Considerations in the Retirement Income Phase of Life
Account Balances, Income Streams, and RMDs! Oh My!

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Indiana Public Retirement System
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

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

- I am: 91%
- INPRS: 89%
- My employer: 74%
- Private Financial Counselor: 62%
- Friends and family: 27%

[VOC Research]

[INPRS]
What do employers expect?
Who is responsible for providing retirement financial education to your INPRS-covered employees?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>INPRS</td>
<td>96%</td>
</tr>
<tr>
<td>Employee</td>
<td>72%</td>
</tr>
<tr>
<td>Private Financial Counselor</td>
<td>64%</td>
</tr>
<tr>
<td>Employer</td>
<td>63%</td>
</tr>
<tr>
<td>Friends and family</td>
<td>13%</td>
</tr>
</tbody>
</table>

VOC Research
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