

# Considerations in the Retirement Income Phase of Life

Account Balances, Income Streams, and RMDs! Oh My!

**EBRI Policy Forum #84**

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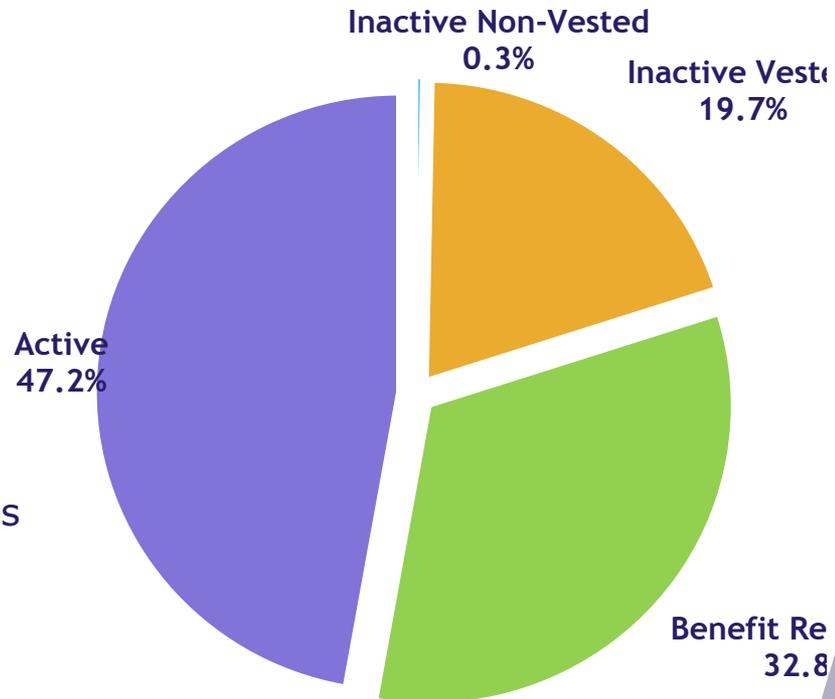
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# About INPRS

## At-a-glance

- ▶ \$34.2 billion in assets
- ▶ 467,332 members
- ▶ 1,200± public employers
- ▶ 8 Defined Benefit plans
- ▶ 3 Defined Contribution plans



# INPRS Hybrid Plans

## Defined Benefit & Defined Contribution

- ▶ Hybrid plans for more than a generation
  - ▶ Public Employees' Retirement Fund (PERF)
  - ▶ Teachers' Retirement Fund (TRF)
- ▶ Not Cash Balance plans, but DB + DC
- ▶ Members of both plans participate in Social Security

# INPRS DC Plans

PERF/TRF “Annuity Savings Accounts” became DC accounts in January 2018

Plan	Participants	Assets (Millions)
<b>DC Only</b>		
My Choice: Retirement Savings Plan for State Employees	2,289	\$11.9
My Choice: Retirement Savings Plan for Local Government Employees	1,045	\$0.9
Legislators’ Defined Contribution Fund	217	\$33.6
<b>Hybrid DC</b>		
Public Employees	217,652	\$2,868.0
Teachers’	94,411	\$2,744.0

# PERF & TRF

## Income decisions at retirement

- ▶ DB distribution options
  - ▶ Early retirement
  - ▶ Payment options
- ▶ What to do with my DC account at retirement
  - ▶ Leave it with INPRS
  - ▶ Rollover
  - ▶ Lump sum distribution
  - ▶ Annuitize

# History & Challenge

## INPRS stops annuitizing DC accounts

- ▶ INPRS identifies risk with in-house annuities (2013)
  - ▶ Assumed rate of return greater than market rates
  - ▶ Board Decision:
    - ▶ Move to a market rate for DC account annuities
    - ▶ Provide DC account annuities in the future through an outside provider

# History & Challenge

## INPRS stops annuitizing DC accounts

- ▶ The Indiana General Assembly passed legislation:
  - ▶ Annuities will be calculated at 5.75 percent (Oct. 1, 2014 to Sept. 30, 2015)
  - ▶ Market rate or 4.5 percent, whichever is greater (Oct. 1, 2015 to Dec. 31, 2016)
  - ▶ After Dec. 31, 2016:  
Market rate until whenever the INPRS board enters into an agreement with a third party provider
- ▶ Results in a “retirement tsunami” – 2014

# History & Challenge

## INPRS stops annuitizing DC accounts

- ▶ INPRS selected MetLife as a provider of DC account annuities (agreement: 2017)
  - ▶ Live January 2018
- ▶ Percent annuitizing
  - ▶ Prior to 2014: 50% ±
  - ▶ CY 2017: 37% ±
  - ▶ 2018 to-date: 15% ±

# History & Challenge

## Creation of new DC-only plans

- ▶ Two new defined contribution plans authorized by the Indiana General Assembly
  - ▶ My Choice: Retirement Savings Plan for State Employees (2013)
  - ▶ My Choice: Retirement Savings Plan for Local Government Employees (2016)

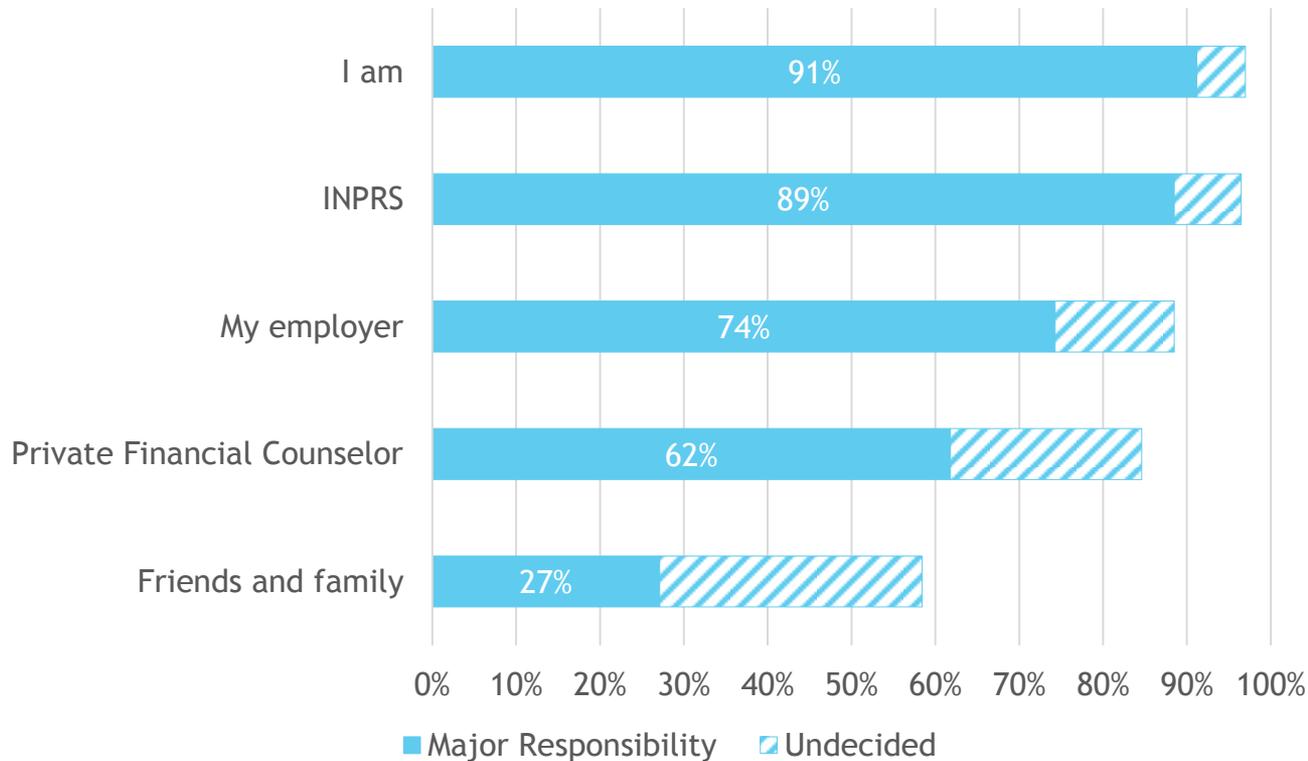
# Questions

Where is the Voice of the Customer in all this?

- ▶ How have these changes impacted retiring members?
  - ▶ What do members tell us they expect to do with their DC funds?
  - ▶ What do they want from INPRS?
  - ▶ How should INPRS respond?
  
- ▶ Do participants in INPRS' My Choice (DC) plans have different needs than their DB-covered peers?
  - ▶ What do they want from INPRS?
  - ▶ How should INPRS respond?

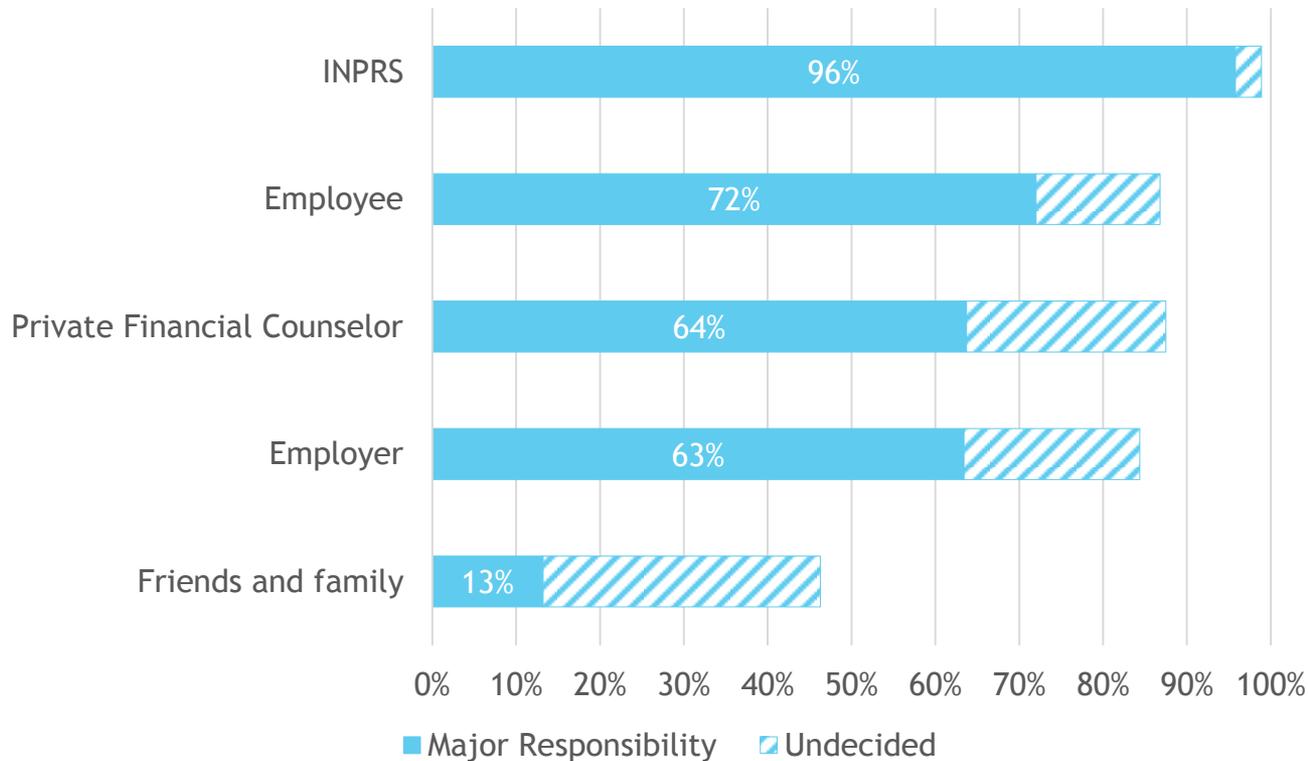
# What do members expect?

Who is responsible for providing my retirement financial education?



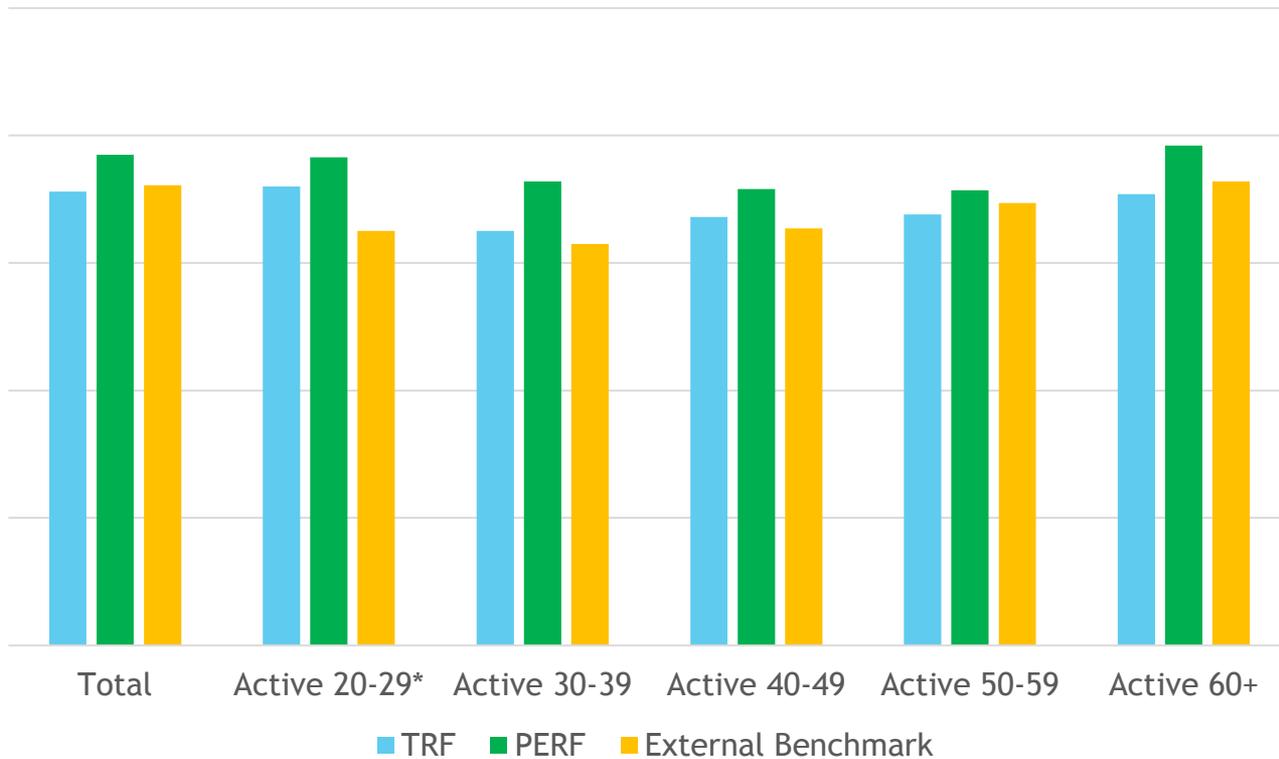
# What do employers expect?

Who is responsible for providing retirement financial education to your INPRS-covered employees?



# Measuring Engagement

Benchmark and segmenting such as age, plan, etc.



# What We Learned

## Member Engagement: Results-driven, benchmarked retirement financial education

- ▶ Research shows:
  - ▶ Members and employers believe it is INPRS' responsibility to help members improve their retirement readiness
  - ▶ The best way to help members/participants is to engage them
    - ▶ Engagement can be measured and benchmarked
    - ▶ Engagement research can help drive retirement readiness
    - ▶ Steps taken to become retirement ready can be measured

# INPRS Response

Evolving member/participant needs for the retirement income phase of life

- ▶ Annuitization changes
  - ▶ More members are forecast to leave their DC accounts invested with INPRS after retirement
  - ▶ INPRS Response:
    - ▶ Consider TDFs through retirement
    - ▶ Consider TDF glide path risk
    - ▶ Simplify periodic distribution
  
- ▶ My Choice DC plans
  - ▶ Member takes on the risk of accumulation, allocation, and decumulation
  - ▶ INPRS Response:
    - ▶ Roll out engagement-driven retirement financial education
    - ▶ Consider TDF glide path risk