



## Agenda Item 11

August 18, 2015

**ITEM NAME:** Recent Retirement Research

**PROGRAM:** Benefit Programs Policy & Planning Group

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This information item provides an overview of Retirement Research & Planning Division (RRPD) research efforts to support retirement security and demonstrate retirement industry leadership.

### **STRATEGIC PLAN**

This agenda item supports Goal C, Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

### **BACKGROUND**

In 2011, the California Public Employees' Retirement System (CalPERS) reorganized the enterprise to better align its functions to its mission. Along with the functional alignment, CalPERS formed Benefit Programs Policy & Planning (BPPP) to proactively address public policy issues that impact our mission, such as health care and retirement security, and develop new ways to better serve our members and employers. Within BPPP, CalPERS created RRPD to focus on retirement issues.

As part of the 2012-14 Business Plan Initiative, CalPERS operationalized RRPD to expand leadership and policy expertise on retirement issues and communicate to members, employers, policymakers, partners, media, and taxpayers. RRPD created a Research Agenda and began developing white papers addressing important retirement research topics to expand CalPERS thought leadership. CalPERS Pension Beliefs guide RRPD's research agenda which articulates its priorities related to:

- **CalPERS Membership**
- **Insight and Innovation**
- **Sustainability**
- **Policy Recommendations**

### **ANALYSIS**

RRPD's past research efforts include publications related to:

- **CalPERS Membership**
  - *California Public Employee Retirement Benefits – Assessing Compensation Changes* (April 2014) – Compares California government salaries and

retirement expenditures to other states, and estimates Public Employees' Pension Reform Act (PEPRA) benefit formula impacts. While California government employers spent slightly more on retirement benefits than the national average in 2010, they spent less on overall compensation when considering salaries and retirement benefits. This study estimates that a hypothetical PEPRA member would receive \$435 less per month than a "Classic" member at the same retirement age and with the same years of service.

- *The Emerging Role of Defined Contribution Plans for California Public Employees* (April 2014) – Estimates the savings or additional years of service members would need to offset PEPRA impacts. Based on hypothetical scenarios, PEPRA members need to save an additional \$373 to \$1,480 per month throughout their careers or work two and a half to five years longer to retire with the same income as "Classic" members. As PEPRA members become more aware of the need to save for retirement, Defined Contribution (DC) plans may play a more important role in retirement planning.
- **Insight and Innovation**
  - *Strategies to Improve Retirement Readiness* (September 2014) – Findings about retirement readiness among United States workers and strategies to help individuals plan for retirement. Americans are struggling to prepare for retirement and certain populations are at greater risk of not being prepared for retirement than others, such as individuals under 30 years old, women, and low-income families. Employers are in the best position to support planning by becoming an educational resource and leveraging behavioral economics to increase savings.
  - *Increasing Defined Contribution Plan Participation – A California Pilot Project* (published in the Journal of Retirement, Fall 2014) – Highlights the impact of three levels of intervention designed to encourage employee participation in a DC plan. All three interventions successfully increased DC plan enrollment and the number of existing members who made contribution changes, with the medium and high interventions achieving the most significant results. There was no significant difference, however, between the medium and high interventions.
- **Sustainability**
  - *Retirement Security in Modern Times* (June 2012) – Analyzes characteristics of well-funded plans, as well as challenges and potential solutions surrounding retirement security. While employers are concerned about their ability to meet pension obligations, they can mitigate that risk by instituting policies that lead to pension plan soundness, such as continual contributions at least equal to the normal cost and responsible cost-of-living adjustments.

- *CalPERS Economic Impacts in California* (March 2014) – Findings from an analysis capturing the statewide impacts of CalPERS Fiscal Year 2011-12 benefit payments and investments on the California economy. CalPERS benefit payments generated \$30.4 billion in economic activity, of which \$1 billion supported California’s recovering real estate sector. CalPERS also invested \$20.7 billion in California, supporting 1.5 million California jobs and providing private equity investments in high minority, high unemployment, low-to-moderate income, and rural areas.

RRPD continues to fulfill its purpose by promoting and sharing research. Examples include two recently authored white papers:

- **Sustainability**
  - *CalPERS Economic Impacts in California* – Findings from an analysis capturing the statewide impacts of CalPERS Fiscal Year 2013-14 benefit payments and investments on the California economy. RRPD will present this analysis at the Western Users of SAS Software Conference in September 2015.
- **CalPERS Membership**
  - *CalPERS 2014 Retirement Trend Report* – Analysis of CalPERS new retiree data, highlighting member group trends as well as demographic, policy, and economic changes that may have impacted these trends.

Attachment 1 highlights findings from these two papers.

RRPD’s future research efforts will continue to focus on the four broad areas of its research agenda (Attachment 2).

## **BUDGET AND FISCAL IMPACTS**

Not applicable

## **BENEFITS/RISKS**

The research agenda has the following benefits:

- Establishes research, policy, and data priorities in alignment with CalPERS Strategic and Business Plans
- Supports CalPERS Pension Beliefs
- Demonstrates retirement industry leadership
- Identifies best practices and policies to promote retirement security

**ATTACHMENTS**

Attachment 1 – Pension & Health Benefits Committee Presentation

Attachment 2 – Retirement Research & Planning Division Research Agenda

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