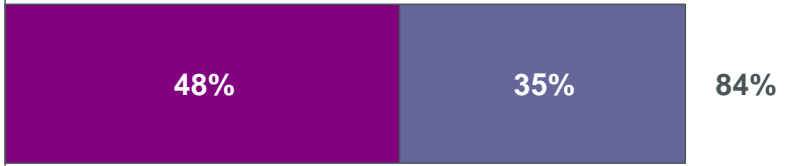
*To what extent do you agree or disagree with the following statements?*



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

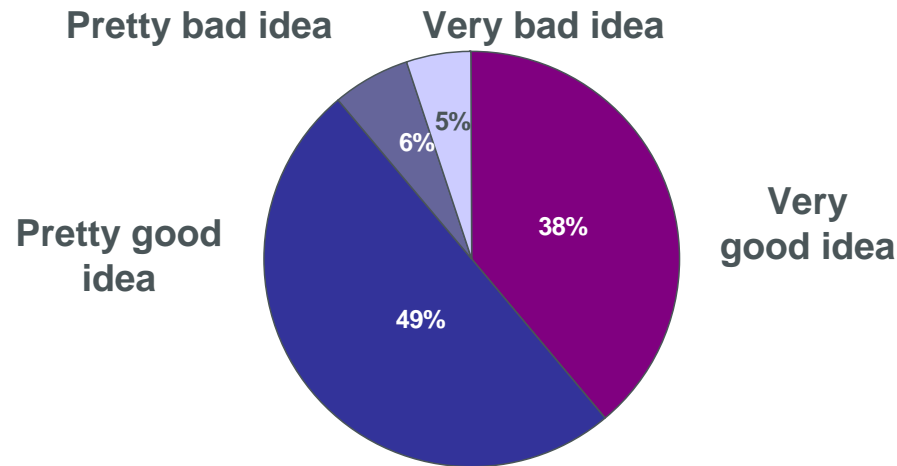


Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

# 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...?*



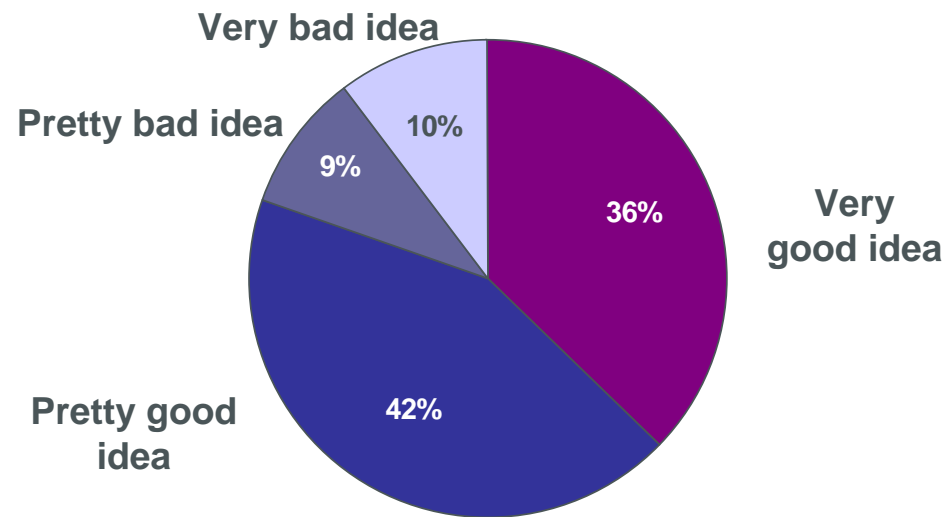
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Source: Nationwide telephone survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of NIRS – November 12-13 2008.

# 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 21<sup>st</sup> 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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