

Distribution of combined IRA and DC balances:
2007 SCF adjusted to May 4, 2009 for those age 55-64

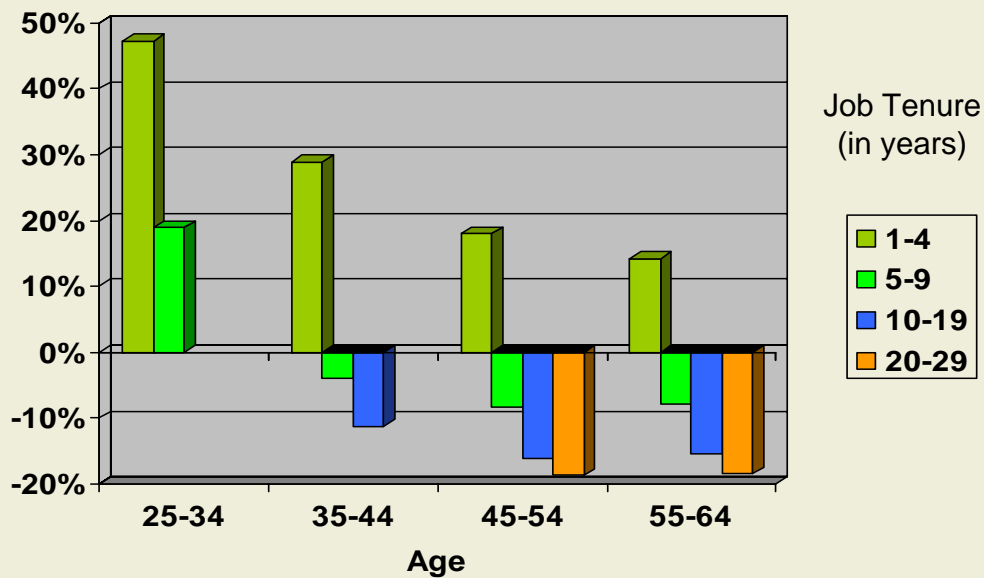
**EBRI May 2009 policy forum:
Decumulation/retirement income in defined
contribution plans
May 7, 2009**

Jack VanDerhei and Craig Copeland, EBRI

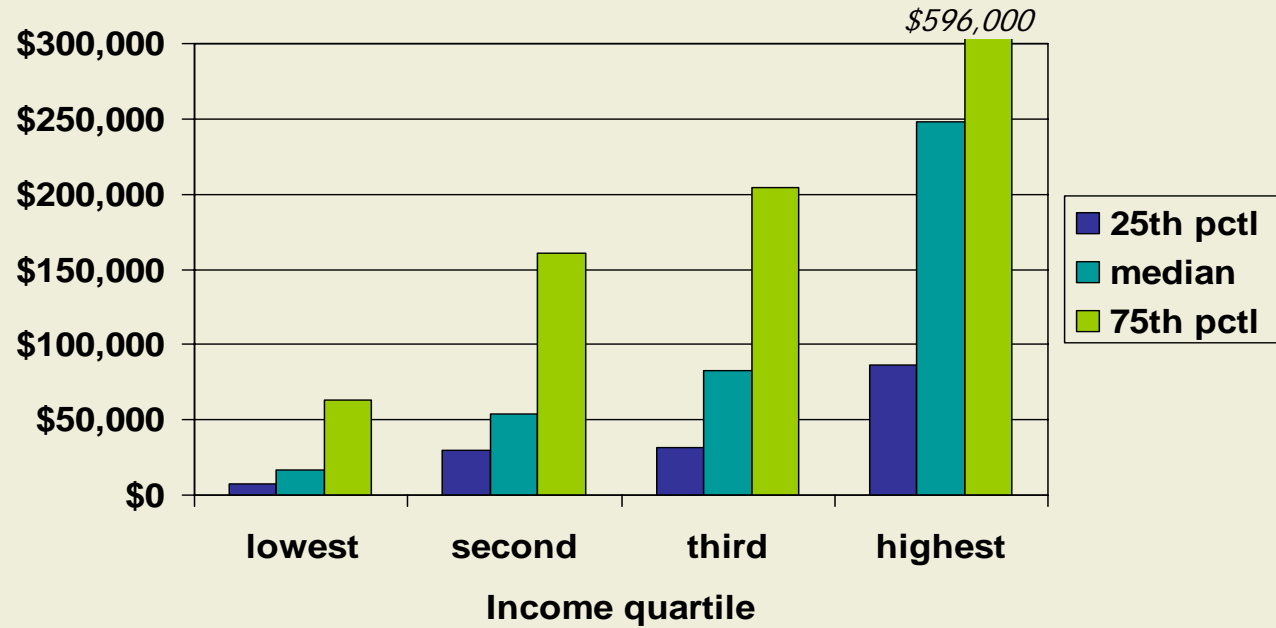
Introduction

- Important to realize what type of financial resources those close to retirement age have available to them
 - This presentation will focus on what is likely to be available with respect to DC plans and IRAs
 - More detail will be available in the July 2009 EBRI Issue Brief
- SCF
 - The Survey of Consumer Finances (SCF) is a triennial survey of the balance sheet, pension, income, and other demographic characteristics of U.S. families.
 - Information on both current and previous DC plans, IRAs and the existence of DB accruals
 - However, only 2007 asset valuations
- EBRI has been updating the results of the recent market situation on a universe of over 20 million 401(k) participants since October
 - Next slide shows the average losses by age and tenure from January 1, 2008 though market close on May 5, 2009
 - This computer model was used to update the DC and IRA information on SCF

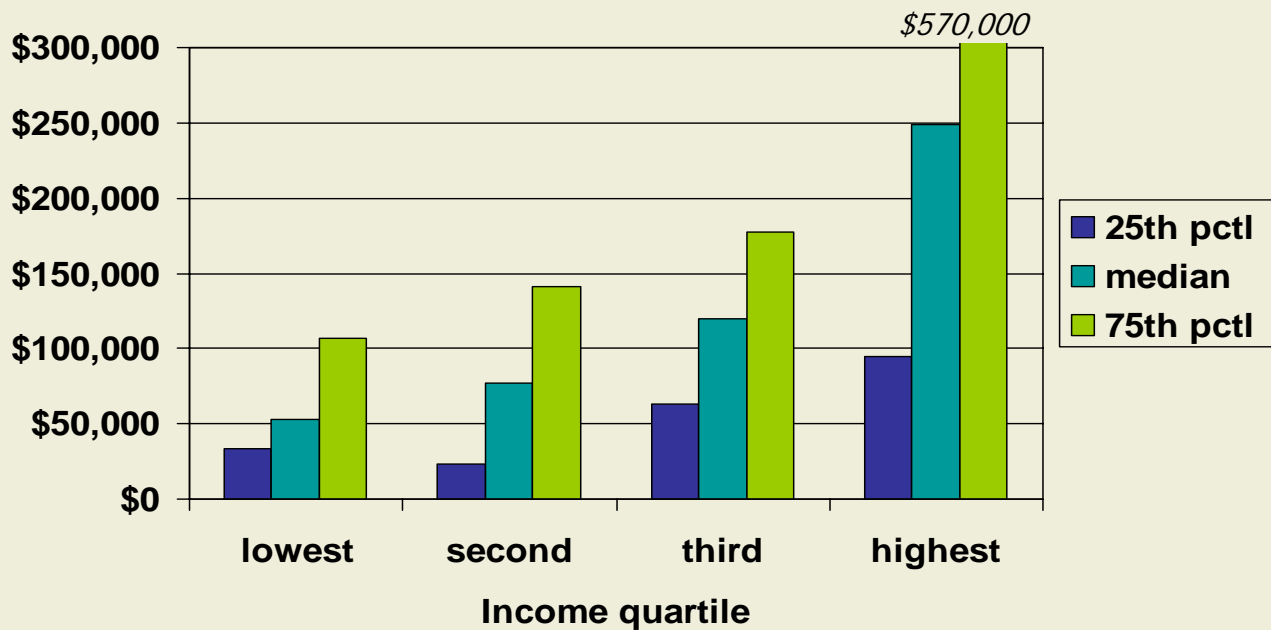
Change In Average Account Balances From January 1, 2008 – May 5, 2009 Among 401(k) Participants with Account Balances as of Dec. 31, 2007



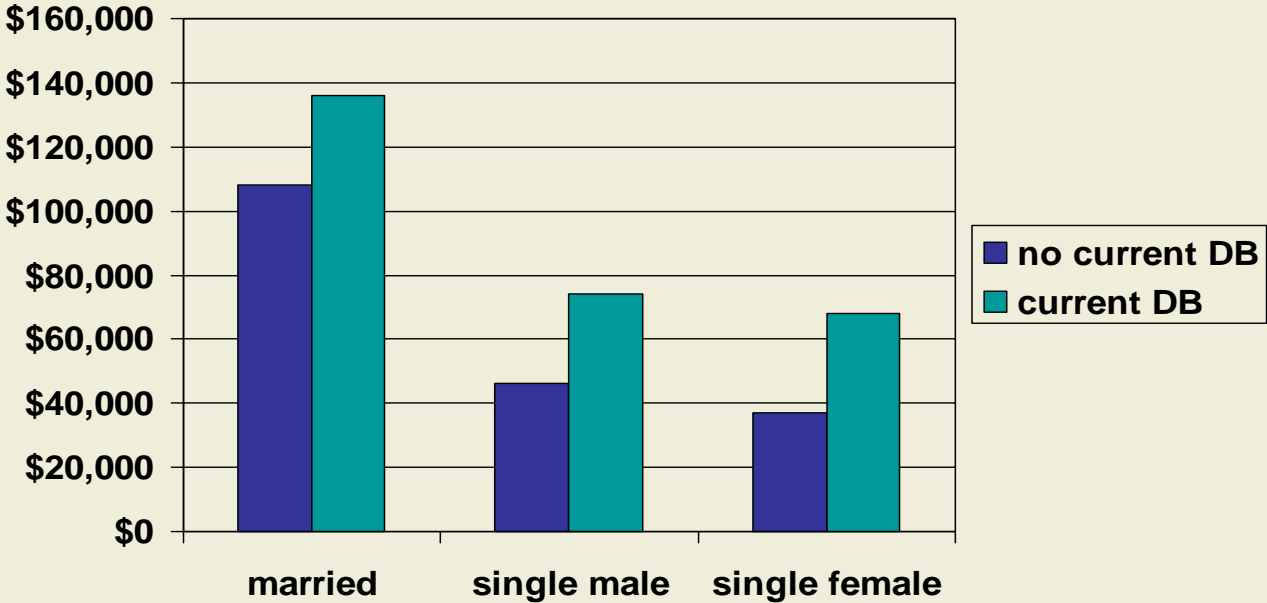
Distribution of combined IRA and DC balances:
 2007 SCF adjusted to May 4, 2009 for those age 55-64 with a
 balance but without current DB coverage, by income quartile



Distribution of combined IRA and DC balances:
 2007 SCF adjusted to May 4, 2009 for those age 55-64 with a
 balance and with current DB coverage, by income quartile



Median combined IRA and DC balances:
2007 SCF adjusted to May 4, 2009 for those age 55-64 with a
balance, by family status, gender and current DB coverage



Median combined IRA and DC balances:
 2007 SCF adjusted to May 4, 2009 for those age 55-64 with a balance, by
 family status, gender and income quartile
 NB: quartiles are unique for each group



And what about the younger cohorts?

- Increased account balances originating from 401(k) plans were presented at the May 2008 EBRI policy forum (June 2008 Issue Brief at EBRI.org)
 - Extent of increase depends on
 - Adoption of automatic enrollment
 - Adoption of automatic escalation by plan sponsors and its utilization by employees
 - Extent and duration of “temporary” suspension of matching contributions
 - Employee’s reaction to suspensions
- DB freezes
 - Extent to which this decreases coverage and/or reduces generosity of benefits
 - Next slide shows the simulated impact on DB replacement ratios if all private DB plans were to freeze for NEW employees immediately

Expected CONDITIONAL reduction in nominal replacement rates if all private defined benefit plans were to freeze accruals for NEW employees immediately, by age

