

# Retaining Retirees and Those Nearing Retirement

**Moderator:**

Davetta Lee, State of Mississippi

**Panelists:**

- Kathryn Berkenpas, ICMA-RC
- Andrea Needham, Vanguard
- Gordon Tewell, Innovest



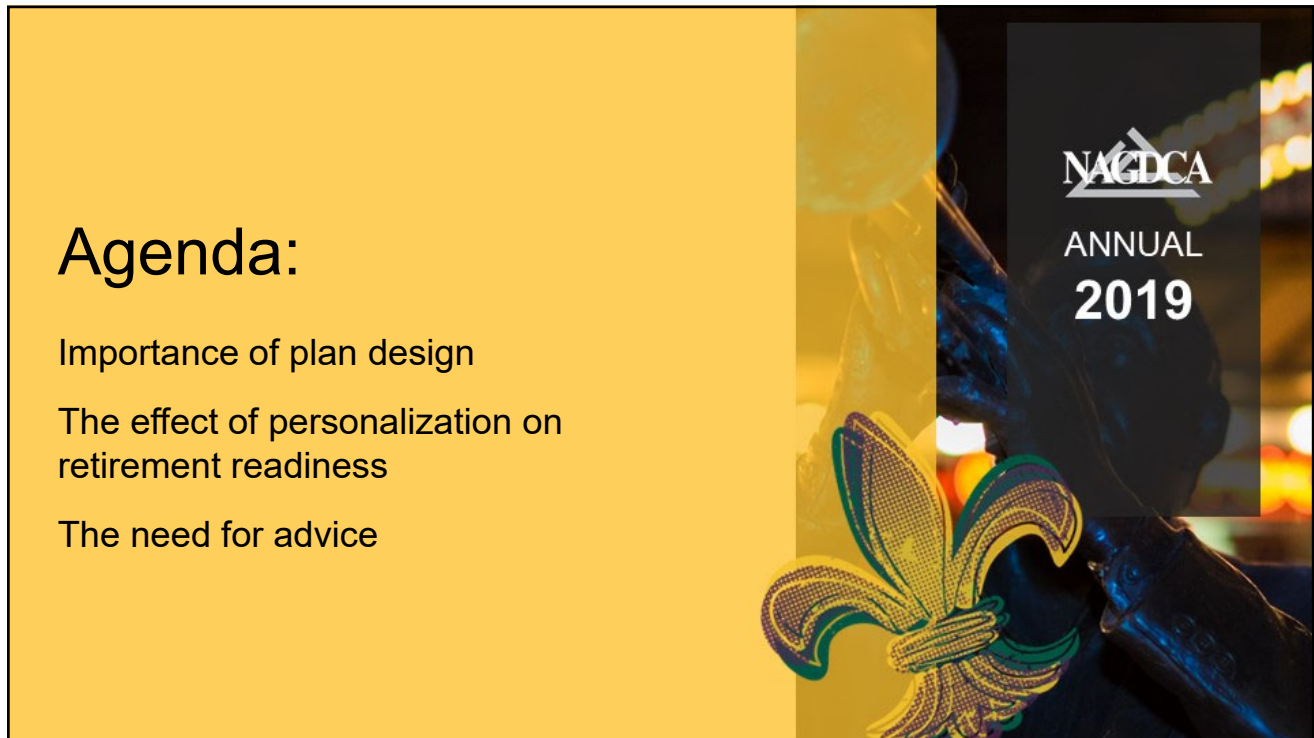
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# Andrea Needham

Head of Participant Intelligence,  
Vanguard participant Strategy and  
Development



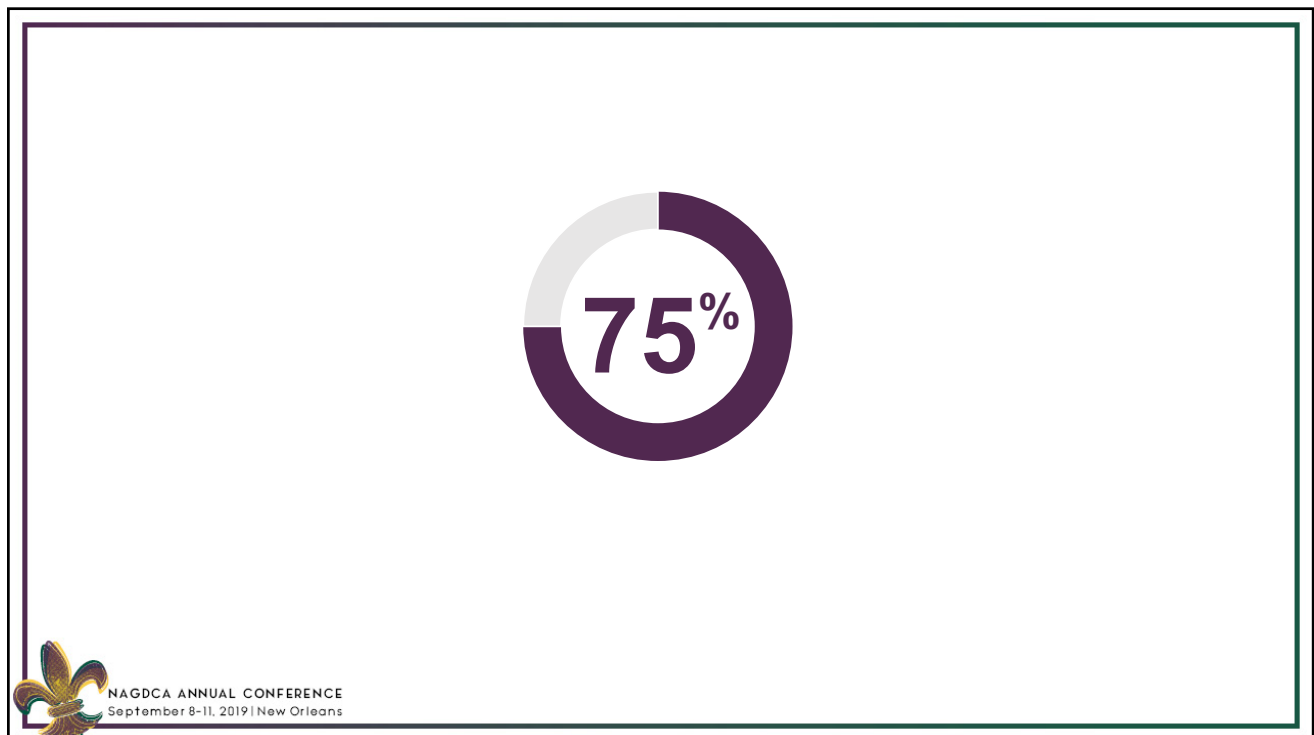
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The slide features a yellow background on the left and a dark blue background on the right. The right side includes the NAGDCA logo and the text 'ANNUAL 2019' over a background image of a hand holding a pen. A large, stylized fleur-de-lis logo is positioned at the bottom right of the slide.

# Agenda:

- Importance of plan design
- The effect of personalization on retirement readiness
- The need for advice

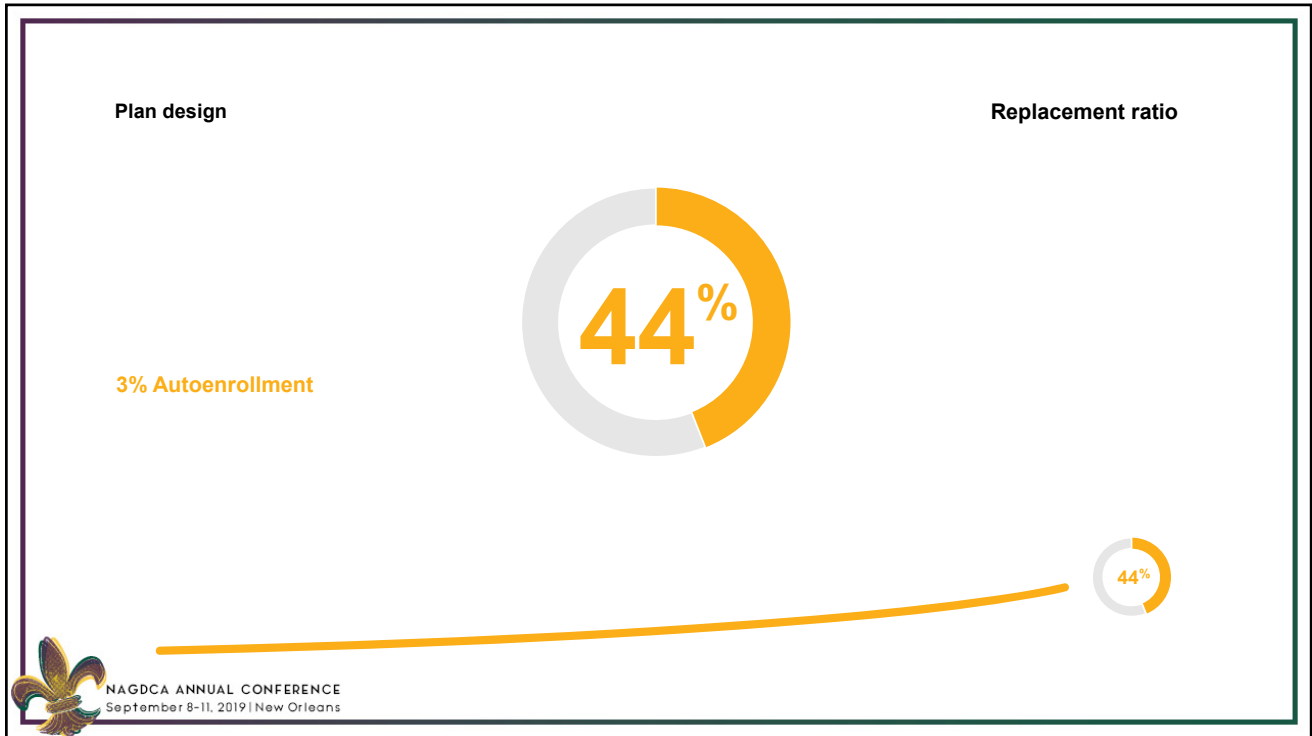
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The slide features a large donut chart in the center with '75%' written inside. The chart is divided into a dark purple segment (75%) and a light grey segment (25%). The slide is framed by a thin green border. In the bottom left corner, there is a small fleur-de-lis logo and the text 'NAGDCA ANNUAL CONFERENCE September 8-11, 2019 | New Orleans'.

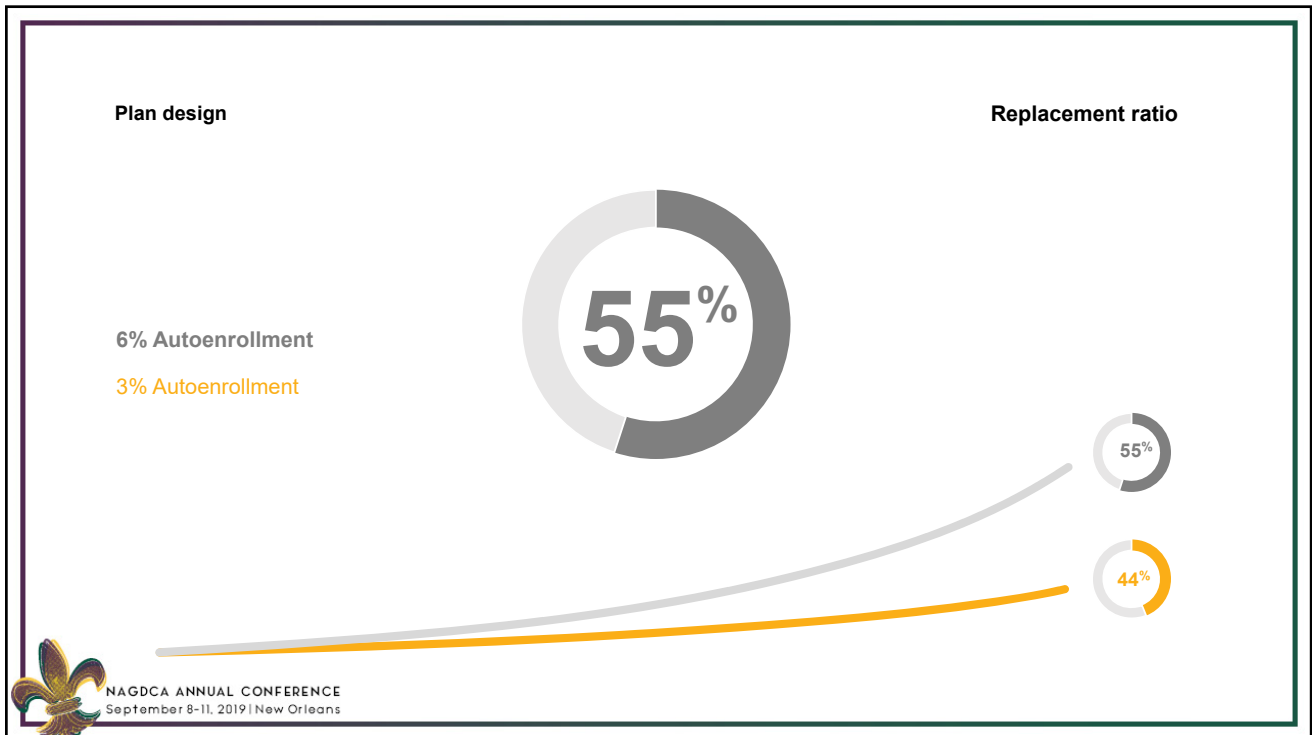
75%

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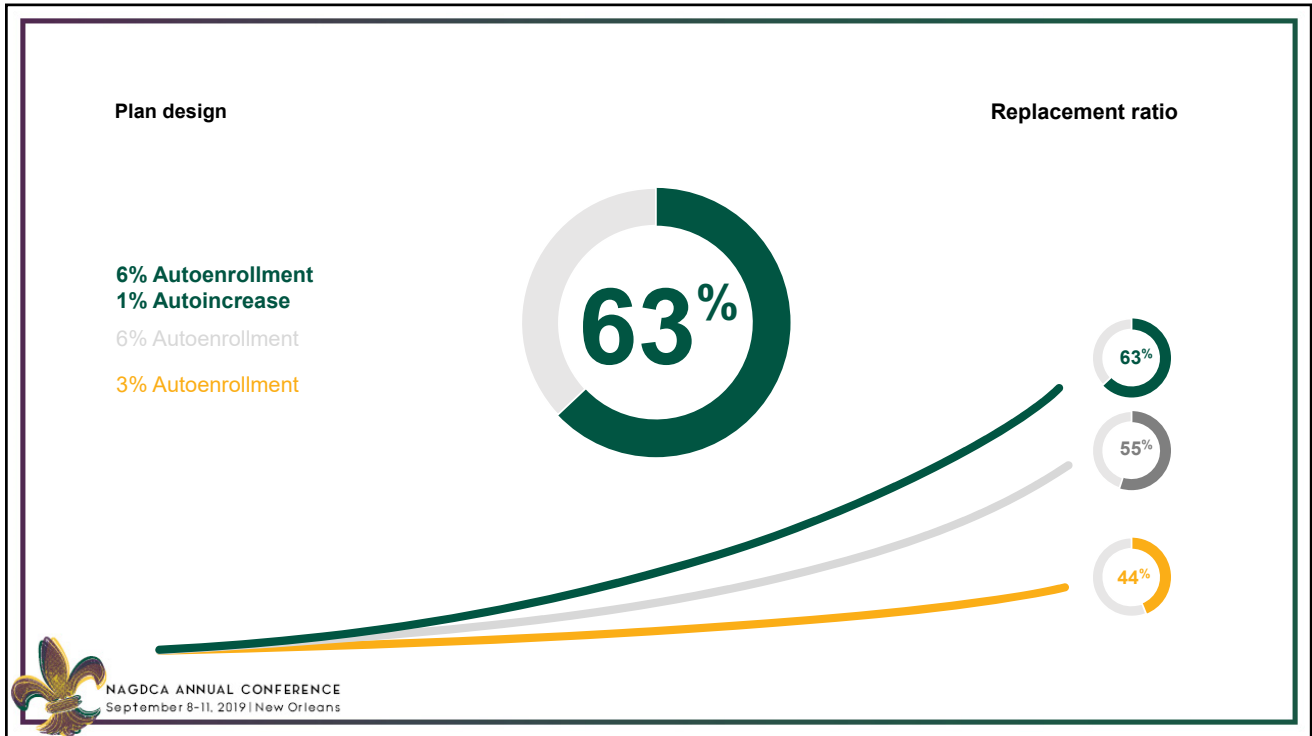
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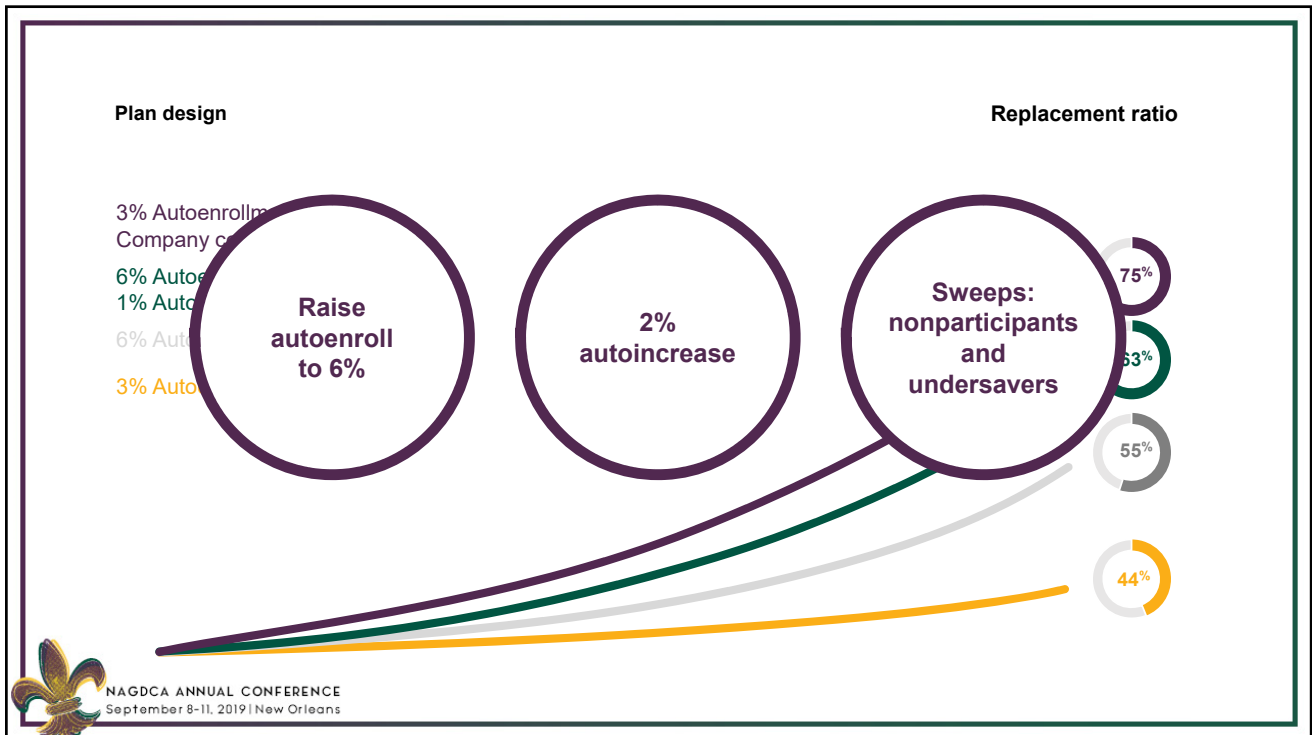
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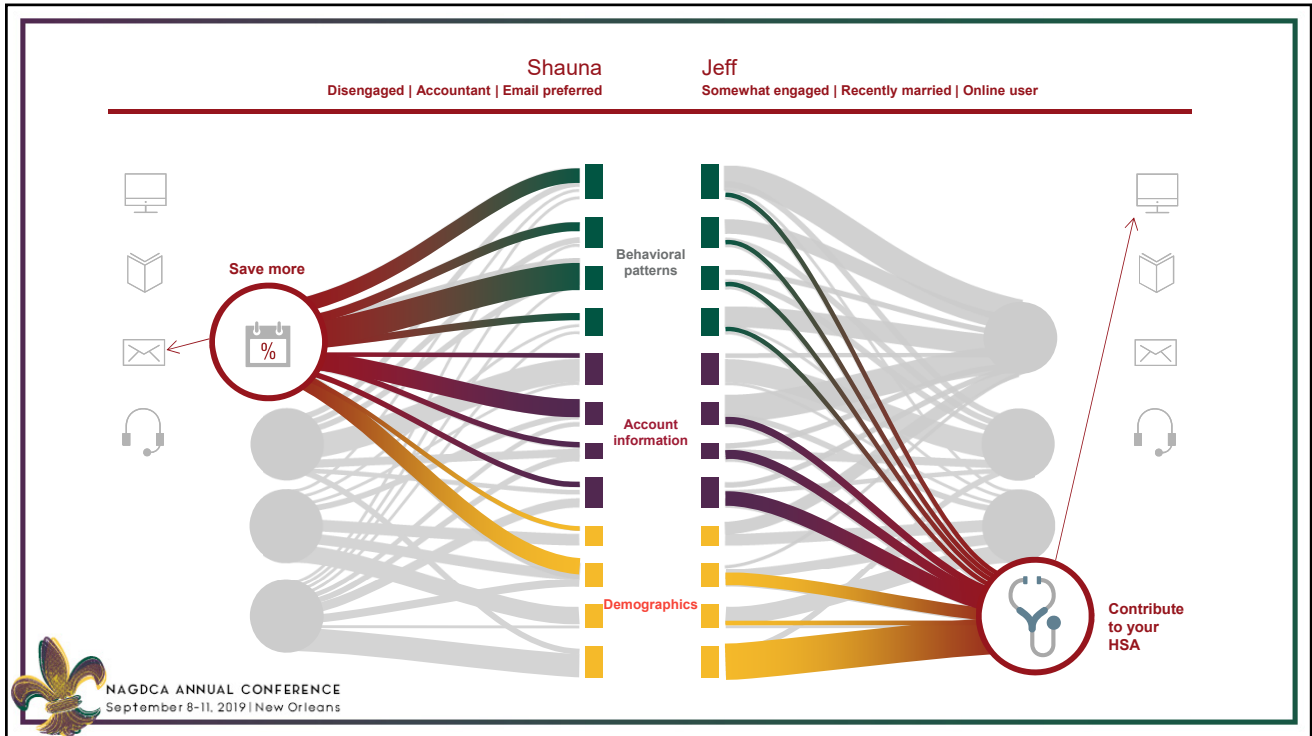
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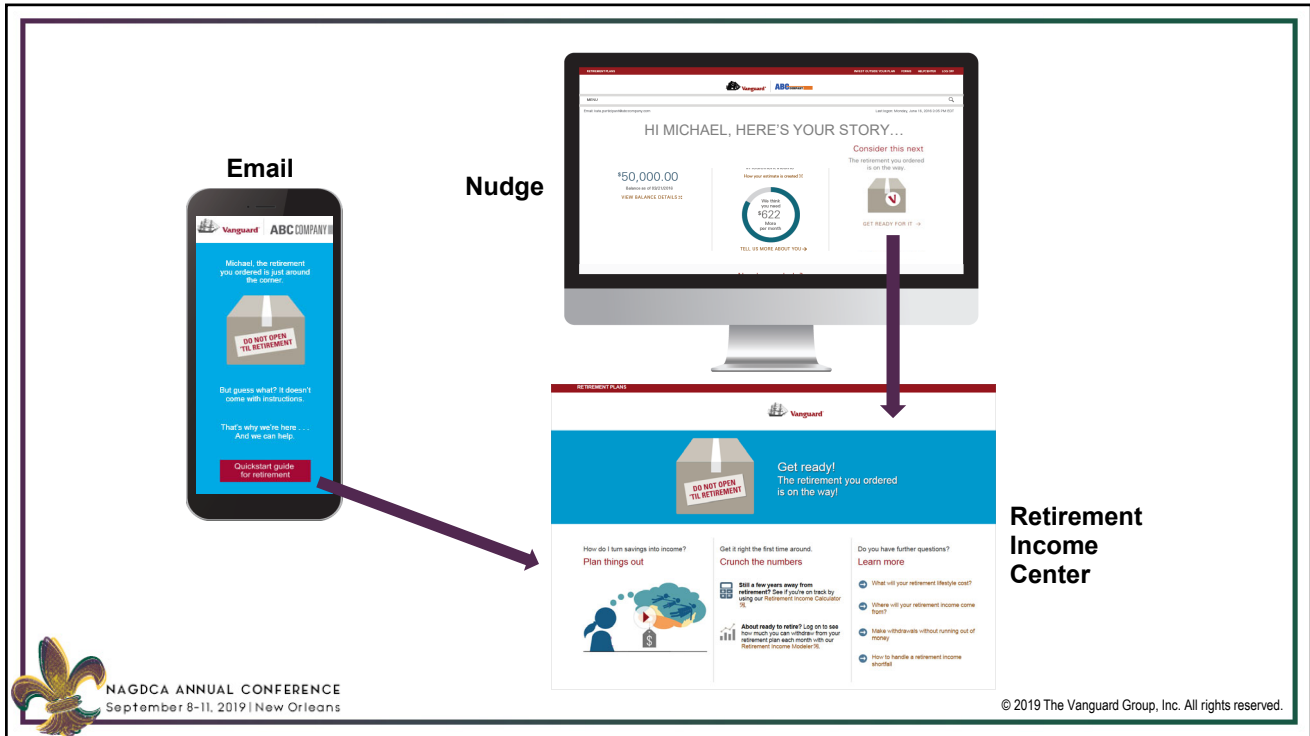
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**6 in 10** workers find preparing for retirement stressful



Source: Employee Benefit Research Institute as of April 23, 2019.

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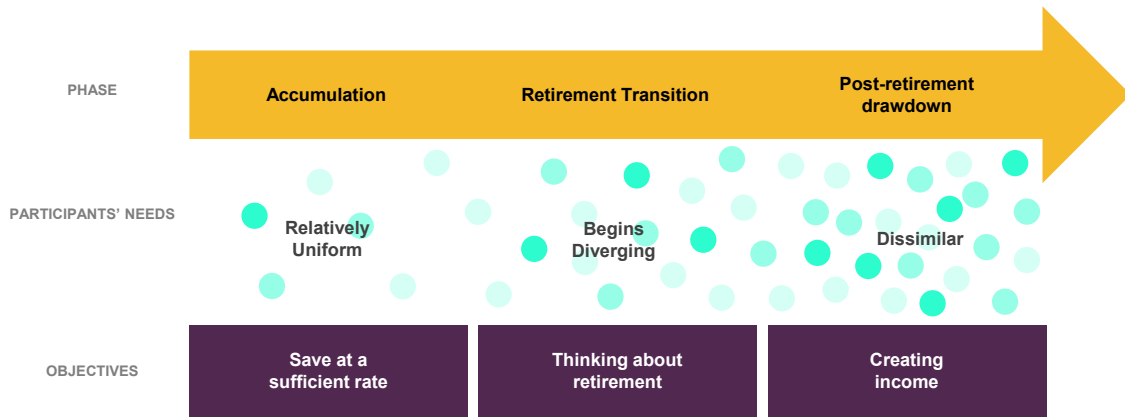
**Gordon Tewell, CFA, CPC, ERPA**

Principal  
Innovest

**NAGDCA**  
ANNUAL  
2019

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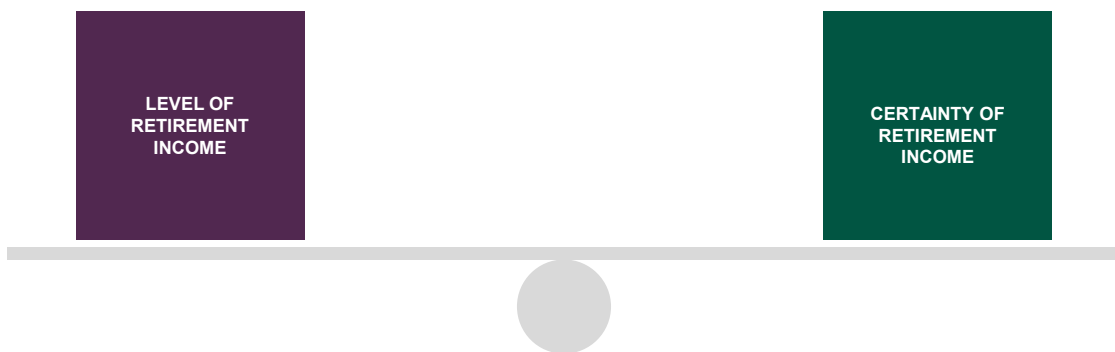
# Participant Objectives Evolve



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## Retirees struggle with the balance between level of retirement income and certainty of retirement income



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## Complex and associated decisions retirees face



### Asset Allocation

#### KEY QUESTION

How much should I allocate between stocks and bonds?



### Withdrawal Rates

#### KEY QUESTION

How much can I withdraw in a given year?



### Annuities

#### KEY QUESTION

How much should I allocate to a deferred annuity?



### Social Security

#### KEY QUESTION

Should I take social security immediately or defer?

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## Evolving the plan to accommodate retirees

- 1 Shape your philosophy on retiree retention
- 2 Evolve plan to allow withdrawal flexibility
- 3 Influence improved decisions making through communication, tools, and advice
- 4 Add retirement investment options suited to meet a variety of participant needs

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## Ensure “Retiree friendly” withdrawal options are available

COMMON DC PLAN DISTRIBUTION OPTIONS	PREVALENCE	OBJECTIVE
<b>Single Lump-Sum (entire balance)</b> Types of single lump-sums: Cash-out Direct rollover to another employer’s DC plan Direct rollover to an IRA or rollover annuity	High	Aligns with forcing separated participants to exit the plan
<b>Installment Payment Program</b>  A “systematic withdrawal plan” (SWP); also known as a “systematic withdrawal also known as a “systematic withdrawal investment plan” (SWIP)	Medium	“Retiree-friendly” (i.e., aligns with plan sponsor who desire to retain separated participants in plan)
<b>Partial Withdrawals</b>	Medium	“Retiree-friendly”
<b>Annuity or Guaranteed Minimum Withdrawal Product</b>	Low	“Retiree-friendly”

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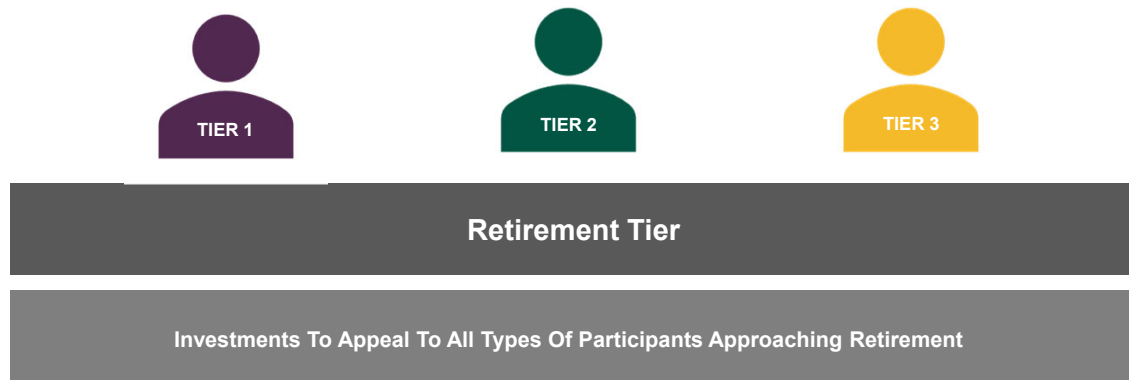
## Inspire and guide participants toward better decision-making



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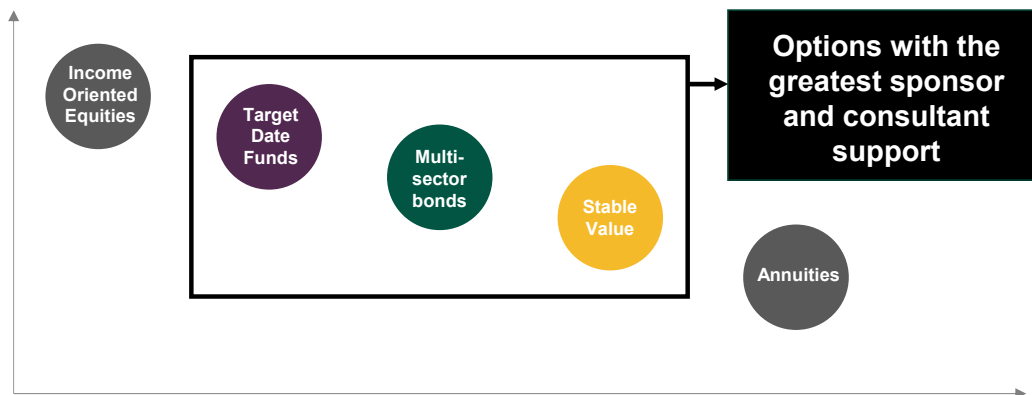
## Evolving the plan to accommodate retirees



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## A range of retirement investment options may be needed to meet participant needs



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Start early in crafting the right message to the right individuals at the right time using the multiple delivery channels

**Your 457(b) Deferred Compensation Plan**

**Learn More:**

- [Get to Know Your 457 Plan](#)
- [Easy Ways to Manage Your 457](#)
- [Your 457 Benefits Continue Through Retirement](#)
- [Great Reasons to Stay with Your 457 Plan](#)
- [We're with You for Life: A Brochure for Retirees](#)
- [You Can Keep Your Money in the Plan!](#)
- [Turn Your Savings Into a Retirement Paycheck](#)

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## Retaining assets and limiting plan leakage

### Asset Retention Strategies

- Issue: A large public safety plan wanted participants to keep their assets in the plan.
- Solution: Implemented a distribution/rollover checklist, developed pre-retirement marketing and custom workshops for those nearing retirement, and built a presentation about the understanding the perils of rolling assets out of the plan. Partnered with Defined Benefit Plan to attend workshops for pre-retirees
- End result: Maintained asset retention in excess of 90%.

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## Social Security claiming strategies

If You Start ...	Impact on Payments	Example of Monthly Benefit
<b>AGE 62</b> or before Full Retirement Age (FRA) <sup>1</sup>	Up to 25-30% less <sup>2</sup>	\$1,000
<b>AGE 66-67</b> (FRA) <sup>1</sup>	Unreduced benefit	\$1,333
After FRA <b>UP TO AGE 70</b>	About 8% more each year you delay up to age 70	\$1,760

<sup>1</sup> Based on year of birth. FRA is age 66 for individuals born 1943-1954. Gradually higher for individuals born later.  
<sup>2</sup> Also receive less if you start after age 62 but before your FRA. Reduction is based on year of birth.

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## Reduction in social security benefits

**WEP**

### WINDFALL ELIMINATION PROVISION

what you/spouse/child get based on *your* earnings

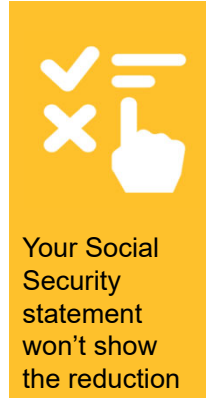
**GPO**

### GOVERNMENT PENSION OFFSET

what you get based on your spouse's earnings

Can reduce benefits if you:

1. Earn pension in job, Social Security taxes not paid
2. Qualify for Social Security through other work



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## WEP – How it Works

**WEP**

Reduction **up to 1/2 pension or \$448**, whichever is *less*<sup>1</sup>

Your estimated age 66 monthly benefit

**\$1,448**

Your pension benefit

**\$1,000**

Your Social Security benefit is reduced to

**\$1,000**



<sup>1</sup> 2019 figures. Refers to monthly benefits

<sup>2</sup> Defined as \$24,675 per year (2019)

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## WEP – A Detailed Example

AIME*	SOCIAL SECURITY BENEFIT WITHOUT WEP	SOCIAL SECURITY BENEFIT REDUCED BY WEP
Up to \$895	<b>\$806</b> (90% of \$895)	<b>\$358</b> (40% of \$895)
\$895 - \$5,397	<b>+\$1,441</b> (32% of \$4,502)	<b>+\$1,441</b> (32% of \$4,502)
Over \$5,397	<b>+\$0</b>	<b>+\$0</b>
<b>MONTHLY BENEFIT</b>	<b>= \$2,247</b>	<b>= \$1,799</b>



**WEP Impact:**  
**\$448 less**  
 Social Security benefits per month

\*Average Indexed Monthly Earnings (AIME) refers to the monthly average of your 35 highest years of earnings on which you paid Social Security taxes and is indexed for inflation. It is used to calculate your benefit amount.

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## GPO – How it Works

**GPO** Reduction of **2/3 of your pension** amount. No limit – can completely eliminate benefit.

You get government pension of **\$600 /month**

You're eligible for \$500 **\$500** in spouse/survivor benefits

You get **\$100** instead



**Plan ahead –**  
 your benefit statement won't reflect WEP or GPO. Check statement for \$0 earning years.

\*No reduction if you did pay into Social Security during last 5 years of government service and government pension is based on work for which you did not pay into Social Security.

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## Healthcare costs through retirement

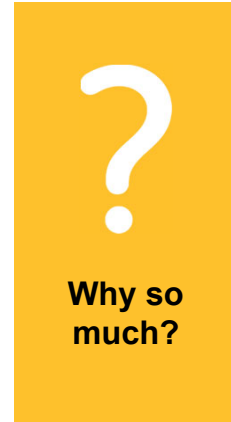
### 65-year old Couple Retiring 2019

Couple \$285,000

### For Single Retirees

Female \$150,000

Male \$135,000



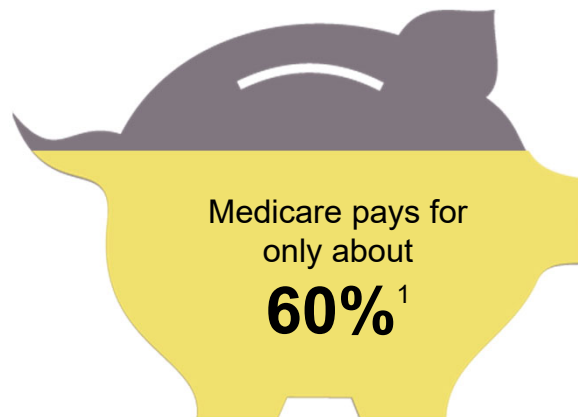
Fidelity Investments, *Health Care Price Check: A Couple Retiring Today Needs \$285,000 as Medical Expenses in Retirement Remain Relatively Steady*. April 2, 2019.

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## What about Medicare?

**TOTAL COSTS**

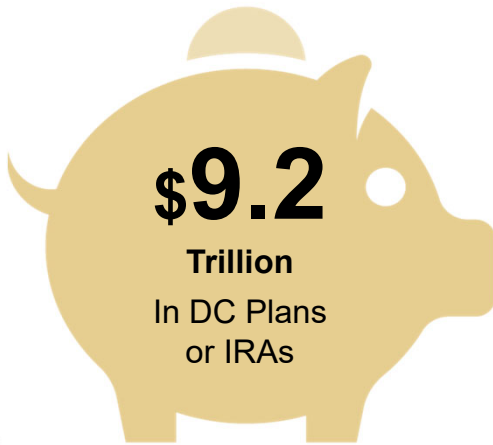


<sup>1</sup> Source: "Amount of Savings Needed for Health Expenses for People Eligible for Medicare", Employee Benefits Research Institute (Oct. 2015). References 2012 data for Medicare beneficiaries age 65 and older.

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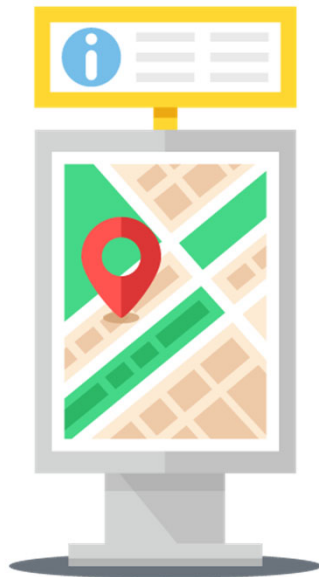
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## Decumulation Challenge



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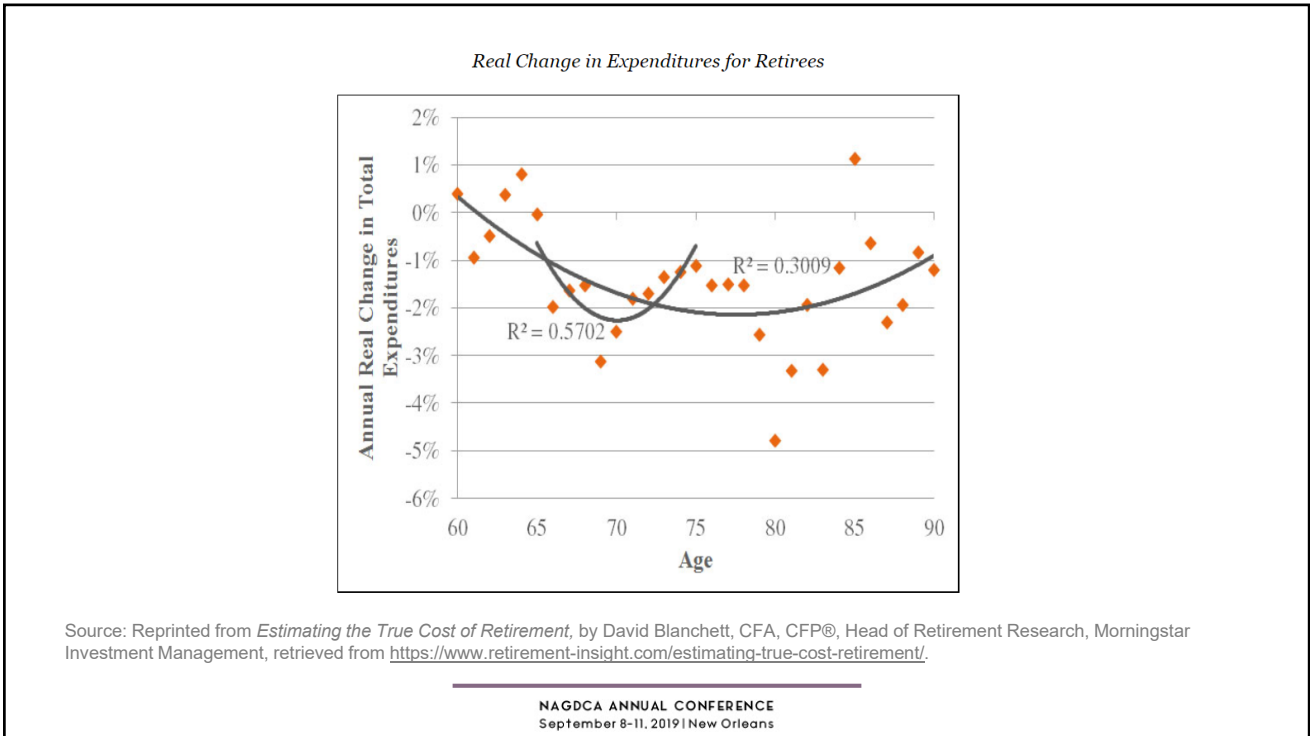
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Retirement  
savings:  
**You are  
here.**

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## Psychology in Decumulation Decision-making

- Self-control
- Temporal discounting
- Loss aversion
- Fairness
- Psychological ownership



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## Decumulation Decision-Making Social Security: Case Study



**Dave, age 58**  
Occupation: Finance Director  
Status: Nearing Retirement



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Year	Dave	Early			Primary			Difference
		Dave (PIA=1500.0)	Annual Benefits	Cumulative Benefits	Dave (PIA=1500.0)	Annual Benefits	Cumulative Benefits	
2019	55	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2020	56	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	57	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	58	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	59	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	60	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2025	61	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2026	62	\$1,056	\$6,337	\$6,337	\$0	\$0	\$0	(\$6,337)
2027	63	\$1,056	\$12,674	\$19,012	\$0	\$0	\$0	(\$19,012)
2028	64	\$1,056	\$12,674	\$31,686	\$0	\$0	\$0	(\$31,686)
2029	65	\$1,056	\$12,674	\$44,360	\$0	\$0	\$0	(\$44,360)
2030	66	\$1,056	\$12,674	\$57,035	\$0	\$0	\$0	(\$57,035)
2031	67	\$1,056	\$12,674	\$69,709	\$0	\$0	\$0	(\$69,709)
2032	68	\$1,056	\$12,674	\$82,383	\$0	\$0	\$0	(\$82,383)
2033	69	\$1,056	\$12,674	\$95,058	\$1,690	\$20,280	\$20,280	(\$74,778)
2034	70	\$1,056	\$12,674	\$107,732	\$1,690	\$20,280	\$40,560	(\$67,172)
2035	71	\$1,056	\$12,674	\$120,407	\$1,690	\$20,280	\$60,840	(\$59,567)
2036	72	\$1,056	\$12,674	\$133,081	\$1,690	\$20,280	\$81,120	(\$51,961)
2037	73	\$1,056	\$12,674	\$145,755	\$1,690	\$20,280	\$101,400	(\$44,355)
2038	74	\$1,056	\$12,674	\$158,430	\$1,690	\$20,280	\$121,680	(\$36,750)
2039	75	\$1,056	\$12,674	\$171,104	\$1,690	\$20,280	\$141,960	(\$29,144)
2040	76	\$1,056	\$12,674	\$183,779	\$1,690	\$20,280	\$162,240	(\$21,539)
2041	77	\$1,056	\$12,674	\$196,453	\$1,690	\$20,280	\$182,520	(\$13,933)
2042	78	\$1,056	\$12,674	\$209,127	\$1,690	\$20,280	\$202,800	(\$6,327)
Break Even Point								
2043	79	\$1,056	\$12,674	\$221,802	\$1,690	\$20,280	\$223,080	\$1,278
2044	80	\$1,056	\$12,674	\$234,476	\$1,690	\$20,280	\$243,360	\$8,884
2045	81	\$1,056	\$12,674	\$247,151	\$1,690	\$20,280	\$263,640	\$16,489
2046	82	\$1,056	\$12,674	\$259,825	\$1,690	\$20,280	\$283,920	\$24,095
2047	83	\$1,056	\$5,281	\$265,106	\$1,690	\$8,450	\$292,370	\$27,264

## Comparing Social Security Strategies

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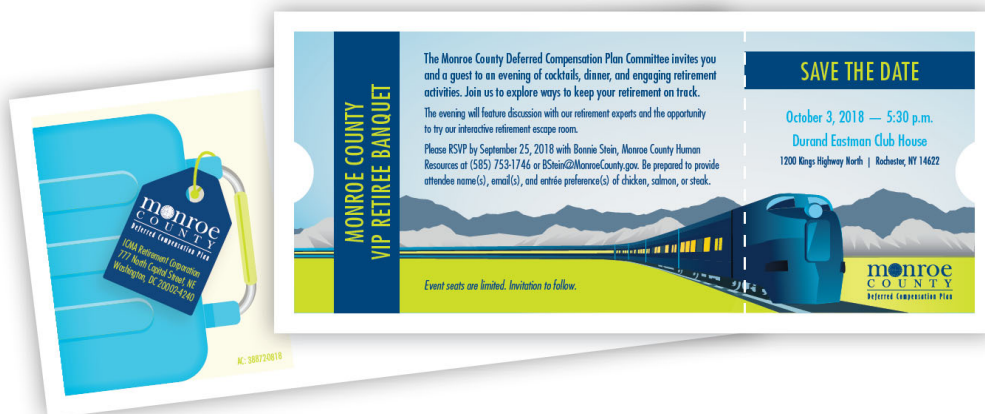
## Retiree Events & Communications



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## Monroe County *VIP Retirement Banquet*



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## Retiree Communications

**Matthew**, it's time to choose your future. And we can help.

Retirement offers the freedom and flexibility to do what you want. We're here to help you review all your options so you can enjoy your lifestyle of choice, for years to come.

[Yes, book my appointment](#)



You've helped so many. Now it's your turn.



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