BCG Retirement News Roundup

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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.

Inside This Issue

Public Sector/Government Plans

Private Sector

Public Sector/Government Plans

IRS to Issue Guidance on Normal Retirement Age Rules for Governmental Plans; Comments Due July 30

The Internal Revenue Service (IRS) and the Treasury announced they will issue guidance on applying the 2007 Normal Retirement Age regulations to governmental pension plans. **Public comments are requested and are due July 30, 2012.**

Notice 2012-29 states the guidance under consideration would:

- clarify that governmental plans under Internal Revenue Code 414(d) don't need to have a definition of normal retirement age if they don't provide for in-service distributions before age 62, and
- modify the age-50 safe harbor rule for qualified public safety employees.

This would mean that a governmental plan could satisfy the normal retirement age requirement by using a NRA as low as 50 for qualified public safety employees, and a later NRA that otherwise satisfies the requirements in the 2007 NRA regulations for other participants.

The notice also states the IRS and Treasury's intention to extend the effective date of the 2007 NRA regulations for governmental plans to annuity starting dates that occur in plan years beginning on or after the later of:

- January 1, 2015, or
- the close of the first regular legislative session of the legislative body with the authority to amend the plan that begins on or after the date that is three months after the final regulations are published in the Federal Register.

Governmental plan sponsors may rely on Notice 2012-29 for the extension until the 2007 NRA regulations are amended.

CALPERS TO PHASE IN EMPLOYER IMPACT OF DISCOUNT RATE REDUCTION EMPLOYERS WILL PAY HALF OF RATE INCREASE IN FIRST YEAR

The following information was released by the California Public Employees' Retirement System (CalPERS):

The California Public Employees' Retirement System (CalPERS) Board of Administration today adopted a policy to phase in the impact on employers of last month's change in economic assumptions.

The assumption change, which included the reduction of CalPERS' discount rate to 7.5 percent from 7.75 percent, will result in employer rate increases of about 1 percent to 2 percent of payroll for most miscellaneous retirement plans and a 2 percent to 3 percent increase for most safety plans.

California's public employers are continuing to face difficult budgeting challenges during this economic downturn, said CalPERS Board President Rob Feckner. Phasing in the rate increase will give employers a little more breathing room in the first year as they struggle to make ends meet in a difficult economic environment.

Under CalPERS Board policies, any change in unfunded liability due to changes in demographic or economic assumptions is amortized over 20 years. Under the policy adopted today by the CalPERS Board, the change will still be amortized over 20 years but there will be a smaller payment in the first year and slightly higher payments in later years. As a result, most CalPERS employers will see about half of the projected rate increase in the first year and the rest of the increase in the second year.

Our contracting agencies that don't participate in pooled plans will have the option to decline the phase in of increases, said Pension and Health Benefits Chair Priya Mathur. We are committed to working with our employers by providing as much flexibility as is prudent through this process. A sample public agency miscellaneous plan, without phase in, was expected to see an increase in their employer contribution rate of 1.24 percent of payroll over the next 20 years as a result of the lower discount rate. Under the phase in approach adopted by the Board, the employer contribution rate for that sample public agency miscellaneous plan will go up by 0.65 percent of payroll in the first year of the amortization period, followed by an additional increase of 0.64 percent of payroll for a total increase of 1.29 percent of payroll over the two year period.

For State and Schools plan, the first year of the employer rate increase due to the assumption change will be the fiscal year that begins July 1, 2012. For local public agencies, the first year of the increase will be a year later, beginning July 1, 2013, and will be reflected in the valuation reports that public agencies receive from CalPERS in the fall of 2012.

Employers with non-pooled plans may opt out of the phase in and apply the same rate increase to all 20 years of the amortization period. Employers with plans in a risk pool must participate in the phase in to maintain equity amongst all participating employers in the pool.

CalPERS, with assets of approximately $235 billion, is the largest public pension fund in the U.S. It administers retirement benefits for more than 1.6 million California state, local government, and public school employees and retirees, and their families, on behalf of more than 3,000 public employers; and health benefits for more than 1.3 million enrollees. The average CalPERS pension benefit is $2,332 per month. The average benefit for workers who retired in the most recent fiscal year that ended June 30, 2011, is $3,065 per month. More information about CalPERS is available at www.calpers.ca.gov.

States News Service
SACRAMENTO, CA

Feds urged to consider public-private pension plan

Strengthening the pension opportunities for small businesses through privatized means has been a significant push in recent months by the National Conference on Public Employee Retirement Systems; a new report from the Government Accountability Office gives further weight to the organization's pension reform proposals.

The GAO's "Private Pensions: Better Agency Coordination Could Help Small Employers Address Challenges to Plan Sponsorship," suggests that ideas such as NCPERS' Secure Choice Pension - a public/private enterprise effort, modeled after a cash balance-styled defined benefit program and designed to supplement 401(k) savings and Social Security benefits - might be a step in the right direction.
NCPERS' survey of small business owners showed substantial support for the new, privatized pension notion, especially as only 14 percent of small businesses are able to sponsor retirement plans of their own.

Hank Kim, Esq., executive director and counsel for NCPERS - and author of the Secure Choice Pension proposal - said in a release that he was encouraged by the GAO's support of this and other notions of pension reform, especially for small businesses who do not have the resources for more complex defined benefit plans.

"The SCP is envisioned as a public-private partnership that would leverage the strength and expertise of public pension plans to create affordable, sustainable, and administratively simple multiple-employer pension programs for the private sector," Kim said.

The virtues the GAO identifies in those proposals – asset pooling to lower plan costs and portability of individual retirement assets – are just two of the benefits NCPERS' proposed SCP would provide."

Kim and his organization say that a newly created public/private pension system could help close the estimated $4 trillion to $8 trillion retirement savings gap.

BY ANDY STONEHOUSE
March 27, 2012

Financial Pressures Constrain State and Local Government Hiring: Study Shows Layoffs Have Slowed but Pay Freezes and Benefit Cuts Continue

A new survey by the Center for State and Local Government Excellence finds that more than half of state and local governments still have a pay freeze and are adjusting retirement and health care benefits. At the same time, the pace of layoffs has slowed with 28 percent reporting layoffs this year compared with 40 percent last year.
State and Local Government Workforce: 2012 Trends is a follow-up to three previous studies that have looked at questions related to the size of the workforce, compensation and benefits, and employees' plans for retirement.

The top workforce issue cited in 2012 is the public perception of government workers. Issues that continue to rank as most important are retaining staff for core services, addressing employee morale and workload problems, staff development, and reducing employee health care costs.

Workforce changes include:
Employees accelerating their plans for retirement (22 percent) Workforce has shrunk since the 2008 economic downturn (68 percent) Pay freezes (51 percent) Hiring freezes (42 percent) Layoffs (28 percent)

In the area of health care:
Shifted more health care costs to employees (51 percent, down from 72 percent last year) Shifted more health care costs to retirees (11 percent, down from 23 percent) Created wellness programs (26 percent, down from 33 percent)

In the area of pensions:
Raised employee contributions to pension plans for current workers (24 percent, up from 22 percent last year) Increased employee contributions for new hires (27 percent, up from 23 percent last year)

The survey was conducted among members of the International Public Management Association for Human Resources from February 27 to March 13, 2012. Three hundred and forty-three (343) members took part in the survey. Of the members who responded to the electronic questionnaire, 82.2 percent work for local government; 12.3 percent for state government; 1.5 percent for federal government; and 4.1 percent for a non-government sector. Some questions elicited more responses than others.

"With some governments in their fourth year of pay and hiring freezes, there are real challenges to retain, develop, or find the skilled staff needed for essential services. The list of positions that are hard to fill has been growing, an indication that the competition for talent is heating up as the economy slowly recovers," noted Center President and CEO Elizabeth Kellar.

Respondents report that they continue to have a hard time filling a number of positions, including engineers; environmental, chemical, and forensic credentialed professionals; finance; police and firefighters; information technology professionals; librarians; nurses and physicians; middle and top management; skilled trades; and social workers. "State and local governments face significant challenges as they continue to be affected by the economy," said Neil E. Reichenberg, executive director of IPMA-HR. "The workforce constraints combined with the negative public perception of government presents serious employee engagement and morale issues. Additionally, as the economy improves, state and local governments will need to focus on the retention of current employees, as well as developing strategies to ensure that they are viewed as an employer of choice."

"Employee morale and engagement continues to be the top challenge facing the country's state HR directors," said Leslie Scott, director of NASPE. "The effects of budget cuts, such as layoffs, furloughs, and pay freezes, coupled with a less than optimal public perception of state employees has taken its toll on the state government workforce."

See the full survey at http://slge.org/publications/state-and-local-government-workforce2012-trends

You can find all the Center's research on workforce issues at http://slge.org/research/workforce.

About the Center for State and Local Government Excellence - The Center for State and Local Government Excellence helps state and local governments become knowledgeable and competitive employers so they can attract and retain a talented and committed workforce. The Center identifies best practices and conducts research on competitive employment practices, workforce development, pensions, retiree health security, and financial planning. The Center also brings state and local leaders together with respected researchers and features the latest demographic data on the aging workforce, research studies, and news on health care, recruitment, and succession planning on its website, www.slge.org.

SOURCE Center for State and Local Government Excellence

PR Newswire

April 18, 2012 Wednesday 3:15 PM EST

Private Sector

Watch for 401(k) changes in 2012 to get the most from your plan

If you have a 401(k) plan at work, consider yourself fortunate. There are many benefits to contributing to a 401(k) plan. You typically contribute pre-tax dollars to your 401(k), so the more you put in, the lower your taxable income. Plus, your earnings grow on a tax-deferred basis. Furthermore, your 401(k) provides you with a variety of investment vehicles, so you can diversify your account. All in all, a 401(k) is a great way to save for retirement. But to get the most out of your plan, you'll need to be aware of changes that affect it - and some of those changes will show up this year.

Here are a few to consider:

Higher contribution limits - In 2012, you can contribute up to $17,000 to your 401(k), up from $16,500 in 2011. And if you're 50 or older, you can put in an additional amount - up to $5,500 - as a "catch-up" contribution. These same limits also apply to 403(b) plans (if you work for a school or other tax-exempt organization), Thrift Savings Plan (for federal employees) and 457(b) plans (if you work for a state or local government). Of course, you might not be able to contribute the maximum amount to your 401(k) or similar plan, but it is advisable to put in as much as you can afford. And every time your salary goes up, boost your annual contribution. Over time, even small increases in the sums you put in each year can make a big difference in the total amount you have available for retirement.

401(k) fee disclosures - Effective May 31, Labor Department regulations will require most employers to disclose 401(k) plan fees, along with costs associated with each investment option. As a result, some employers may seek lower-cost investment vehicles, which could affect the investment choices available to you. Watch for communications from your employer regarding these choices. You may also want to consult with your financial adviser to determine what changes, if any, you may need to make to your401(k) investment mix, given the possible addition of new investments or the elimination of previous choices. At the same time, you might want to evaluate the overall performance of your 401(k) to see if you need to make any other adjustments, given your risk tolerance and time horizon. Generally speaking, it's a good idea to review your 401(k) at least once a year to determine how well it is meeting your expectations and objectives.

Reinstatement of matching contributions - During the economic downturn, many employers suspended their matching contributions to their employees' 401(k) plans. But now, quite a few of these companies are

reinstating these contributions. If your employer is doing the same, make sure you're putting in enough to your 401(k) to at least earn the match. Otherwise, you are literally "leaving money on the table."
It's not unusual to see changes in your 401(k) plan from one year to the next. By staying current on these changes, you'll be better able to maximize the benefits of your 401(k) - and the more effectively you use your 401(k), the greater your chances of enjoying the retirement lifestyle you've envisioned.

United States: PBGC Announces New Enforcement Approach That Reduces Impact Of ERISA Section 4062(e) On Financially Sound Employers

The PBGC announced that it may lessen ERISA Section 4062(e) enforcement for employers in strong or moderately strong financial condition. However, the PBGC will continue to enforce its prior Proposed Rule on ERISA Section 4062(e) liability.

The Pension Benefit Guaranty Corporation (PBGC) announced it has modified its informal enforcement strategy regarding potential ERISA Section 4062(e) events to provide relief to financially strong companies that sponsor defined benefit pension plans. By way of background, ERISA Section 4062(e) generally applies when a pension plan sponsor ceases operations at a facility and the shutdown results in the separation of employment of more than 20 percent of plan participants (a 4062(e) event). When a 4062(e) event is triggered, the PBGC requires the plan sponsor to provide additional financial security for the pension plan in the form of a security bond or escrow amount. PBGC has significantly increased its enforcement of ERISA Section 4062(e) in recent years, often negotiating significant cash contributions and other concessions (e.g., waiver of credit balances) from plan sponsors.

On August 10, 2010, PBGC issued a proposed rule (the Proposed Rule) that substantially broadened the scope of ERISA Section 4062(e)'s applicability. Under the Proposed Rule many general business decisions, such as the sale of a business unit, movement of operations to a different site and the temporary shutdown of a facility for repairs, resulted in a potential 4062(e) event occurring, even if an entire facility or all operations at a facility were not shut down. As an indication of its expansive approach, the Proposed Rule's preamble stated, "The proposed regulation would provide explicitly that evaluation of risk is not an element in deciding whether a Section 4062(e) event has occurred." That statement suggested that the PBGC would not consider the financial health of a company in determining whether a 4062(e) event occurred.

As noted in our previous newsletter and by several industry groups, the Proposed Rule had the potential to impose unexpected and extensive liability for employers who undertake routine corporate actions. In June 2011, the PBGC announced it would reconsider the Proposed Rule in light of public comments, and it confirmed last month that it will re-propose the Proposed Rule this year, reportedly as early as summer 2012. In addition, recently proposed legislation would also impose restrictions on the PBGC's ability to characterize certain events as a 4062(e) event.

Although the rules for determining what constitutes a 4062(e) event are in flux, the PBGC's new informal enforcement approach will include a risk assessment as a mitigating factor in assessing how to proceed with respect to a 4062(e) event. According to February 2, 2012, testimony from PBGC Director Joshua Gotbaum before the Health, Employment, Labor, & Pensions Subcommittee of the House Education & the Workforce Committee:

PBGC is also being more responsive to companies and plans in enforcing ERISA section 4062(e)-a statutory provision that imposes liability in certain situations when plan sponsors downsize. In light of comments, the agency plans to issue a re-proposed regulation on 4062(e). We have also begun to consider changes in how resources are directed within the 4062(e) enforcement program, in order to focus on the real threats to the retirement security of people in traditional pension plans.

The new approach apparently categorizes plan sponsors into three classes based upon their financial strength. After determining that a 4062(e) event has occurred, the PBGC will now classify the employer-plan sponsor as a "strong company," "moderately strong company" or a "weak company." The company's status determines the extent of its funding liability as follows:

Strong companies are not required to post security, and PBGC will not make further demand of the employer concerning funding practices. The employer has an ongoing obligation to report to PBGC if certain (yet undefined) features change. Moderately strong companies are required to post some security, though the amount will be less than that imposed under a strict interpretation of ERISA Section 4062(e). Presumably, moderately strong companies are subject to the same ongoing reporting obligation as described above, though this also remains unclear. Weak companies remain subject to PBGC's strict application of ERISA Section 4062(e), and will be required to make a contribution, post a bond or pay an amount into escrow if a 4062(e) event is determined to have occurred.

Even though the PBGC will not be actively enforcing ERISA Section 4062(e) for financially strong companies, it has stated it will continue to apply the expansive definition of a 4062(e), as set forth in the Proposed Rule. As a result, though the rules for determining whether a 4062(e) event has occurred remain the same, certain employers that are financially strong may now eliminate or substantially reduce potential liability under ERISA Section 4062(e). It is unclear what metrics the PBGC will consider in assessing an employer's financial condition. However, the PBGC has stated it will rely on existing measures, excluding the company's credit rating.

Sponsors of defined benefit pension plans must continue to consider what impact ERISA Section 4062(e) will have on all business decisions, including asset sales and transfers of operations, in order to avoid inadvertently creating a 4062(e) event and triggering extremely significant contributions for underfunded pension plans. Once the PBGC issues new guidance under ERISA Section 4062(e), sponsors will need to understand whether that new guidance limits their business flexibility. In the interim, certain employers that are financially strong may now eliminate or substantially reduce potential liability under ERISA Section 4062(e).

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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SHRM-AARP POLL SHOWS ORGANIZATIONS ARE CONCERNED ABOUT BOOMER RETIREMENTS AND SKILLS GAPS

The following information was released by the Society for Human Resource Management:

A joint poll released today by the Society for Human Resource Management (SHRM) and AARP shows that U.S. employers are ramping up skills training and employee benefits aimed at closing skills gaps left when Baby Boomers retire, and at retaining and recruiting older workers.

More than seven in 10-72 percent-human resource professionals polled described the loss of talented older workers to be "a problem" or "a potential problem" for their organizations.

HR managers said that the actions their organizations have taken to prepare for the loss of talented older workers who retire include the following:
increased training and cross-training (45 percent);
developed succession planning (38 percent);
hired retired employees as consultants or temporary workers (30 percent);
offered flexible work arrangements (27 percent); and
designed part-time positions to attract older workers (24 percent).
The poll, which focused on strategic workforce planning, also asked human resource professionals to identify the greatest "basic skills" and "applied skills" gaps between workers age 31 and younger compared with workers age 50 and older.

Basic skills - more than half (51 percent) of human resource managers indicated they find older workers to have stronger writing, grammar, and spelling skills in English;
Applied skills - more than half (52 percent) of human resource managers said older workers exhibit stronger professionalism/work ethic.

As background to the poll, SHRM and AARP took note of data from the Pew Research Center indicating that 10,000 Baby Boomers will reach age 65 every day during the next two decades. Already, in 2011, the oldest of the 77 million Baby Boomers began turning age 65-the traditional retirement age.

Despite the proactive steps being taken, the SHRM-AARP poll finds that many U.S. organizations are largely unprepared for the brain drain and skills void that talented, retiring older workers will leave. Roughly 71 percent of those polled still have not conducted a strategic workforce planning assessment to analyze the impact of workers 50 and older who will leave their organizations.

"Although we are encouraged to see that many organizations across the country are preparing for the challenge of Baby Boomer retirements, much more work needs to be done in both the short and long-term," said SHRM President and CEO, Hank Jackson. "That is why we are working together with AARP to provide organizations and their HR professionals with the tools they need to retain and engage their older, experienced talent."

"Older workers bring unique talents and skills to the workforce, and are a great asset to employers," said Jean Setzfand, AARP's vice president for financial security. "We are pleased to be joining forces with SHRM in providing resources to assist employers in determining their workforce needs."

To help U.S. businesses and organizations, the two organizations offer numerous resources through their partnership, including:

AARP's free, online Workforce Assessment Tool which provides a snapshot of an organization's workforce and demographics and analyzes its programs to leverage the talents of its older workers. More than 3,000 organizations have utilized the tool.

The SHRM-AARP Partnership Resource Page on SHRM's website. The resource page includes poll and survey findings, articles, and links to the assessment tool, among others.

The SHRM-AARP poll surveyed 430 randomly selected HR professionals from SHRM's membership. For details, visit the survey directly at http://www.shrm.org/Research/SurveyFindings/Articles/Pages/StrategicWorkforcePlanning.aspx or the BITLY athttp://bit.ly/HDHcdr.

The poll is one of several projects marking the SHRM-AARP partnership to raise awareness about older worker issues and to provide resources and strategies to address these issues.
Follow SHRM Research on Twitter @SHRM_Research.
For more news, follow @SHRMPress.
Follow AARP on Twitter @AARP.

About the Society for Human Resource Management
The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India. Visit SHRM Online at www.shrm.org and follow us on Twitter atwww.twitter.com/SHRMPress.

States News Service

April 9, 2012 Monday

Retirement bottom line: Many will have to work until 70

Will the old thirty something gang still be showing up for work at seventy something?

That could be the case if they hope to enjoy a financially secure retirement. Baby Boomers, with their inheritances, homes, and old-fashioned pensions, may appear to be on track for a solid retirement — but some experts say the forecast for the generation born from 1946 through 1964 isn't necessarily so rosy.

- **MORE:** Social Security benefits; 10 tips
- **MORE:** Pension payouts of 10 largest economies
- **VIDEO:** Return on retirement: Are you underinsured?

While Boomers are more likely than younger workers to have defined-benefit pension plans and certain other advantages — that's particularly true of older Boomers — many may wind up financially ill-prepared for retirement unless they work longer and save more.

The recent financial crisis took a toll on wealth; inheritances on average won't be that big; traditional pension benefits are phasing out; and many shop-till-you-drop Baby Boomers simply haven't saved enough money to last through retirements that should stretch beyond those of previous generations, economists say.

"The majority of today's retirees are able to afford a decent retirement. However, this group is living in a "golden age" that will fade as Baby Boomers and Generation Xers reach traditional retirement ages in the coming decades," according to an October 2009 report led by Alicia Munnell, director of the Center for Retirement Research at Boston College.

"This gloomy forecast is due to the changing retirement income landscape. Baby Boomers and Generation Xers will be retiring in a substantially different environment than their parents did," the report notes, citing longer life spans and retirements and declining "replacement rates" — retirement income as a percentage of pre-retirement income.

As of 2009, in the wake of the housing and stock market crises, some 51% of households were at risk of being unable to maintain their pre-retirement standard of living at age 65, the authors calculated in their report, "The National Retirement Risk Index: After the Crash." Some 41% of early Boomers, 48% of late Boomers and 56% of Gen Xers were at risk, they said.

The financial crisis, however, can't be blamed for everything.

"They weren't prepared even before the crisis," Munnell told CNBC recently. The report noted that two years earlier, 37% of early Boomer and 43% of late Boomer households were at risk.

"The gist of this whole story is that retirement ages are increasing as people live longer and health care costs rise, and at the same time the retirement system is retracting," says Munnell.

Eligibility for full Social Security Insurance benefits is gradually rising from age 65 to 67, Medicare premiums will account for a bigger chunk of spending, increasing numbers of households will be taxed on their benefits, "and people really don't save on their own," says Munnell.

Some researchers believe most Baby Boomers are indeed wealthy enough to maintain their pre-retirement consumption, says David Wise, an economist at Harvard's Kennedy School of Government. Wise, however, says it's instructive to look at the real financial status of elderly retirees near the end of life.

"When you look at it that way, it doesn't look as favorable," he says.

In a recent study, Wise and two colleagues found that "a substantial fraction of persons die with virtually no financial assets - 46.1% with less than $10,000 - and many of these households also have no housing wealth and rely almost entirely on Social Security benefits for support."

Based on a replacement rate measure, "many of these households may be deemed to have been well-prepared for retirement, in the sense that their income in their final years was not substantially lower than their income in their late 50s or early 60s," the study notes. "Yet with such low asset levels, they would have little capacity to pay for unanticipated needs such as health expenses or other financial shocks or to pay for entertainment, travel, or other activities. This raises a question of whether the replacement ratio is a sufficient statistic for the 'adequacy' of retirement preparation."

Given these findings, expectations of a life-saving wealth transfer to the Baby Boomers may be overblown. Maybe half the Baby Boomer population will inherit money from parents, with a median amount of $40,000, according to Boston College's Munnell.

"It's not going to be enough," she says.

People increasingly will rely on their 401(k) retirement plans, but the savings rate isn't reassuring.

According to BC's Center for Retirement Research, 62% of workers were covered only by traditional defined-benefit pension plans in 1983, compared with 17% in 2007. Those covered exclusively by 401(k) plans increased to 63% from 12% during the period.

"In theory 401(k) plans could provide adequate retirement income, but many individuals make mistakes at nearly every step along the way," the center's report states, citing research showing that the median 401(k) and IRA balance for those near retirement was $78,000.

Annamaria Lusardi, economics professor at the George Washington University School of Business, points to a general lack of financial literacy and planning.

"A sizable group of the population has not even thought about retirement, so there are a lot of people that are approaching retirement without any preparation for it," she says.

She also says retirement planning can be a "sophisticated calculation" that chief financial officers with MBAs handled for traditional pension plans. Now many workers must decide how to invest their own retirement wealth in 401(k)s and IRAs, as other major financial forces —spending on children's college education, accumulation of credit card debt — take a toll on retirement savings.

The challenge may also be compounded by the boom-bust cycle of the housing market. Many people took money out of their homes through refinancing, lowering their equity stake. Even for those who did not do so, the subsequent housing price slump has eroded equity, taking a bite out of what's been a traditional retirement resource.

"I think it's very important that we provide ways to help workers make good decisions about retirement," says Lusardi, suggesting that employers provide financial education.

Not every economist sees a bleak future for Boomers, and even those with significant concerns see ways to make those retirements brighter.

"It's basically a very mixed bag. Richer Baby Boomers will do better than previous generations," while the poor will do worse as pensions disappear for many workers, Massachusetts Institute of Technology economics professor Jonathan Gruber said. The extremes in income distribution seen during the working years persist in retirement, with the wealthy in each generation doing better and children of the rich becoming rich themselves, he says.

The amount of income needed in retirement is a subject of disagreement. While the Department of Labor and financial planners recommend an 80% replacement rate, some consider that too high.

An Urban Institute report this year called the 80% rule of thumb "misguided," stating that Americans aren't necessarily saving too little, but they need to save enough so that spending doesn't have to drop sharply in retirement.

Economist John Turner, director of the Pension Policy Center in Washington, D.C., thinks retirees above the poverty level should do OK with at least 60% of pre-retirement income, and suggests that saving 10% of earnings for retirement is enough. But that's more than most people are saving, he notes.

"The way out of this box is to work longer," says Boston College's Munnell. "Now that's harder in this environment where we have high levels of unemployment, but that's really in the end what's going to keep people financially sound. If people work until age 70, I think the vast majority of people would be perfectly fine in retirement."