BCG Retirement News Roundup

June 2013, Volume 2, Issue 6

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Boomershine Consulting Group (BCG) has launched this monthly news roundup of highlighted significant articles from the retirement industry – for clients and friends. Retirement plan news has become increasingly pertinent for many audiences these days, including:

- Retirement Plan Sponsors – addressing both private and public sector issues
- Employers – dealing with complicated decision making for their plans
- Employees – educating the Boomer generation that is nearing retirement
- Industry Practitioners - helping to understand and resolve today's significant challenges

We review numerous industry news services daily and will include a collection of timely and significant articles each month concerning compliance, actuarial plan costs (including assumption debates), plan design change issues and benefit trends, as well as other related topics.

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Public Sector/Government Plans

Reviewing, Understanding and Using the Actuarial Valuation Report and Its Role in Plan Funding (CORBA) (2013)

The actuarial valuation report has always played an important role as the basic source document for information regarding actuarially determined contributions[1] and the funded status of pension and other post-employment benefit (OPEB) plans. The actuarial valuation report, prepared in accordance with Actuarial Standards of Practice (ASOP), will soon come to play an even more critical role in the wake of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, because funding information for pensions will no longer automatically be provided in financial reports. That is, the actuarial valuation report will soon be the sole source of information for many financial decision makers desiring to make informed decisions about the funding of pension benefits.

The GFOA recommends that state and local government finance officials and others with decision-making authority carefully review and understand their actuarial valuation report and use the information it contains to make policy decisions that ensure that pension benefits are funded in a sustainable manner, consistent with the pension funding guidelines developed by GFOA and the other major state and local government professional organizations.[2]

Reviewing and Understanding the Valuation Report

The purpose of an actuarial valuation is 1) to determine the amount of actuarially determined contributions (i.e., an amount that, if contributed consistently and combined with investment earnings, would be sufficient to pay promised benefits in full over the long-term) and 2) to measure the plan's funding progress. Key items to consider in reviewing the valuation report include:

- Actuarially Determined Contribution. The actuarially determined contribution represents the amount needed to fund benefits over time. If the contributions are not fully paid, interest accrues on the unpaid portion at the plan's expected long-term rate of return.[3] Persistent underfunding will ultimately jeopardize the plan's sustainability. The GFOA recommends that the full amount of the actuarially determined contribution be paid to the plan each year.

- Liabilities, Assets, and Funded Ratio. The actuarial accrued liability (AAL) represents the present value of benefits earned, calculated using the plan's actuarial cost method. The actuarial value of assets (AVA) reflects the financial resources available to liquidate the liability. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and the AVA. The funded ratio (AVA/AAL) reflects the extent to which accumulated plan assets are sufficient to pay future benefits. The GFOA recommends that the funding policy aim to achieve a funded ratio that approaches 100 percent, with asset smoothing and amortization methods consistent with the government's funding policy and ASOP.

- Actuarial Assumptions. Since the future is unknown, actuarial valuations must be based on assumptions. For an actuarial valuation to be reliable, the assumptions used should reflect the best information available, which should be supported by rigorous discussion and analysis. Likewise, information concerning the demographic characteristics of the covered population needs to be current.

- Historical Information. Certain historical information is especially useful for understanding funding:
  - Multi-year information on the plan's funding progress that includes the AAL, the AVA, the funded ratio, and the UAAL as a percentage of payroll, consistent with the government's funding policy; and
  - Multi-year information on both actuarially determined contributions and actual amounts contributed (by definition, if actuarially determined annual required contributions are paid faithfully each year to the plan, the plan should accumulate sufficient resources over time to pay benefits, regardless of the actuarial cost method selected).

In both cases, the number of periods for which data are presented should be sufficient to allow for the meaningful analysis of trends (e.g., 6 to 10 years and longer if available).

- Actuarial Comments. Actuarial Standards of Practice (ASOPs) require actuaries to make certain disclosures in their reports. These disclosures are commonly presented as comments intended to help users understand the report and include: 1) the report's intended purpose; 2) cautions regarding risk and uncertainty; and 3) constraints regarding the use of the report for other than its intended purpose. In addition, if a prescribed assumption or method is used that the actuary believes is unreasonable or conflicts with the ASOPs, the actuary has a duty to disclose that fact in the report.[4]

- Information Needed to Prepare Financial Reports. The actuarial report may also provide all of the information needed to prepare the government's financial reports in conformity with generally accepted accounting principles (GAAP) or legal or contractual requirements. This information may be provided as part of the valuation report or through a separate actuarial report.

- Other information. An actuarial valuation report also may include: 1) projections of future contributions and funded status; 2) an analysis of the impact of potential changes in actuarial assumptions; and 3) the impact of economic volatility on the plan's contributions and funded ratio.[5]

Using the Actuarial Report to Make Appropriate Decisions

The information contained in an actuarial report is complex and can be difficult to understand for those who are not accustomed to working with this kind of information.

For this reason, simply providing a copy of the actuarial report to decision makers does not ensure that everyone has a full understanding of its short-term and long-term implications. In most governments, the finance officer is in the best position to communicate the contents of the actuarial report, as the finance officer is familiar with the nuances of the actuarial report and is also intimately familiar with the organization's financial situation. Accordingly, the first step toward using an actuarial report to make appropriate decisions is for the finance officer to communicate the information the report contains to decision makers and the general public in a clear and understandable manner. Effective communication is especially important when changes to benefits are being considered.

To draw full benefit from the information contained in an actuarial report, the review of the information it contains must be followed by appropriate action steps:

- Making Required Contributions. The key purpose of an actuarial valuation is to inform plan sponsors of the amount that needs to be contributed each year to adequately fund benefits. Consequently, the first action step is to take appropriate steps to ensure that actuarially determined contributions are faithfully paid to the plan each year. If those contributions are not made, follow-up action should be taken to understand the underlying cause of the underfunding and to resolve it.

- Assessing Funding Progress. Historical information should be used to assess funding progress (e.g., Is the plan's funded ratio improving over time? Is the rate of improvement consistent with the employee's funding policy?).

- Mitigating Risks. Information from the actuarial valuation can help to uncover risk exposure related to the funding of benefits. Decision makers should identify those risks and take appropriate and timely action to mitigate them. For example, if the valuation shows a high degree of asset volatility, it may be prudent to lower that volatility through adjustments to asset allocations or by other means, such as examining the methodology used to determine the actuarial value of assets.

- Ensuring Reliable Data. For an actuarial valuation to be reliable, the underlying data must be reliable as well, including the demographic information related to plan members, the economic information related to investment returns and payroll growth, and the detailed descriptions of current benefits. Employers should work closely with the actuary to ensure that reliable information is provided in a timely manner.

- Validating Methods and Assumptions through Experience Studies. The reliability of an actuarial valuation also depends on the use of reasonable methods and assumptions. Experience studies, performed no less frequently than every five years, can help to ensure the assumptions are in line with the plan's demographic and economic experience, or can be used as a guide to make necessary changes. Likewise, a comprehensive audit of the plan's actuarial valuations performed by an independent actuary at least once every five to eight years can be used to evaluate the appropriateness of the actuarial methods, assumptions, and their application.

Notes

[1] The new GASB standards no longer use the term "annual required contribution" or "ARC." Instead, the new standards refer to the disclosure of an "actuarially determined contribution."
[2] Guidelines for Funding Defined Benefit Pensions, GFOA best practice, 2013.
[3] The long-term expected rate of return is significantly higher than the short-term rates used in operating funds.
[4] Actuarial Standards Board, Actuarial Standards of Practice No. 41, *Actuarial Communications*, December 2010.
[5] California Actuarial Advisory Panel, *Model Disclosure Elements for Actuarial Valuation Reports on Public Retirement Systems in California*, December 2011.

Government Finance Officers Association of the United States and Canada

Public pension costs swamp revenues of 10 U.S. states - Moody's

Illinois has the largest pension liability

* Big pension liabilities reflect long-term underfunding

* Nebraska has smallest pension burden

WASHINGTON, June 27 (Reuters) - Ten U.S. states have public pension liabilities that are at least as big as their annual revenues, according to a Moody's Investors Service report released on Thursday that found the Illinois pension bill was equal to 241 percent of its revenues.

The rating agency took a new approach to determining the health of public retirement systems by weighing each plan's net pension liability - the difference between the projected benefit payments and the assets set aside to cover those payments - against state revenue.

The typical discussion about how much money public pensions have is incomplete, said the author of the Moody's report, senior analyst Marcia Van Wagner. By comparing those amounts to states' revenues, though, the rating agency can get a better sense of states' abilities to pay for the obligations, she said.

For many of the states that ability is very limited. In nearly half, the pension liability is equal to half the state's annual revenue.

After Illinois, Connecticut had the highest pension burden in the country, with a pension liability equal to 189.7 percent of revenues. That was followed by Kentucky, at 140.9 percent; New Jersey, 137.2 percent; Hawaii, 132.5 percent; and Louisiana, s 130.2 percent. Colorado's net pension liability was slightly more than revenues at 117.5 percent and Maryland's slightly less at 99.5 percent.

"The states that have the largest relative pension liabilities have at least one thing in common: a history of contributing less to their pension plans than the actuarially required contributions (ARC)," Moody's said in the report, which looked at data for fiscal 2011.

On the other hand, states with pension liabilities that represented just a sliver of revenues, such as Wisconsin, "have little in common outside of a commitment to making full...payments to their pension plans."

Moody's said Nebraska is an exception, because the state pays low pension benefits that offset its history of underfunding. Its pension liability represent only 6.8 percent of revenue, the lowest in the country.

States and cities contributed less to their pensions than their actuaries suggested before the financial crisis. When their revenues crumbled during the 2007-2009 recession they cut back even more. In most states actuaries calculate how much the employing governments need to provide to make them whole.

"The importance of the funding history comes across in this analysis," said Van Wagner, adding that turmoil in the financial markets exacerbated the low funding levels. "It was easy to start out a little bit behind, and then fall far behind, and making it up is going to be challenging for states."

Investment returns provide the lion's share of public pension revenues.

For the report Moody's analyzed data from fiscal 2011, which ended on June 30, 2012 for most places.

Illinois is notorious for both its underfunded retirement system and the political battles over how to fix it. In March, the state settled Securities and Exchange Commission fraud charges for allegedly misrepresenting the depth of its pension problems.

According to Moody's, Illinois has the largest net pension liability in the country, $133 billion, equal to $10,340 per person in the state. The liability is equal to 19.8 percent of the state's gross domestic product.

Only Alaska had a higher ratio of net pension liability to GDP, at 20.6 percent. Alaska, however, is awash with oil-related taxes. and its much smaller liability of $10.61 million is equal to 55.2 percent of its revenues.

California had the second highest pension liability, $120 billion, but that is only $3,206 per capita in the state, which ranks as the country's most populous.

Thu Jun 27, 2013 12:00am EDT

What's a Chained CPI and How Might It Impact States?

President Obama has proposed changing how the Consumer Price Index is calculated in a way that could help states cap some costs.

It's not exactly a household phrase -- the chained CPI, that is. But this past April, President Obama nudged it toward the mainstream when he suggested in his 2014 budget that it be used to calculate annual Social Security cost-of-living adjustments (COLAs) and other programs affected by inflation. As it stands now, the government uses the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers.

Under a chained CPI, consumer behavior is taken into account when working out price changes in the basket of consumer goods. That is, if filet mignon is an item in the basket and the price of that top-of-the-line cut of beef rises, consumers are likely to bump down to a lower-priced cut of steak. The switch to a chained CPI would, therefore, lower estimates for the rate of inflation. Many economists maintain that it is a more accurate measure of inflation because it reflects real world behavior: People respond to higher costs by buying cheaper substitutes.

Still, some aren't sure it is good policy to apply chained CPI to indexing Social Security benefits. For arguments sake, though, if the feds are considering using chained CPI for Social Security and other inflation-affected programs, what about the states? How would they be impacted by such a move? And what if they adopted a chained CPI as a benchmark for some of their programs or benefits?

I put these questions to Norton Francis, a senior research associate at the Urban Institute and head of the State and Local Finance Initiative that operates under the umbrella of the Urban-Brookings Tax Policy Center. Here is an edited version of our conversation.

Can you give me a quick and easy description of how a chained CPI is different from the usual CPI?

The CPI is put out by the Bureau of Labor Statistics. The main way a chained CPI differs [from the traditional CPI] is that it includes substitutability of purchases. What that means is when you have a choice between this product and that product that had a similar value, you might go with the cheaper one. Not only do prices change but consumers change preferences. So this is capturing consumer preferences for choosing lower priced goods.

What are the implications for state and local governments if a chained CPI was adopted at the federal level?

It would mostly be on any federal grants and entitlements that states might receive that are indexed by the CPI. Those grants and entitlements would grow slower. One example: Medicaid reimbursement rates might be affected. There would be less growth in those rates. Basically, the chained CPI would reduce the growth trend.

Have you heard of any states that are considering a switch to a chained CPI?

I haven't heard anybody propose using it. Everyone is watching to see what the feds do. If the feds actually adopt it, you might see some states look at it. In most states, any increase in state benefits is tied to the CPI. So that begs the question: When there were decreases -- as there were in 2008 -- did anybody decrease benefits? I'm pretty sure the answer is no. States have the ability to move beyond the CPI if they think it's not enough or too much. They can adjust. Lawmakers have a lot of flexibility on establishing those benefits and what they choose to use as a measure. Some use a local or regional CPI -- a CPI for, say, the South or for California -- and those don't have a chained index. A chained CPI is only at the national level.

If states could switch to a chained CPI, what might they use it for?

They might use it for COLAs on salary increases and pension payouts. With budgets, if they do a structural forecast to see how expenditures change in the long run, it would have impact there. But it won't change a lot for current budget years. Where you might see it show up is in actuarial plans for pensions -- but it would be a very small fix for state pension problems.

[In states that have income taxes], it could change income tax brackets, which might increase revenue because brackets wouldn't expand by much. Right now, if a state has brackets indexed to the CPI, a $100,000 bracket will go up by 2 percent with the regular CPI and less with a chained CPI. So, if the bracket is $100,000, it would increase to $102,000 with the regular CPI and to $101,050 with the chained CPI. That means that under the chained CPI, more of a taxpayer's money -- anything between those two levels -- is now taxed at a higher rate. More income is exposed to higher rates.

Ultimately, I don't see a lot of states adopting this because it is not going to change a whole lot for them. [But] you might see people looking at it for pensions, much as the feds are looking at it for Social Security.

BY: Penelope Lemov | June 27, 2013

State pension reforms to result in more hybrid pension plans — report

More states will create hybrid plans in the future because of the less-volatile contribution levels and the fact that the defined contribution components are portable for a workforce that is now increasingly more mobile, according to a new report from the TIAA-CREF Institute and the Rockefeller Institute of Government. Sen. Mike Brubaker, R-Lancaster County, and Rep. Chris Ross, R-Chester County, are taking the lead on one of the big issues in this year's 2013-14 budget debate.

"There are pluses and minuses to the two fundamental (defined benefit and DC) structures," Paul Yakoboski, senior economist for the TIAA-CREF Institute, said in a telephone interview. "We have to figure out a way to move away from the DB vs. DC debate, (in terms of choosing) one or the other. … There's a lot of flexibility in how a DC plan can be arranged."

Mr. Yakoboski co-authored the new report, which suggests state officials planning pension reforms should consider key issues such as retirement income, changing workforce patterns and long-term effectiveness.

The report stems from a forum held in December with state and local officials, union leaders and researchers across the country.

"There was basically a message that, even if finances have driven (governments) to considering reform … let's get it right in context of being fiscally prudent, but in the process of changing (plans), let's have something that works for employers and the workforce," Mr. Yakoboski said.

Much of the forum was spent discussing different reforms states have enacted and looking at the key areas states and local governments should consider. All the speakers and attendees' comments at the forum were driven by finding ways of replacing retirement income, Mr. Yakoboski said.

By Kevin Olsen | June 13, 2013 3:42 pm

The Funding of State and Local Pensions: 2012-2016

Summary:

This brief finds that the funded status of state and local pensions declined slightly in 2012 reflecting asset smoothing procedures from the 2008-2009 market crash. (6/13)

Author(s):Alicia H. Munnell, Jean-Pierre Aubry, Joshua Hurwitz, and Madeline Medenica of the Center for Retirement Research at Boston College

Publication date:6/13 Filed under :Research Studies

Key findings:

- During 2012, using current GASB standards, the funded status of public plans declined slightly from 75 percent to 73 percent.
- Going forward, the funded ratio is projected to gradually move above 80 percent, assuming a healthy stock market.
- The Annual Required Contribution (ARC) increased significantly over the last three years due to higher unfunded liabilities related to the financial crisis.
- In 2012, employers contributed 80 percent of the ARC owed.

Download publication:⇣ Funding of S-L Pensions_2012-16_13-457⇣
http://slge.org/publications/the-funding-of-state-and-local-pensions-2012-2016

The issue brief also tackles the confusing road ahead as public pension plans calculate their assets and liabilities in 2014 according to new accounting standards issued by the Governmental Accounting Standards Board.

Private Sector

Low Interest Rates Weigh on Retirement Readiness

Employee Benefit Research Institute issued the following news release:
As many retirees and workers have discovered, today's historically low interest rates are crimping their retirement savings. Now a new study by the nonpartisan Employee Benefit Research Institute (EBRI) quantifies the impact of a sustained low-interest rate environment on America's retirement readiness.

EBRI, using its proprietary Retirement Security Projection Model(TM) (RSPM), found that more than a quarter of Baby Boomers and Gen Xers who would have had adequate retirement income under historical averages return assumptions are simulated to end up running short of money in retirement if today's historically low interest rates are assumed to be a permanent condition, if retirement income/wealth is assumed to cover 100 percent of simulated retirement expense.

The analysis reveals that the potential impact varies by income levels. "There appears to be a very limited impact of a low-yield-rate environment on retirement income adequacy for those in the lowest pre-retirement income quartile, given the relatively small level of defined contribution and IRA assets and the relatively large contribution of

Social Security benefits for this group," said Jack VanDerhei, EBRI research director and author of the study. "However, there is a very significant impact for the top three income quartiles."

Among EBRI's findings:

- The impact is lessened if the current low rates are temporary. For example, when retirement readiness is based on the assumption that retirement income/wealth must cover 100 percent of expenses, 36 percent of Gen Xers with no future years of defined contribution eligibility would be predicted to have adequate retirement income if the zero-real-bond-return assumption is expected to last only for the first five years after retirement, compared with 35 percent if that environment persists for a decade. In contrast, 33 percent of this group would be predicted to have sufficient money in retirement if the zero-real-bond-return scenario is assumed to be permanent.

- The impact is magnified by years of future eligibility for participation in a defined contribution plan. For example, moving from the historical-return assumption to a zero-real-interest-rate assumption results in an 11 percentage-point decrease in simulated retirement readiness for Gen Xers who have one to nine years of future eligibility, but that gap widens to a 15 percentage point decrease in retirement readiness for those with 10 or more years of future eligibility.

- For the younger Gen X generation, the decline in retirement adequacy would range from 4 percentage points under a five-year, low-yield-rate environment, to 7 percentage points if rates remain depressed for 10 years, and 11 percentage points if those low rates are permanent, assuming they have one to nine years of remaining eligibility in a defined contribution retirement plan (such as a 401(k)).

The full report is published in the June 2013 EBRI Notes, "What a Sustained Low-yield Rate Environment Means for Retirement Income Adequacy: Results From the 2013 EBRI Retirement Security Projection Model,(TM)" online at *www.ebri.org.*

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which includes a broad range of public, private, for-profit and nonprofit organizations. For more information go to *www.ebri.org* or *www.asec.org.*

Targeted News Service June 25, 2013 Tuesday 1:49 AM EST

Actuaries: Living Longer + Lack of Lifetime Income = Risky Business

Actuarial projections show Americans living longer, but if they are truly to enjoy their retirement years, they need to look differently at their lifetime income needs. A new discussion paper, "Risky Business: Living Longer Without Income for Life," developed by the American Academy of Actuaries' Lifetime Income Risk Joint Task Force, explores the difficulties awaiting people in retirement who lack a plan for lifetime income, offers steps individuals can take to prevent shortfalls in retirement income, and discusses public policy options and education initiatives aimed at addressing the problem of inadequate lifetime income.

"The risk of inadequate lifetime income is a real concern," explains Tom Terry, president-elect of the Academy. "The American Academy of Actuaries is encouraging current and future retirees, lawmakers, the benefits community, and others, to look within their areas of concern, whether it be personal retirement planning, public policy, or public education, to better prepare America's retirees to meet their lifetime income needs."

The risk of running out of funds too early in retirement is rooted in many factors, but especially increased lifespans - which are, on average, six years longer than when Social Security was first enacted. "Many people underestimate their own lifespans, and therefore, how much money they will need for retirement. Ensuring steady, sufficient income that lasts for a lifetime is difficult to achieve if a person fails to consider the possibility of living to an advanced age," says Nancy Bennett, senior life fellow at the Academy and a member of the Lifetime Income Risk Joint Task Force.

The paper examines many options to help retirees meet lifetime income needs, including:

Public policy options, such as modifying rules for required minimum distributions of retirement plans, increasing Social Security's maximum age for delayed retirement credit, and encouraging the use of lifetime income solutions through well-targeted tax incentives. Education initiatives, such as providing lifetime income information through the workplace - including providing employees with periodic retirement plan statements with their estimated monthly benefit levels. Communication programs that objectively emphasize the value of lifetime income planning and management, including initiatives of the U.S. Department of Labor.

Learn more about lifetime income options and download "Risky Business: Living Longer Without Income for Life" online at *http://www.actuary.org/content/lifetime-income-initiative* The American Academy of Actuaries will present a Capitol Hill briefing exploring lifetime income options on June 27, 2013, from 11 a.m. to 12:30 p.m. in room 215 of the Dirksen Senate Office Building in Washington.

For more information about the Academy, visit http://www.actuary.org.

The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

PR Newswire
June 19, 2013 Wednesday 3:30 PM EST

Three-Fourths of Higher Education Baby Boomer Faculty Members Plan to Delay Retirement, or Never Retire at All; Fidelity® Study Finds Faculty Boomers Likely to Delay Retirement Due to Both Economic and Professional Reasons

Fidelity Investments ®, a leading provider of workplace retirement plans in the not-for-profit higher education market, today announced results of its Higher Education Faculty Study[1], which examined the behaviors and attitudes of baby boomer (ages 49-67) faculty members at higher education institutions. The research found that 74 percent of these boomers plan to delay retirement past the age of 65, or never retire at all. When asked the reasons for this delay, they not only cited professional reasons (81 percent), but also economic concerns (69 percent) - suggesting a need for more financial guidance.

The study also examined the reasons faculty boomers would delay retirement and found a range of issues. Of those who say they will delay retirement for economic reasons, 55 percent are unsure they have enough retirement savings, 42 percent want to maximize Social Security payments, and 42 percent believe they will need continued health insurance. Professional reasons for delaying retirement were just as compelling. For the faculty boomers who will delay retirement due to professional reasons, 89 percent want to stay busy and productive, 64 percent say they love their work too much to give it up, and 41 percent are unwilling to relinquish continued access to - and affiliation with - their institution.

"Making the decision to retire is difficult for any baby boomer, but it can be even more complex for faculty who are deeply dedicated to education, and the students and institutions they serve," said John Ragnoni, executive vice president, Tax-Exempt Retirement Services, Fidelity Investments. "We understand that financial security is an important factor for faculty contemplating retirement, and that personal and professional considerations will also weigh heavily as they decide when they will retire."

Faculty Boomers Show They Lack Formal Financial Planning

While the reasons for delaying retirement range from economic to personal, many boomer faculty members indicate they need help in specific areas as they consider their financial future. Six in 10 (61 percent) faculty boomers are confident they can learn about investments and finance on their own, but 70 percent do not have a formal investment plan in place for their retirement savings, which is a critical first step in understanding one's financial ability to retire.

Additionally, seven in 10 (70 percent) faculty boomers say they have at least some experience as investors. But when asked in which areas they need financial guidance, 43 percent say they need help choosing specific investments, 36 percent want help developing a formal plan for their retirement savings strategy, and 35 percent want help assessing their overall financial picture, goals and needs.

"As many boomer faculty have not created a formal financial plan, it's no surprise they have concerns about retirement," said Ragnoni. "Having a holistic financial plan that complements the professional, personal and economic resources available through their institution's faculty retirement program can help boomer faculty members anticipate and alleviate financial uncertainty as they prepare to transition from their full-time academic careers."

Many institutions have implemented retirement programs aimed specifically at providing faculty with financial, professional, and personal incentives to support them in making the transition to the next phase of their lives. Two-thirds (66 percent) of faculty boomers at institutions with faculty retirement programs think such programs are important, especially as they relate to providing retiree health care benefits. Three-fourths (76 percent) of all boomer faculty members cite retiree health care benefits as an important feature of a faculty retirement program. In addition, 53 percent want continued access to facilities to be part of a faculty transition program, while 45 percent want emeritus status and 43 percent would like guidance on financial and retirement planning.

Fidelity Offers Broad Resources to Help Faculty Master Their Financial Planning
As a leading provider of workplace retirement plans to the higher education marketplace, Fidelity assists tax-exempt plan sponsors with retirement planning, serving more than 4 million not-for-profit plan participants in nearly 12,000 workplace savings plans2. Complementing a retirement plan for faculty members, Fidelity offers a wide-range of guidance, education, and planning resources to help employees understand their retirement readiness.

Fidelity's services include in-person guidance at on-campus events, at Fidelity's 182 nationwide Investor Centers or by calling a Fidelity investment professional. As part of its comprehensive offerings, Fidelity provides online retirement planning tools, webinars and other planning resources to help higher education faculty ease into retirement.

Business Wire
June 17, 2013 Monday 1:00 PM GMT Business Editors; Financial Editors

Index Value Reaches Five-Year High in MetLife's 2013 U.S. Pension Risk Behavior Index Study;
-- Many Plan Sponsors Poised to "De-risk" Their Defined Benefit Pension Plans --

NEW YORK

Five years after MetLife released the first U.S. Pension Risk Behavior Index (PRBI), the Index value of the 2013 U.S. PRBI is 87, the highest value recorded since the study was introduced in 2009. This value shows that the consistency between the importance plan sponsors ascribe to the risks facing their defined benefit (DB) pension plans and how successfully they believe they are managing those risks has improved. In its inaugural study, MetLife stated that while it was "unrealistic to expect to achieve an Index value of 100, a target of 87 would not be unreasonable."

The 2013 U.S. PRBI Study, which was conducted among 126 large corporate plan sponsors, measures plan sponsors' aptitude for managing - and attitudes about - 18 investment, liability and business risks to which their plans are exposed. A full copy of the report, including descriptions of the 18 risks, can be downloaded at *www.metlife.com/pensionrisk* Plan Sponsors Poised to "De-Risk"

Another key finding of this year's U.S. PRBI study is that many plan sponsors of the largest U.S. defined benefit (DB) pension plans are already acting, or planning to take action, to reduce, mitigate and/or transfer risks affecting their plans.

"While plan sponsors may still be grappling with how best to maintain minimum funding levels at a time when benefit obligations are climbing, recent de-risking moves by several major U.S. corporations may be paving the way for additional companies to consider a similar approach for their plans," said Ed Root, Vice President, U.S. Pensions, Corporate Benefit Funding, MetLife.

When asked if they were planning to take a similar approach, a question asked for the first time this year, four in ten plan sponsors (38%) indicated that they are planning to take action of some kind. They say they are doing so primarily because they want to reduce their liabilities, funded status volatility, contributions, pension expense and/or the cost of plan administration so that they can focus on their core business.

"De-risking - whether it's through a partial risk transfer, pension buyout or some other risk mitigation strategy - can go a long way in achieving these objectives," added Root.

Pension Plan Obligations are a Front-Burner Issue for Senior Management
Plan sponsors report that they are keeping a close eye on the impact that their plans' liabilities have on their companies' balance sheets. Eight in ten (82%) plan sponsors have quantified the present value of their company's pension obligation relative to their

organization's size - as measured by market capitalization, annual revenues, total capital or other similar metrics. Nearly six in ten plan sponsors (58%) indicated that their senior leadership pays very close attention to these obligations.

Notable Findings

Other notable findings from the 2013 U.S. PRBI include: Underfunding of Liabilities and Asset & Liability Mismatch continue to rank as the first and second most important risk factors to plan sponsors, respectively. This liability-related focus, which has been consistent for the past three years, is juxtaposed with the first U.S. PRBI study in 2009, when two investment-related risks - Asset Allocation and Meeting Return Goals - topped the importance rankings. Self-reported success ratings - which measure how strongly plan sponsors agree with statements that describe successful management of each of the 18 risk factors - reached an all-time high. More than eight in ten (85%) of all ratings indicated success, compared to 75% in 2009, indicating that plan sponsors believe they are successfully implementing comprehensive measures to manage each risk item. Liability Measurement retained the number-one success ranking for the fourth year in a row, indicating that plan sponsors have made reviewing liability valuations and understanding the drivers that contribute to their plans' liabilities - including how the liability profile may change over time - a consistent priority. In the wake of accounting rule changes, funding changes and more disclosure requirements, plan sponsors say they believe that fewer regulations, and more clarification, would be helpful in maintaining their DB plans. Plan sponsors say that if policymakers are going to take action, they believe that a more favorable interest rate environment, lower Pension Benefit Guaranty Corporation (PBGC) premiums, and certain changes to accounting rules such as simplification, a reduction or elimination of the impact of settlement accounting, and stabilizing interest rates used for accounting valuations, would be helpful.

"The findings of the 2013 U.S. PRBI answer one of the burning questions in the industry about pension risk management: Would this new risk framework that focuses on both the asset and liability sides of the pension risk management equation - as well this level of attention to pension plan management - be temporary, persisting only as long as the economic downturn was acute and then rebounding with the equity markets, or would it be sustained? Based on the findings of our study, the answer is clear: a long-term fundamental change in perception about the nature of pension risk management has occurred," said Cynthia Mallett, Vice President, Industry Strategies and Public Policy, Corporate Benefit Funding, MetLife, who supervised the research.

"Moving forward, we expect that this balanced and integrated approach will continue to provide a sustainable basis for the decisions made and actions taken," added Mallett.

About the Study

The MetLife U.S. Pension Risk Behavior Index? was conducted in conjunction with two research partners - Bdellium Inc. and Greenwich Associates - during the period of October 2012 through January 2013. Commissioned by MetLife, the 2013 U.S. PRBI Study surveyed 126 large plan sponsors (of which 95 reported defined benefit assets of more than $1 billion). Interviews were completed by telephone with a web-assisted option, i.e., respondents had the ability to view the risk factors and questions online while answering the survey via telephone. Respondents consisted of senior financial professionals whose primary focus is pension investments, risk management or employee benefits, in addition to corporate management. A complete report of the findings for the MetLife U.S. PRBI Study (and detailed description of the research methodology) is available at *www.metlife.com/pensionrisk.*

Business Wire
June 4, 2013 Tuesday 4:36 PM GMT
Business Editors; Insurance Writers

FACT SHEET: SOCIAL SECURITY AND MEDICARE TRUSTEES REPORT

The following information was released by the Department of the Treasury:
Today the Social Security and Medicare Boards of Trustees issued their annual financial review of the programs. Social Security's retirement and disability programs have dedicated resources sufficient to cover benefits for the next 20 years, until 2033. After 2033, it is expected that the income from the dedicated payroll tax will be sufficient to finance about three quarters of scheduled benefits through 2087.

The Medicare Hospital Insurance Trust Fund will have sufficient funds to cover its obligations until 2026, two years later than was projected last year, and nine years later than was projected in the last Report issued prior to passage of the Affordable Care Act.

Social Security
Taken in combination, the Old Age, Survivor's and Disability Insurance (OASDI) Trust Funds are projected to be exhausted in 2033, at which point annual revenues from the dedicated payroll tax will be sufficient to fund three quarters of scheduled benefits through 2087. Taken independently, the Old Age and Survivor's Insurance (OASI) trust fund is projected to reach exhaustion in 2035, and the Disability Insurance trust fund is expected to reach exhaustion in 2016. Beyond these dates, dedicated payroll tax from each trust fund will be sufficient to pay more than three quarters of scheduled retirement benefits and 80 percent of scheduled disability benefits across the 75-year window.

While legislation is needed to address all of Social Security's financial imbalances, the need has become most urgent with respect to the program's disability insurance component.

Medicare
The Medicare Hospital Insurance (HI) Trust Fund will have sufficient funds to cover its obligations until 2026, two years later than was projected last year, and nine years later than was projected in the last report issued prior to passage of the Affordable Care Act.

After 2026, the share of HI costs that could be financed with dedicated payroll tax revenues would decline slowly from 87 percent in 2033 to about 70 percent in 2050 and later.

Part B of Supplementary Medical Insurance (SMI), which pays doctors' bills and other outpatient expenses, and Part D, which provides access to prescription drug coverage, are both projected to remain adequately financed into the indefinite future because current law automatically provides financing each year to meet the next year's expected costs. However, the aging population and rising health care costs cause SMI projected costs to grow steadily from 2.0 percent of GDP in 2012 to approximately 3.3 percent of GDP in 2035, and then more slowly to 4.0 percent of GDP by 2087. Roughly three-quarters of these costs will be financed from general revenues and about one-quarter from premiums paid by beneficiaries.

States News Service
May 31, 2013 Friday