



2013 RSD Top-Level Metrics Results

North Carolina Department of State Treasurer



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Learn. Invest. Grow. Prosper.

Retirement Systems Division

Mission Statement

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...*



Retirement Systems Division

Vision Statement

Our vision serves as our roadmap and guides us by describing what we need to accomplish in order to effectively deliver on our Mission long term

- **People:** Be a great place to work where people are inspired to be the best they can
- **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 voice at the state and national levels on retirement matters and innovation
- **Protect:** Set the highest standards in the development and rigorous enforcement of our pension protection policies and procedures



Retirement Systems Division

2013 Top-Level RSD Metric Goals

- Retirement Readiness
 - 60% of all active members are “on track” to replace 80% of their replacement income
- Employee Engagement
 - Score a 3.0 out of 4.0 on the 2014 Employee Survey
- Member Satisfaction
 - Consistently achieve a 4.0 out of 5.0 on member and retiree surveys
- Fiscal Integrity
 - Fund the Annual Required Contribution
 - Death & Disability Review
 - Fraud, Waste & Abuse Review
 - Effective Policy



Retirement Systems Division

2013 Top-Level RSD Metric Results

- Retirement Readiness
 - 67.56% of all active members are “on track” to replace 80% of their replacement income at age 62
- Employee Engagement
 - Survey delayed for state procurement selection of vendor
- Member Satisfaction
 - 4.41 out of 5.0 on member and retiree surveys
- Fiscal Integrity
 - Fund the Annual Required Contribution
 - Death & Disability Review
 - Fraud, Waste & Abuse Review
 - Effective Policy



Retirement Readiness & Financial Education

A Deeper Dive

Michael McCann

Vice President | Key Account Management | Client Relations &
Business Development Prudential Retirement



Annual Benefit Statement – Data Observations

- 393,000 Annual Benefit Statements generated
 - 185,000 members also had a 401(k) and 457 plan (47%)
- 393,000 “active members” of the retirement system is approximately 42% of the total pension membership (925,000)
- 401(k) and 457 plans are ~10% the size of the pension plan in terms of total assets
- Members with a 401(k) and/or 457 plan
 - Retirement readiness score of 77% vs. over 67% for entire membership
- 102,000+ members that received an annual benefit statement in 2014, are within five years of their retirement date
 - 26% of active membership within 5 years of retirement
 - 55% of this group (56,000) has a current retirement readiness surplus
- Market performance can effect members near surplus/gap breakpoint
 - 102,417 (26%) members have a projected retirement gap/surplus within +/- \$100 per month
 - 31,499 members have a 401(k) and/or 457 plan with a projected retirement gap/surplus within +/- \$100 per month (17% of supplemental plan unique membership)



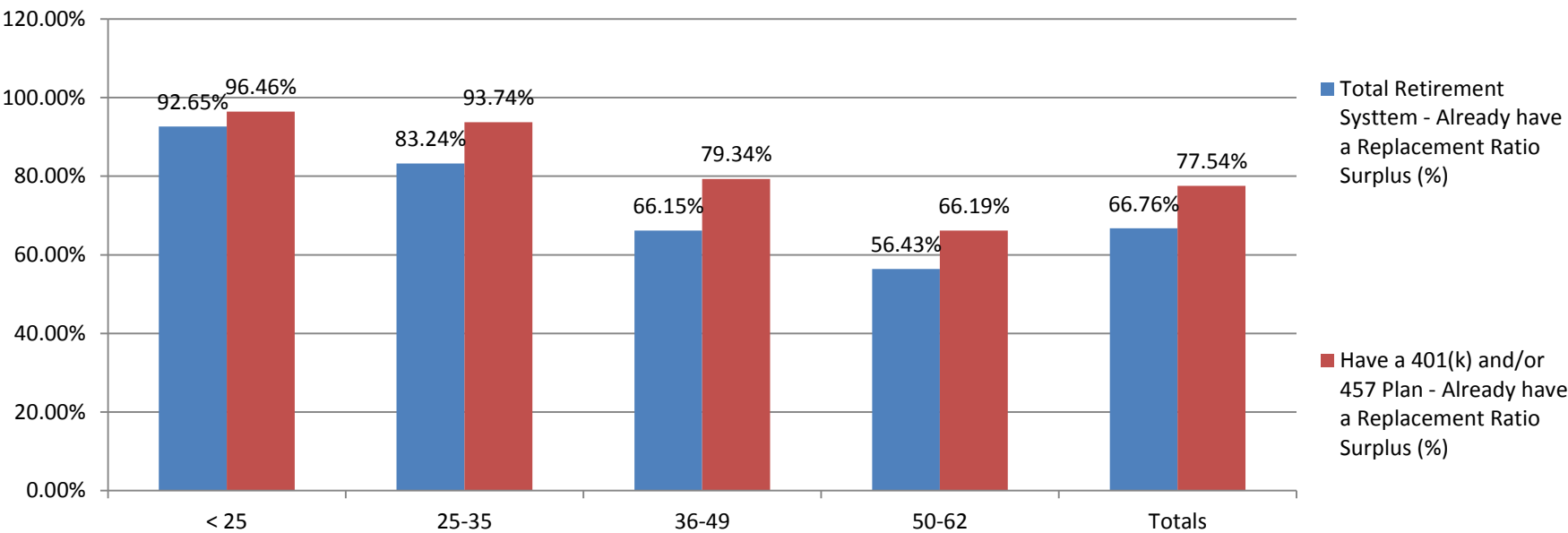
Annual Benefit Statement – Data Observations

- Age 62+ membership has increased 73% since 2011
- Age of Membership will continue to put stress on net flows
- Limited salary increases over past few years at many employers continue to ‘slow’ the pace of incoming contributions
- Since starting ABS report in 2011, active membership has remained flat (398,000 in 2011, 390,000 in 2012, 393,000 in 2013). Over this same period...
 - Total plan assets in the supplemental plans are up 37%
 - Retirement Readiness score has increased 21% (55.60 to 67.56%)
 - GoalMaker utilization among new enrollments has increased 14%
 - Total GoalMaker utilization has increased 20%
 - Total average contributions have remained flat (similar to salary increase trend)
 - Enrollment % growth has remained neutral
- A quarter of active membership are likely to retire in the next five years
- Short of implementing Auto Enrollment and Auto Escalate, our strategy will need to shift towards data sharing and targeted marketing initiatives



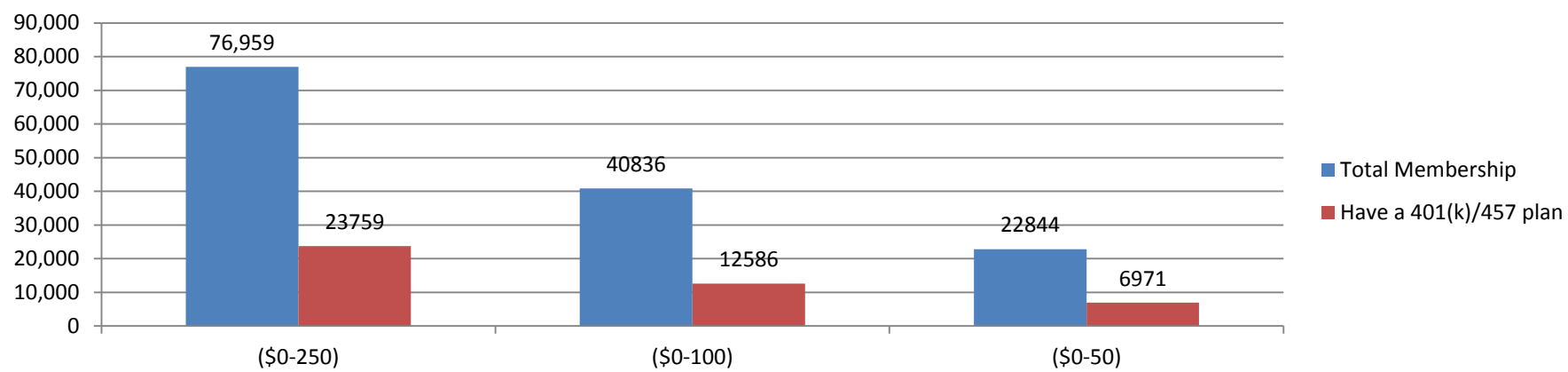
Annual Benefit Statement – Retirement Readiness

Retirement Readiness Comparison – Age Group and Surplus Ratio Based on Participation in Supplemental Plans

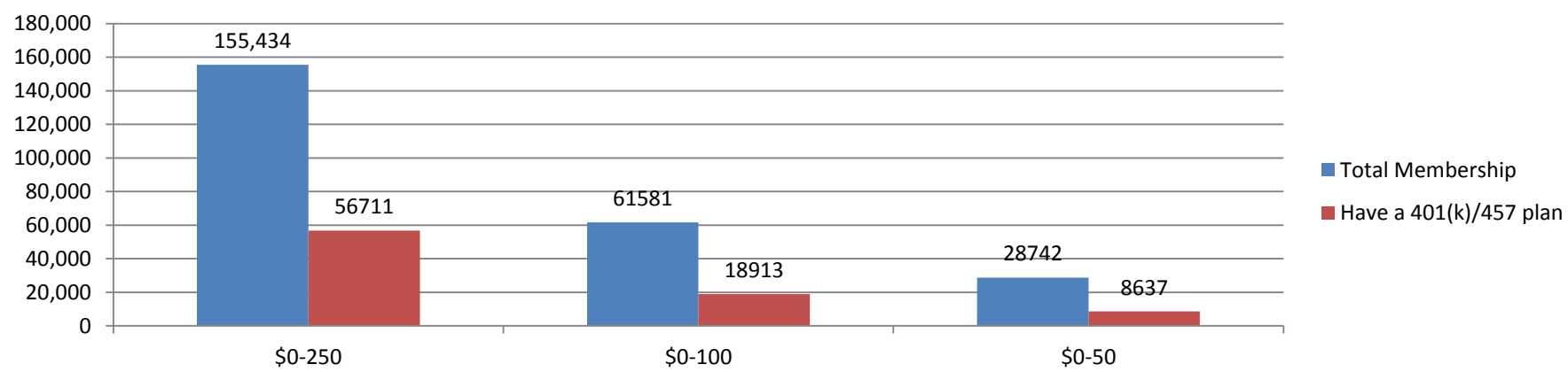


Annual Benefit Statement – Retirement Gap/Surplus Analysis

Total ABS Membership vs. DC Membership – Monthly Gap Analysis



Total ABS Membership vs. DC Membership – Monthly Surplus Analysis



Financial Education Study – North Carolina Residents

- *Not run out of money in retirement* is the most important financial goal among North Carolina residents, followed by *afford medical care in retirement*, and *maintaining desired lifestyle in retirement*
- *Saving for retirement* is an important goal particularly among younger residents -- 78% see it as important, compared to 65% of North Carolina residents overall. Among retirees, *protecting existing savings* comes out high on the list of priorities

Important Financial Goals

	North Carolina	Nationwide
Not run out of money in ret	80%	75%
Afford medical/healthcare in ret	72%	68%
Have income to maintain desired ret lifestyle	70%	66%
Not become a burden to loved ones in ret	69%	64%
Pay for unexpected expenses in ret	68%	65%
Save for retirement	65%	58%
Protecting existing investments and savings	60%	55%
Reduce debt	59%	54%
Financial security to my loved ones if I die	58%	52%
Afford nursing home care	42%	39%
Save for major purchase other than home	40%	39%
Support family members	37%	31%
Fund education for children/grandchildren	34%	28%
Save to purchase a home (primary)	30%	27%
Leave inheritance	29%	25%
Give to charity	25%	20%

Second most important goal (78%) among the younger population

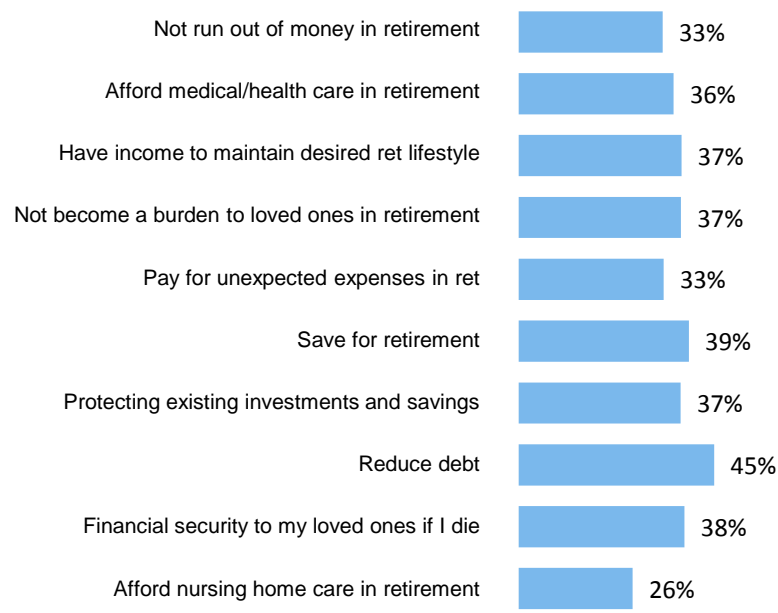
Relatively more important among retirees



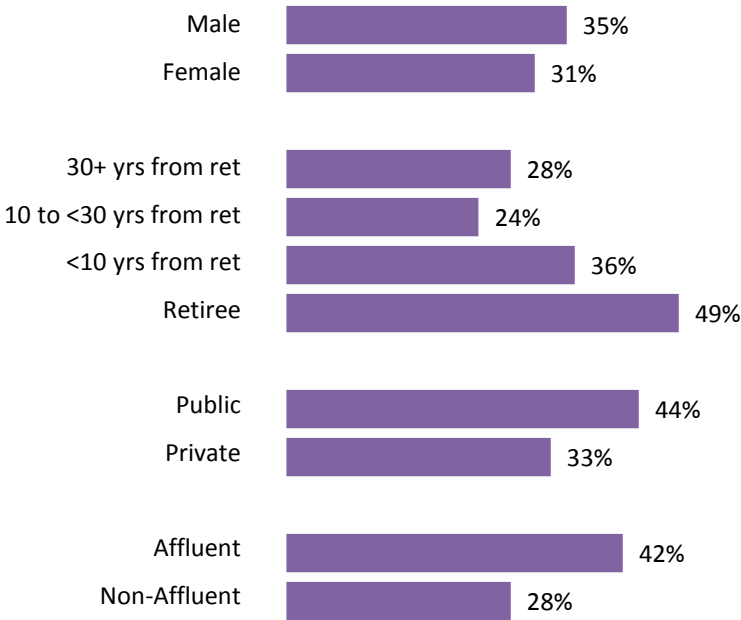
Low confidence in achieving financial goals

Only 33% are confident that they will achieve the goal of *not running out of money in retirement*. This is lower among women, private sector workers, those who are less affluent, and those far off from retirement

Confidence in Achieving Top Financial Goals



Confidence in achieving top goal of 'not running out of money in retirement'



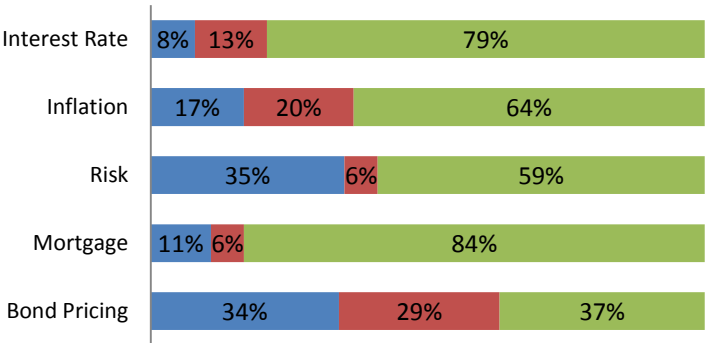
Financial Education in North Carolina

- More than a fifth of working age and retired North Carolina residents lack the basic knowledge of investing and saving for retirement; 16% are beginners and ill-equipped to make financial decisions
- Many do not have a good grasp of fundamental concepts of economics and finance---only about half are able to answer 4 or more financial literacy questions correctly

Knowledge of Different Financial Areas



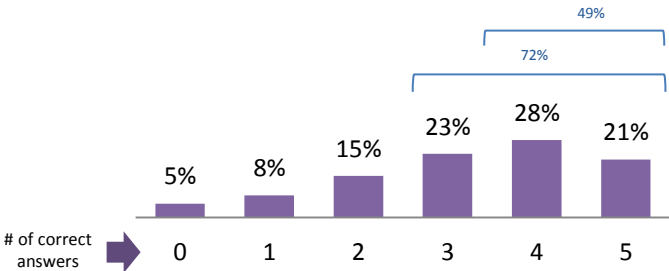
Financial Knowledge*



Level of Preparedness to Make Wise Financial Decisions



Financial Knowledge Summary
(# of Correct Answers)



2014 Top-Level Metric Goals

Retirement Readiness – 70% of all active NC public servants at age 62 or older are on track to replace 80% of their pre-retirement income in retirement. By 2020, 90% of all active NC public servants at age 62 or older are on track to replace 80% of their pre-retirement income in retirement. The following sub-goals are being pursued to help us achieve our top-level metric of 70% in 2014:

- 457 Participation: 1,315 new members (net)
- 401(k) Participation: 477 members (net)
- 457 Average Contribution: \$130
- 401(k) Average Contribution: \$160
- 457 GoalMaker Participation (new/existing): 91.5%/55%
- 401(k) GoalMaker Participation (new/existing): 89.50%/55%

Member Satisfaction – 4.25 member overall satisfaction score (scale of 1 to 5)

- Daily survey results from customer experiences in Retirement Processing, Benefit Processing, and Member Services
- Monthly metric results for turn around time, paid on time percentage, and other key performance measures

Employee Engagement – 3.05 employee overall satisfaction score (scale of 1 to 4)

- Annual survey results from employee

Fiscal Integrity – success on the following sub-goals:

- Implementation of Pension Spiking
- Progress towards 100% overall funding percentage
- Establishment of a Compliance Team
- Continued automation efforts





Thank you!

Together, we can build and maintain a fiscally strong and prosperous North Carolina.

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