



# **Retirement Readiness 2015 Results**



**North Carolina**  
Total Retirement Plans



## Mission Statement

*“Our mission is to exercise fiduciary oversight and provide outstanding customer service that provides value to, and instills confidence by, the state’s citizens, customers, and financial community.”*

Everything starts with our mission, which shares our purpose as a division and serves as the basis for our decisions and actions:

- To secure the retirement of North Carolina public servants
- To deliver comprehensive, personalized solutions and services
- To provide exceptional customer experience
- To protect the integrity of the North Carolina Retirement Systems



## ***Vision Statement***

*“Our vision is to create and maintain a fiscally sound and prosperous North Carolina.”*

Our vision serves as a roadmap, and guides us by describing what we need to accomplish to effectively deliver on our long-term mission:

- **People:** Provide a great place to work where people are inspired to be the best they can be
- **Productivity:** Be a highly-effective, lean and fast-moving division
- **Portfolio:** Package a portfolio of services that anticipates and satisfies member needs and desires
- **Process:** Develop and maintain efficient processes that are measurable, customer-friendly and manage accountability
- **Predict:** Leverage data analytics to predict trends, and be an industry leader on retirement matters and innovation at the state and national levels
- **Protect:** Set the highest standards in the development and rigorous enforcement of our pension protection policies and procedures



## **Retirement Readiness Defined**

Retirement readiness is defined as being able to replace 80 percent of your pre-retirement income by age 62—and have it last *every year* throughout your retirement.



## **Retirement Income Sources**

- Major sources of retirement income:
  - Employer-sponsored pension
  - Personal savings in the NC 401(k), NC 457, and/or NC 403(b)
  - Social Security
  - Outside assets
- Inclusion of the NC 403(b) and outside assets.
- Report this information at the individual (Annual Benefit Statement), employer (Field Report), and plan level (ABS Report).



## **Retirement Readiness Results vs. Goal**

	2011	2012	2013	2014	2015
Results	55.60%	59.92%	67.56%	64.01%	60.48%
Goal	NA	58.00%	60.00%	70.00%	65.00%

- Retirement Readiness declined in 2015 primarily due to:
  - The plans overall flat investment performance in 2015 and the drop in Retirement Readiness score for members with only a pension plan.
  - large portions of the membership receiving salary increases in 2015.
  - Salary increases
  - Contribution increases not keeping pace with salary increases



## *Getting Behind the Numbers*

- Significant number of retirements and terminated employment
  - Members within five years of retirement
    - 2013: 102,000      2015: 72,106
  - Members within five years of projected retirement date  
(% of active membership)
    - 2013: 26.00%      2015: 18.88%
- Salary Increases
  - Salary increases in the last few years have created higher projected salaries at retirement; therefore, it requires more savings to meet a higher income threshold



## **Breaking Down the Population**

- Whether a participant chooses to be in a supplemental plan **matters**
  - Retirement readiness score for members only in the pension
    - 2013: 60.37%      2015: 50.16%      Difference: 10.21%
  - Retirement readiness score for members in both the pension and a supplemental plan
    - 2013: 77.00%      2015: 74.09%      Difference: 2.91%
- Active participation in the supplemental plans is key to achieving retirement security
- In 2015, the impact of an increase in salary was offset by positive returns in the financial markets. Those participating only in the pension didn't experience this benefit.

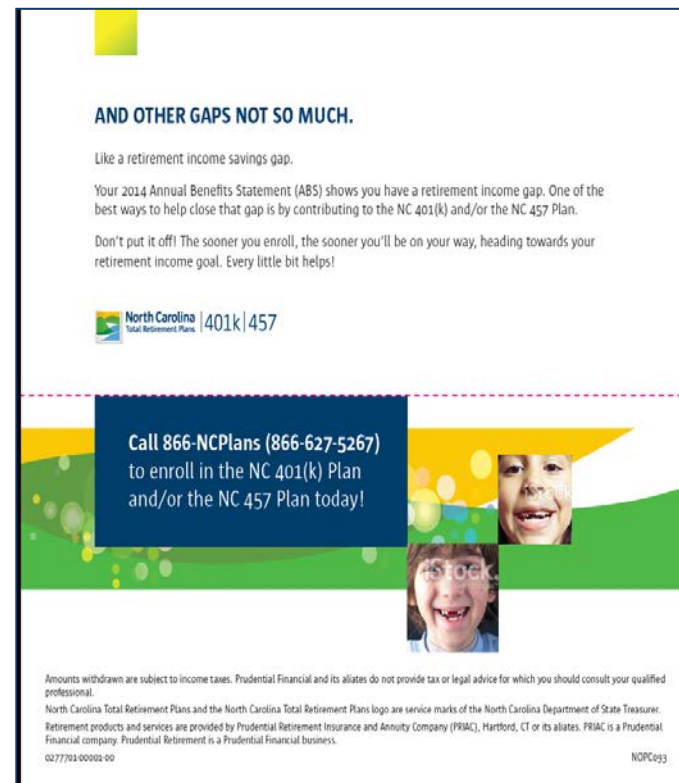
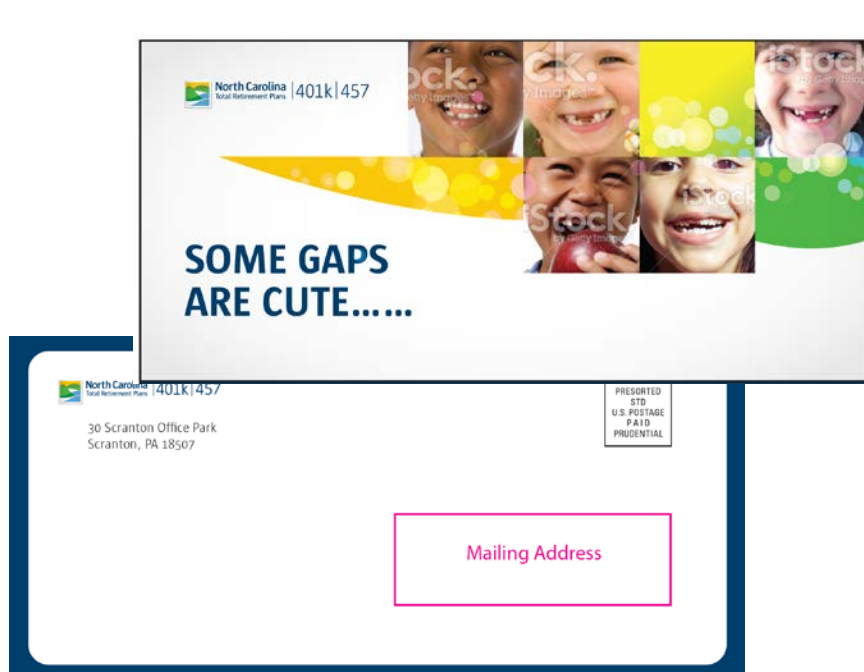




## Next Steps:

- Contribution campaign to those participants with a gap
  - Encourage participants to review their ABS and take action
  - Implement July 2016
- Nearing Retirement Campaign (Messaging)
  - Unlike your pension, your retirement is not a “triggering event”
  - Demonstrate the benefits of staying in the plan
- Enrollment Campaign
- Leveraging DB data to target messages to those not in a supplemental plan

## Some Gaps are Cute, Others Not So Much: Draft Mailer





## *Future Goals*

### Target Retirement Readiness Goals

- 12/31/2016 - 65%
- 12/31/2017 - 66%
- 12/31/2018 - 67%
- 12/31/2019 - 68%
- 12/31/2020 - 70%



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**Questions?**