BCG Retirement News Roundup

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Boomershine Consulting Group (BCG) provides 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. If you would like to discuss any of these issues, please contact us.

Inside This Issue

Public Sector/Government Plans

Northern Trust Press Release

Institutional plan sponsors had investment gains of approximately 3 percent at the median in the three months ending June 30, 2017, the seventh consecutive quarter of positive investment performance, according to Northern Trust Universe data released today.

The Northern Trust Universe tracks the performance of approximately 300 large U.S. institutional investment plans, with a combined asset value of approximately $897 billion, which subscribe to performance measurement services as part of Northern Trust's asset servicing offerings.

Equities continued to drive investment returns in the Northern Trust Universe, with the median international equity program up 6 percent and median total equity program up 4.3 percent in the second quarter. Private equity programs gained 3.3 percent at the median, while fixed income and real estate were up less than 2 percent in the quarter.

Corporate ERISA plans gained 3.6 percent at the median return in the second quarter, slightly ahead of Public Funds (3.2 percent) and Foundations & Endowments (2.9 percent).

“All plan sponsor segments saw solid performance in the second quarter, and asset allocation played a different role for each type of plan,” said Mark Bovier, North America regional head of Investment Risk and Analytical Services at Northern Trust. “While Corporate ERISA plans have large allocations to fixed income, they also allocate more than other segments to high yield, emerging market debt and longer duration investment grade bonds, all of which returned noticeably more than traditional core bonds in the second quarter.”

“What worked for Public Funds was a relatively large allocation to non-U.S. equities – 16 percent for the median plan, compared to approximately 11 percent for Corporate ERISA and Foundations & Endowments. F&E plans were weighed down by relatively weak returns from alternatives,” Bovier said.

For Public Funds, the second quarter ended a strong year of investment performance. The median Public Fund in the Northern Trust Universe gained 12.7 percent at the median for the 12-month period, up from a 0.5 percent gain in the prior year. Many state and local government plans end their fiscal year on June 30.

“Public Funds have benefited from greater exposure to equities, which have been a top performing asset class over the long term,” said Bill Frieske, senior investment performance consultant, Investment Risk & Analytical Services. “Since the end of the financial crisis, in March 2009, the median total equity program in the Northern Trust Universe has returned 14.5 percent annually."

Longer-term returns as of June 30, 2017 are as follows:

	1 Yr	3 Yr	5 yr
ERISA	10.7%	5.6%	8.9%
Public Funds	12.7%	5.5%	9.1%
Foundations & Endowments	12.5%	4.6%	8.4%

Puerto Rico governor signs pension reform law

Maryland State Retirement & Pension System, Baltimore, will reduce its assumed rate of return to 7.45% over the next two fiscal years, following a vote by the board of trustees on Tuesday.

Puerto Rico has passed pension reforms that include making payments to the depleted defined benefit system from general revenues, and creating a defined contribution plan for active workers and new hires.

The reforms were passed Aug. 10 by the commonwealth's Legislative Assembly and signed Wednesday by Gov. Ricardo Rossello.

The changes are subject to approval by Puerto Rico's Financial Oversight and Management Board, also known as PROMESA for the Puerto Rico Oversight, Management and Economic Stability Act under which it was created. The oversight board has its own plan for pension reform that calls for progressively reducing pension benefits by a total of 10% for most participants and enrolling all active members and new hires in defined contribution accounts.

The legislation signed by Mr. Rossello calls for the new defined contribution plan to be administered by a third-party provider. It also prevents the government from accessing the assets in the retirement plan.

Funding the pension system through a pay-as-you-go system "clearly demonstrates this administration's commitment to comply with the fiscal plan and continue rescuing Puerto Rico from the worst fiscal crisis in its modern history," Mr. Rossello said in a statement. "Puerto Rico is taking a historic positive step towards stabilizing and saving the public pension system."

At an Aug. 4 meeting, PROMESA board member Andrew Biggs said pension changes will be implemented through a combination of legislation and the PROMESA board's plan of adjustment, "which we are actively working on."

"These changes dealt principally with a systemwide overhaul to accomplish three things. First, fund existing pension obligations on a 'pay go' basis, which means the government will pay benefits to retirees directly as they come due, rather than attempting to pre-fund future benefits via a retirement system's investment fund," Mr. Biggs said.

"Second, enroll both active employees and newly hired workers in a true defined contribution retirement system, in which each employee has an individual account that segregates their contributions from their existing accounts (if any) and protects their contributions to pay for their own future benefits," Mr. Biggs continued.

"Third, ensure that all newly hired employees are enrolled in Social Security. While most Puerto Rico government employees pay into Social Security and will receive benefit from it, most teachers, police officers and judges are not enrolled in Social Security. Enrolling newly hired employees, and potentially current employees as old as age 40, would provide those employees with a more solid source of income in retirement," Mr. Biggs added.

U.S. Postal Service warns of $6.9B pension default

The U.S. Postal Service warned Thursday that it will likely default on up to $6.9 billion in payments for future retiree health and pension benefits for the fifth straight year, citing a coming cash crunch that could disrupt day-to-day mail delivery.

The service said it expected cash balances to run low by October and to avoid bankruptcy would likely not make all of its payments as required under federal law. Postmaster General Megan Brennan stressed an urgent need for federal regulators to grant the Postal Service wide freedom to increase stamp prices to help cover costs, citing continuing red ink due to declining first-class mail volume and the expensive mandates for retiree benefits.

The Postal Service has already defaulted on $33.9 billion in health benefit pre-payments. Left unresolved, the rapidly growing debt means that American taxpayers eventually could be forced to cover the massive costs when future postal retirees seek to cash in on the benefits to which they are legally entitled.

The Postal Regulatory Commission is making a decision on stamp pricing next month.

Our financial situation is serious, but solvable, Brennan said, citing an unreasonable rate cap that restricts stamp price increases to the rate of inflation. Were clearly looking for the PRC to establish a new pricing system for us.

The Postal Service on Thursday reported a quarterly loss of $2.1 billion, compared to a $1.6 billion loss in the same period ending June 30 last year. That came after double-digit growth in package delivery was unable to offset drop-offs in letter mail, which makes up more than 70 percent of total postal revenue.

Quarterly revenue came to $16.7 billion, a decline of $1 billion from the same period last year.

After a 10-year review, the regulatory commission appears likely to give the Postal Service more flexibility to raise rates, marking the biggest change in its pricing system in nearly a half-century. The commission might limit how high prices could go, but the cost of a first-class stamp, now 49 cents, could jump. Its not known how much.

The Postal Service, an independent agency, is trying to stay financially afloat as it seeks to invest billions in new trucks to speed delivery.

Mail volume is dropping and demand for package shipping is surging due to the growth of online retailers such as e-commerce giant Amazon. With the holidays approaching, Brennan said the Postal Service planned additional temporary hiring and was looking to expand its package deliveries in the mornings, evenings and on Sundays.

The competition is most intense, she said.

The Postal Service is also urging Congress to provide relief from the mandate to pre-fund retiree health benefits. Legislation in 2006 required the Postal Service to fund 75 years worth of retiree health benefits, something that neither the government nor private companies are required to do.

Todays financial report shows the underlying business strength of the U.S. Postal Service while also indicating the need to address external matters beyond USPS control, said Fredric Rolando, president of the National Association of Letter Carriers. Congress should address the pre-funding burden it imposed in 2006.

To avoid bankruptcy, the post office has defaulted on the multibillion dollar health prepayments each year since 2012.

Three Pension Funds Sue Major Banks in Stock Loan Case

The funds allege that six major banks conspired to overcharge on the stock loan market.

Three public retirement funds have banded together to file a lawsuit against six major Wall Street investment banks, alleging that they were overcharged by those banks in the stock loan market and that the banks conspired to control the market.

The lawsuit was filed in United States District Court of the Southern District of New York on August 16 by the Iowa Public Employees' Retirement System, the Orange County Employees' Retirement System, and the Sonoma County Employees' Retirement System. The plaintiffs are suing Bank of America Merrill Lynch, Credit Suisse, Goldman Sachs, J.P. Morgan, Morgan Stanley, and UBS.

Stock lending is a common practice among institutional investors, particularly public pension funds, which often sit on large piles of cash for a long time. Lending shares, for example to other investors who want to short them, "allows these investors to earn a cash return on their investments while holding a stable interest in publicly-traded companies," according to the lawsuit.

But the investors allege that the banks worked together to keep the stock-loan market inefficient by conspiring to keep third-party electronic platforms from tapping into this lucrative business. "We think it's a strong case," Daniel Brockett, senior litigation partner at Quinn Emanuel Urquhart & Sullivan who is representing the pension funds, tells Institutional Investor. "It's very well documented."

The stock-loan market does not operate like the equities market does. While almost $1.72 trillion worth of securities are on loan, there isn't a system in place that shows updated prices on stock loans. As a result, valuations on stock lending are virtually unknown.

Several stock loan trading platforms, like Quadriserv and SL-x have popped up over the years, but, according to the suit, the banks "threatened clients with retaliation if they moved any of their stock lending transactions" to either platform.

The suit alleges that the banks "conspired to keep stock loan trading frozen in an inefficient and opaque [over the counter] market in order to preserve their privileged position as intermediaries on every trade."

Additionally, these bankers "preserved this antiquated system by taking collective action to boycott trading platforms which sought to enter the market and which threatened to increase transparency and competition," the lawsuit alleges.

According to Michael Eisenkraft, partner at Cohen Milstein Sellers & Toll who is representing the pension funds along with Brockett, the suit has been in the works for a number of months. Eisenkraft declined to comment further.

Brockett noted that since its filing, the lawsuit has received an "outpouring" of support from other pension funds.

The banks implicated have yet to respond in court. A Nov. 1 pretrial conference date has been set by Judge Analisa Torres.

“We’ll be working together even more facts to strengthen the complaint between now and then,” Brockett said.

Spokespeople from Goldman Sachs, Morgan Stanley, J.P. Morgan and UBS declined to comment on the lawsuit. Bank of America Merrill Lynch and Credit Suisse did not immediately respond to requests for comment.

“Iowa Public Employees’ Retirement System is proud of its role in leading this lawsuit and its efforts to get compensation for investors damaged by the lack of competition and transparency in the stock lending market,” a spokesperson wrote via e-mail. “IPERS has a fiduciary duty to advocate for IPERS’ participants and beneficiaries and protecting them from investment banks’ collusion and anti-competitive behavior is in accordance with that duty.”

Spokespeople from the Orange County Employees’ Retirement System and the Sonoma County Employees’ Retirement System directed requests for comment to the legal team.

New Study Finds Public Employees Overwhelmingly Choose Pensions as Retirement Plan over Individual 401(k)-Type Accounts

A new study finds that public sector employees with retirement plan choice overwhelmingly choose defined benefit (DB) pension plans over 401(k)-type defined contribution (DC) individual accounts. Among the eight states studied that offer employees such a choice, the DB pension take-up rates in 2015 were 80 percent or higher in six states. Two of the plans studied had pension take-up rates higher than 95 percent, while Florida and Michigan had take-up rates of 76 percent and 75 percent, respectively.

Importantly, the research finds that even when the retirement plan default option favors a DC plan, most employees still select a DB pension plan. For example, in Washington the default retirement plan is a combination DB/DC plan. Employees must affirmatively act to elect to participate in the DB pension plan instead, and they do. The majority of newly-hired employees - six out of every ten new hires - actively choose a pension plan.

These findings are contained in a new study, Decisions, Decisions: An Update on Retirement Plan

Choices for Public Employees and Employers, available here. The research is co-authored by Jennifer Brown, manager of research for the National Institute on Retirement Security (NIRS) and Matt Larrabee, principal and consulting actuary with Milliman .

"When employees have a choice, pensions continue to win in a landslide," says report co-author Jennifer Brown . "These findings indicate that public employees highly value their pension benefits, which is consistent with NIRS' polling that finds Americans strongly support pensions for providing economic security in retirement. Notably, our polling also indicates that public employees strongly agree that all Americans should have a pension."

"Our findings also suggest that the public sector is unlikely to mimic the trend away from pensions as seen in the private sector for two reasons. First, there is strong employee support for pensions. Second, DB pensions remain the most cost-effective way for public employers to provide a modest and secure retirement benefit for employees who typically earn less than comparable private sector employees," Brown explained.

The research also indicates that employees directing their own investments typically tend to earn lower investment returns than that of state pension plans. The investment advantage in public DB pensions can be attributed to three factors : lower expenses, professional asset management and an optimal investment allocation used by the DB plan over decades. DB pension plans also benefit from longevity risk pooling.

Also, the research examines the issue of states eliminating DB pensions and moving new hires into DC accounts in the hopes of lowering costs or addressing funding shortfalls often caused by states skipping their full actuarial contributions. But, the experience of states shows that such a change has the opposite impact with a DB to DC switch increasing retirement costs for employers and taxpayers in the immediate future.

The new research is an update to a 2011 study with similar findings. To conduct the study, NIRS and Milliman requested information directly from the retirement systems that allow new hires to choose between DB, DC, and combination plans. These systems provided statistics on members that have selected each option. The authors also requested other important provisions relating to benefits and contributions. This primary source material provides a valuable insight into what really happens when public employees are allowed to choose between DB and DC.

Private Sector

Pension Sponsors Would Reap Savings on Longevity Table Delay

Pension & Benefits Daily™ covers all major legislative, regulatory, legal, and industry developments in the area of employee benefits every business day, focusing on actions by Congress,...

An IRS rule that would change life expectancy tables used by pension plan sponsors may be delayed, a prospect that could please many employers.

For plan sponsors, a delay could mean lower required plan contributions, reduced variable rate premiums owed to the federal Pension Benefit Guaranty Corporation, and an expanded opportunity to offer cheaper lump-sum payouts to employees. The new tables extend longevity projections for those participating in plans.

It's uncertain whether the tables will in fact be delayed from their original Jan 1, 2018, effective date. However, the odds that they will have increased after the federal Office of Management and Budget recently designated the IRS rule as "economically significant."

"Given the designation, an assessment of the costs and benefits of the regulatory action, as well as of certain identified alternatives, is required," Dominic DeMatties, partner with Alston & Bird in Washington, told Bloomberg BNA Aug. 14. It's unclear whether those assessments have been completed, but it wouldn't be surprising if they have been, said DeMatties, who previously served as an attorney-adviser in Treasury's Office of the Benefits Tax Counsel.

Although "it can't be ruled out that an economic review has already been completed," odds are the tables will be delayed, Lou Mazawey, principal with the Washington-based Groom Law Group, told Bloomberg BNA Aug. 14. Plan sponsors have been following this issue closely and would welcome the delay, he said.

Even if the rule isn't held up by the need for further economic review, the tables may not be implemented on time if the rule is subject to a Trump administration executive order requiring federal agencies to eliminate two existing regulations for every new one they issue.

The impact of the two-for-one rule, if any, isn't at all clear, DeMatties said. If the Treasury is prohibited from considering costs in the underlying statutory language providing for the mortality table update, then it's possible that the two-for-one requirement won't change anything for this particular regulation, he said.

A delay in the implementation date of the tables would reduce required contributions for plan sponsors as well as variable rate premiums for those with underfunded plans. However, it's less certain what a delay would mean for lump-sum payouts to plan participants.

Generally speaking, the delay would likely give sponsors an expanded opportunity to offer cheaper lump-sum payouts to groups of employees who haven't already been offered them, Zorast Wadia, a principal and consulting actuary in the benefits consulting firm Milliman's New York office, told Bloomberg BNA Aug. 14.

But that's not always the case, because lump-sum payouts are also affected by interest rates. It's possible that a change in interest rates could make lump-sum payouts more expensive for sponsors even without the new mortality tables, Mark E. Carolan, an associate at Groom, told Bloomberg BNA Aug. 14.

Employers cut contributions to retirements by a quarter; The biggest driver is the decline of traditional pensions replaced by stingier 401(k)-style plans

Retirement benefits - including employer contributions to pensions, 401(k)s and retiree health care - fell from 9.1 percent of worker pay in 2001 to 6.8 percent in 2015, a report shows. Spending on traditional pensions plunged 76 percent, to less than 1 percent of worker pay.

Americans are more worried about retirement, and they're getting less help saving for it.

Employers cut their contributions to workers' retirements by a quarter from 2001 to 2015, according to a new report by the consulting firm Willis Towers Watson. The biggest driver: the decline of traditional defined-benefit pensions, replaced by stingier, 401(k)-style, defined-contribution plans.

Retirement benefits - including employer contributions to pensions, 401(k)s and retiree health care benefits - fell from 9.1 percent of worker pay in 2001 to 6.8 percent in 2015. Spending on traditional pensions plunged 76 percent, to less than 1 percent of worker pay. Medical benefits for retired workers became increasingly scant, falling from 1.2 percent of worker pay to just 0.2 percent.

The good news is that many companies, while shutting down or freezing pension plans, have sweetened their 401(k) matching contributions. Some large employers, eager to recruit top job candidates in such hot areas as technology, have boosted benefits, as the Wall Street Journal reported on Monday. An executive at Microsoft in charge of benefits told the Journal that the company's newly generous employer match had proved so popular that "it's blowing my budgets."

But higher 401(k) matches aren't making up for the loss of other retirement benefits overall, and even the most generous 401(k) plans usually lack a traditional pension's biggest selling point: a guaranteed income for life. With a 401(k), it's up to individual workers to figure out how much they should be saving-and how to make the money last, once they've retired.

While retirement plans got less generous, spending on current workers' health insurance soared, Willis Towers Watson said. To keep up with the rising cost of health care in the U.S., employers doubled their spending on health care as a percentage of employees' pay, from 5.7 percent in 2001 to 11.5 percent in 2015.

In 2001, retirement made up the majority of the cost of providing benefits to employees, Willis Towers Watson estimated. But its share has fallen steadily. By 2015, health care for current employees was 63 percent of all benefit spending.

Workers aren't necessarily getting much for this extra health spending. In fact, other studies have shown that workers' contribution to their own health care, in the form of deductibles and co-pays, is also up.

Unfortunately, the rising cost of health care is hitting Americans twice. While they're working, health costs are bleeding away their ability - and their employers' ability - to pitch in for retirement. After retirement, unless current trends change, they face the daunting prospect of higher and higher medical bills.

The result is pessimism about retirement. Labor Department statistics show more and more Americans working past 65 and even 70. In a Willis Towers Watson survey of more than 4,700 full-time workers, 76 percent agreed that "my generation is likely to be much worse off in retirement than my parents' generation was." More than a quarter of workers 55 or older said they "feel stuck" at work and would retire if they could.

LIMRA Secure Retirement Institute: First Half 2017 Annuity Sales Reach Lowest Level in 16 Years

In the first half of the year, total annuity sales decreased 10 percent to $105.8 billion compared with the first six months of 2016, according to LIMRA Secure Retirement Institute's Second Quarter 2017 U.S. Retail Annuity Sales Survey. First half sales have not been this low since 2001.

Second quarter results for total annuity sales were $53.9 billion, a slight uptick from first quarter, but an 8 percent decline from this quarter last year. This is the fifth consecutive quarter of decline in overall annuity sales. It is also the sixth straight quarter fixed sales have outperformed VA sales, which hasn't happened in almost 25 years.

U.S. variable annuity (VA) sales were $24.7 billion in the second quarter, down 8 percent compared with prior year results. This marks the 14th consecutive quarter of decline in VA sales. Sales from the first half of 2017 VA sales were $49.1 billion—8 percent lower than the first six months of 2016.

"A closer look at what's driving the drop in VA sales reveals qualified VA sales have experienced a more significant decline than non-qualified VAs," said Todd Giesing, director, Annuity Research, LIMRA Secure Retirement Institute. "VA qualified sales were down 16 percent in the second quarter, while nonqualified sales were actually up 5 percent. This could be in reaction to the DOL fiduciary rule."

Second quarter qualified VA sales accounted for 58 percent of retail variable annuity sales, a five-percentage points decline from the same quarter last year.

Sales of fee-based variable annuities increased in the second quarter to $570 million, representing 2.3 percent of the total VA market. While this is a small portion of the overall VA market, these products have seen continued growth over last year.

Another VA product line that has experienced growth are structured variable annuities. In the second quarter, sales of these products have increased 36 percent, reaching $1.8 billion, which represents 7 percent of the VA market

Institute forecasts VA sales will drop 10-15 percent in 2017, totaling less than $100 billion. This has not occurred since 1998.

Fixed annuity sales also declined in the second quarter. Sales were down 7 percent to $29.2 billion. All fixed product lines sales, except structured settlements, experienced declines. In the first half of

2017, fixed sales fell 11 percent to $56.7 billion.

Second quarter indexed annuity sales totaled $15.6 billion, a 15 percent increase from first quarter but are still four percent lower than prior year results. Nine of the top 10 companies have reported quarter-over-quarter growth. The Institute predicts indexed annuity sales will decline 5-10 percent in 2017.

Fixed rate deferred annuities (Book Value and MVA) sales dropped 11 percent in the second quarter to $9.3 billion. Year-to-date, fixed rate deferred annuity sales were $19.4 billion, 14 percent lower compared to 2016 results.

In the second quarter, deferred income annuity (DIA) and single premium income annuity (SPIA) sales both experienced declines. DIA sales were down 31 percent to just $600 million. SPIAs were down to $2.2 billion in the second quarter—a 12 percent drop.

The American Working Conditions Survey Finds That More Than Half of Retirees Would Return to Work

There are many reasons to help older Americans stay in the workplace, but the best reason could be that they still want to be there. One indication of their workplace satisfaction is the new American Working Conditions Survey (AWCS), which shows that, overall, older workers report having more meaningful work and more workplace flexibility than their younger peers.

This brief focuses on comparing the working conditions experienced by older workers (ages 50 and above) with those of their prime-age peers (ages 35–49), based on their responses to questions posed by the AWCS. The AWCS examined a large number of workplace issues for all workers ages 25–71. The survey had a 64-percent response rate and a large sample of 3,131 respondents. This brief focuses on comparisons that have statistically significant results — meaning that they are unlikely to have been caused by chance.

Why Is Keeping Older People in the Workplace Important?

With baby boomers reaching retirement age, the Social Security system is stressed, and economic growth is slowing. In response, many experts recommend encouraging older workers to extend their careers. But do working conditions allow older workers to keep working, and do they even want to continue working?

What Do Older Workers Want, and Is the Workplace Supplying It?

The sections below summarize what existing research says that older workers want and the AWCS findings that reflect whether their workplaces fulfill those wants and needs.

Older Workers Want Meaningful Work, and They Have More of It Than Younger Peers

Research suggests that meaningful work is a key reason that older workers delay retirement. The AWCS shows that more than two-thirds of older workers reported that they felt satisfaction over work well done and felt that they were doing useful work — with no real differences between older men and women. In comparison, about two-thirds of prime-age women also reported having fulfilling work, but just 54 percent of prime-age men said the same.

Older workers (especially men without college degrees) are more likely than prime-age workers to say that they apply their own ideas (87 percent versus 83 percent in prime age) and solve unforeseen problems (85 percent versus 78 percent) in their work. Older workers are also less likely than prime-age workers to say that they perform monotonous tasks (54 percent versus 64 percent).

One explanation for the difference is that older Americans have worked their way into more interesting jobs over their careers. Another is that Americans working tedious, unfulfilling jobs simply left the workforce earlier than those with fulfilling jobs.

Flexibility in Both Hours Worked and Schedule Is Important, and More Older Workers Have Both

Research shows that workplace flexibility — in terms of hours of work and ability to schedule hours — to manage conflicts between work and family life is important to retaining older workers. The AWCS shows that older workers have more flexibility than their prime-age peers, but this is largely due to the inclusion of college graduates.

Overall, 17 percent of older workers set their own work hours, while this is true for just 14 percent of younger workers. But when education enters the mix, older college-graduate men and women are more than twice as likely to determine their work schedules as their younger, less-educated counterparts. Older college-graduate men have the most freedom to determine their own schedules, and they report the least difficulty arranging time off during the workday to handle personal matters.

Older Workers View Work Relationships as Providing Less Support Than Younger Workers Do

Research shows that older workers strongly desire "constructive relationships" in the workplace — things like support from co-workers and supervisors and a supportive work environment.

However, older workers perceive social support as lacking, according to the AWCS. Older workers are less likely — by 5 to 6 percentage points — than younger workers to report that their boss is supportive, cooperation with colleagues is good, and conflicts are resolved fairly.

Older workers also report less opportunity for career advancement than prime-age workers do (27 percent versus 40 percent), although in many cases they may have advanced further in their careers than their younger counterparts.

Older Workers Do Less Fast-Paced Work Than Their Younger Counterparts, but Their Jobs' Physical Requirements Are Still Considerable

People's stamina, strength, balance, vision, and hearing tend to decline as they age, and these changes can put older workers at risk of injury or developing physical limitations at work.

The AWCS found that older workers are less likely to work at high speed (58 percent versus 67 percent of prime-age workers), are more likely to be able to take breaks when they want (64 percent versus 53 percent), and have fewer external factors (like a boss, clients, or targets) determining their pace of work (39 percent of older workers report three or more factors versus 49 percent for prime-age workers). Both choice and necessity likely drive these patterns, with some choosing to take on supervisory roles as they gain seniority, and others finding that they must shift into jobs that better match their changing work capacities.

At the same time, older workers are almost as exposed to intense or repetitive physical exertion on the job as younger workers are (58 percent engage in at least one physically demanding activity at least one-quarter of the time, compared with 63 percent of younger workers). Interestingly, older workers are less likely than younger workers to sit all day on the job (39 percent versus 49 percent). In fact, when looking at all of the indicators for physical demands, older workers' jobs are surprisingly strenuous.

Retirement Is a Fluid Concept; There Are Many Ways to Keep Older Workers Engaged and Entice Them Out of Retirement

Many retirees say that they would consider returning to the workforce if conditions were right — and many others already have.

More than half of those 50 and older who were not working and not searching for work reported that they would work in the future if the right opportunity came along. The percentage is even higher among older college graduates (60 percent versus 40 percent for older nongraduates). Meanwhile, 39 percent of workers 65 and older who were currently employed had previously retired at some point.

Older job seekers — regardless of whether they are employed and searching for a different job, unemployed and actively searching for work, or not in the labor force but open to the possibility of returning to work if the right opportunity arose — are less likely than younger job seekers to rate formal benefits, such as dental insurance, life insurance, or paid time off, as essential or very important. What did matter was having some control over how they do their work, the ability to set their own pace, and the physical demands of the job.

Working conditions could play an important role in unleashing the substantial work potential of retired workers or those close to retirement. The AWCS suggests that keeping older Americans engaged by giving them control over when and how they do their work, accommodating their changing physical capacities, and improving their connection with co-workers may be appropriate places to start.

600,000 state residents could join state retirement-savings plan

After a half-year-long delay in gathering enough members to get off the ground, the state's Retirement Security Authority met for the first time Thursday, with the task of setting up a new payroll deduction savings plan for as many as 600,000 residents who do not have traditional plans.

State Comptroller Kevin Lembo said the work of the 15-member board could take about a year. State residents could begin to register for retirement savings accounts in 2019 or 2020.

During a news conference in the State Capitol complex, legislative leaders said that the authority's meeting continues a 10-year process of working groups and a vote in the General Assembly in 2016.

"It is crucially important that this program get under way," said Senate President Pro Tempore Martin M. Looney, D-New Haven, an early supporter of the concept, which will be similar to the college-savings plan for families run by the state treasurer. "Every year more and more people in Connecticut are retiring without traditional pensions and depending on Social Security for the bulk of their income. Social Security was never intended to be the only retirement benefit that people had."

Looney, back up by red-shirted AARP activists, said that life savings and Social Security must join other programs, such as 401(k), IRAs and traditional pensions in providing later-life income.

"They deserve to retire with dignity," said Speaker of the House Joe Aresimowicz, D-Berlin, stressing that when the savings plan is finally established, young people can elect to have small, five and 10-dollar amounts deducted from their paychecks and put into retirement savings. “It will be totally portable with every job they go to, it will continue to earn interest,” he said.

The authority is being led by Scott Jackson, the former Hamden mayor who is state commissioner of the Department of Labor. Lembo said that those who will particularly benefit from the savings plans will be women and minorities, who disproportionately do not have retirement plans.